



**Havering**  
LONDON BOROUGH



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**ANNUAL REPORT ON THE  
WORK OF  
THE AUDIT COMMITTEE**

**April 2012**

## **1. Introduction**

1.1 This report covers the period April 2011 to March 2012 and outlines:-

- Information relating to the Audit Committee;
- The coverage of work undertaken by the Audit Committee;
- Key issues arising;
- Actions taken during the year, including training, to ensure the effectiveness of the Audit Committee; and
- Future planned work and challenges.

## **2. Background**

2.1 The Audit Committee has been in place for a number of years and has as its terms of reference:

- To consider and monitor the Authority's risk management and internal control environment;
- To focus audit resources;
- To receive and approve the Annual Statement of Accounts
- To monitor performance of internal and external audit; and
- To monitor proactive fraud and corruption arrangements.

## **3. The Audit Structure**

Audit Committee     Cllr Georgina Galpin (Chair from May 2010)  
                              Cllr Osman Dervish  
                              Cllr Roger Ramsey  
                              Cllr Frederick Thompson  
                              Cllr Clarence Barrett  
                              Cllr Denis Breeding

Internal Auditors     Internal Service

External Auditors    PricewaterhouseCoopers (PwC)

## **4. Audit Committee coverage**

4.1 The Audit Committee has received the reports as set out in Appendix A. The coverage can broadly be categorised as regular and specific. More information on both is set out below.

### **4.2 Regular Work**

The Committee has regularly reviewed:

- Progress against the audit plan and performance;
- Key findings/issues arising from each audit undertaken;
- Progress against implementation of the recommendations;
- Anti fraud and corruption activity, including frauds investigated and outcomes;
- Treasury Management activity;

- The demise of the Audit Commission; and
- The Accounts closedown timetable and progress reports.

#### 4.3 Specific Review / Reports

There were several during the year including a review and approval of:

- the Risk Management Strategy;
- the Anti Fraud and Corruption Strategy;
- the Statement of Accounts including Annual Governance Statement;
- the Internal Audit Strategy; and
- the Annual Audit Plan,

The Committee also received assurances via:

- Annual Report from Internal Audit; and
- The work of External Audit (PwC).

### **5. Key issues arising**

- 5.1 Members of the Audit Committee have been regularly briefed on the objection to the Statement of Accounts by a resident and the subsequent enquiry by PwC.
- 5.2 The Committee approved the Annual Governance Statement for the first time in June 2011; this was previously the responsibility of the Governance Committee.
- 5.3 Private Sector Leasing former tenant arrears were highlighted as an issue. Members continued to be briefed on this matter until they were satisfied that they had received adequate assurances.
- 5.4 The introduction of the requirement of compliance with the International Financial Reporting Standards meant significant changes to the annual accounts that the Committee is responsible for approving.
- 5.5 The Committee received updates from the relevant Head of Service regarding areas where audit assurances had not improved or recommendations not implemented in line with planned timescales.

### **6. Work to ensure effectiveness of Committee**

- 6.1 The Committee has received dedicated training and awareness sessions on Risk Management, Fraud and Housing Tenancy Fraud.
- 6.2 In February the annual review of the committee's effectiveness was undertaken. The Committee completed a skills questionnaire and progress towards completing the action plan from the prior year was reviewed. There were no significant issues from this exercise.
- 6.3 The Committee has agreed that all members and substitute members must be trained sufficiently to fulfil their roles; this has been agreed as a change to the Constitution by Governance Committee and Council.

## **7. Priorities and work plan for the forthcoming year**

- 7.1 The Audit Committee is currently planned to meet on five occasions over the next municipal year. There are specific reports planned throughout the year, running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with progress reports from the Council's external auditor.
- 7.2 Officers will ensure any all members on the Committee, and their substitutes, are adequately trained in their roles.
- 7.3 The Committee will continue to focus on ensuring Value for Money and challenging weak areas that have been highlighted by the work of Internal Audit.
- 7.4 The Committee will focus on the new Risk Management arrangements being launched in April 2012 and seek assurances that robust arrangements are in place.
- 7.5 Fraud prevention and detection will be high on the Audit Committees agenda going forward.
- 7.6 The briefings for Committee members will be extended to include all members who wish to participate.

**AUDIT COMMITTEE AGENDA ITEMS  
FROM APRIL 2011 TO DATE**

**May 2011**

- Update of objection to accounts action plan
- Update on PSL arrears
- External Audit fee letter
- Internal Audit interim progress report
- Annual Review of Anti-Fraud and Corruption Arrangements
- Fraud progress report
- Annual Report on Whistleblowing
- Annual Report of Audit Committee
- Update on DCLG consultation on future of Public Audit.
- Urgent Business

**June 2011**

- Update of objection to accounts action plan
- Update on PSL arrears
- CFO Accounts update report
- External Audit progress report
- Annual Head of Internal Audit Report
- Internal Audit progress report
- Annual Governance Statement
- Urgent Business
- Annual Treasury Report

**September 2011**

- Annual Statement of Accounts
- International Standards of Auditing – Report to those charged with Governance
- Response to Auditors
- Update on Objection to the Accounts
- Update on PSL
- Internal Audit progress report
- Fraud progress report
- Update on the future of the Audit Commission
- Urgent Business
- Treasury Update

**December 2011**

- Housing Benefits Overpayment Report
- Annual Audit Letter
- Accounts closedown timetable
- Governance Update
- Internal Audit Progress Report
- Fraud Progress Report
- Demise of Audit Commission
- Urgent Business
- Treasury Update

## **February 2011**

- Complaints
- Non Domestic Rates
- External Audit Plan
- 10/11 Audit Report of Grant Claims
- Annual review of Risk Management
- Annual Review of the Audit Committees Effectiveness
- Internal Audit Progress Report
- Fraud Progress Report
- Internal Audit Charter and TOR
- Internal Audit Plan 11/12 and Strategy
- Closure of Accounts Timetable
- Urgent Business
- Treasury Update

**APPENDIX B****AUDIT COMMITTEE MEMBERS TRAINING / AWARENESS**

<b>Timescale</b>	<b>Session</b>	<b>Coverage</b>	<b>Attendance</b>
May	Fraud	General Fraud update	No record
December	Housing Tenancy Fraud	New team and new processes for tackling HT Fraud	Cllr Galpin Cllr Binion Cllr O'Flynn Cllr Thompson Cllr Ramsey Cllr Barrett
February	Risk Management	Corporate Risks interactive session	Cllr Galpin Cllr Ramsey Cllr Thompson Cllr Dervish

## AUDIT COMMITTEE – FORWARD PLAN / TRAINING

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
June 2012	<ul style="list-style-type: none"> <li>• Update on objection to accounts</li> <li>• CFO Accounts update Report</li> <li>• External Audit Progress Report</li> <li>• Internal Audit Progress Report</li> <li>• Fraud Progress Report</li> <li>• Annual Review of Anti Fraud &amp; Corruption Arrangements inc Money Laundering and Whistleblowing</li> <li>• Annual Audit Report</li> <li>• Annual Governance Statement</li> <li>• Demise of Audit Commission</li> <li>• Annual Treasury Report</li> </ul>	Fraud
September 2012	<ul style="list-style-type: none"> <li>• Annual Accounts</li> <li>• Report to those charged with Governance</li> <li>• Response to Auditors</li> <li>• Internal Audit Progress Report inc Outstanding Recommendations Report</li> <li>• Fraud Progress Report</li> <li>• Demise of Audit Commission</li> <li>• Treasury Update</li> </ul>	TBC – separate plan to June Committee
December 2012	<ul style="list-style-type: none"> <li>• Update on the objection to the accounts</li> <li>• Annual Review of Risk Management Arrangements</li> <li>• Annual Audit Letter</li> <li>• Closure of Accounts Timetable</li> <li>• Internal Audit Progress Report</li> <li>• Governance Update</li> <li>• Fraud Progress Report</li> <li>• Demise of Audit Commission</li> <li>• Treasury Management Report</li> </ul>	TBC
March 2013	<ul style="list-style-type: none"> <li>• External Audit Plan</li> <li>• Internal Audit Draft plan and strategy.</li> <li>• Internal Audit progress report</li> <li>• Fraud Progress Report</li> <li>• Annual Review of Audit Committee Effectiveness</li> <li>• Internal Audit Charter and Terms of Reference</li> <li>• Annual Grants review</li> <li>• Demise of Audit Commission</li> </ul>	TBC



	<ul style="list-style-type: none"><li>• Treasury Management Report</li></ul>	
April 2013	<ul style="list-style-type: none"><li>• Interim Internal Audit Progress Report</li><li>• Annual Report of Audit Committee</li><li>• Close down Accounts timetable</li><li>• External Audit Pensions Plan</li><li>• Demise of Audit Commission</li></ul>	TBC