

<p style="text-align: center;">ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE 2022/23 FINANCIAL YEAR</p>

1. Introduction

This reports covers the period July 2022 to May 2023 and outlines:-

- Information relating to the Audit Committee;
- The coverage of work undertaken by the Audit Committee;
- Actions taking 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. The Committee's terms of reference list the responsibilities and authorities delegated in the Council's Constitution, which comprise:

Internal control

- To consider and monitor the adequacy and effectiveness of the authority's risk management and internal control environment and to make recommendations to full Council where necessary.

External audit

- To monitor the adequacy and effectiveness of the External Audit Service and respond to its findings.

Internal audit

- To support the Officers with their delegated responsibility of ensuring arrangements for the provision of an adequate and effective internal audit.
- To monitor the adequacy and effectiveness of the internal audit service and to receive and monitor an annual internal audit plan from the audit manager.
- To approve the Annual Statement of Accounts, including the Annual Governance Statement, and to recommend as necessary to the Governance Committee regarding the committee's responsibilities to monitor corporate governance matters generally.
- To monitor proactive fraud and corruption arrangements.

The Audit Structure (since April 2022):

Audit Committee: Councillor Jukie Wilkes (Chairman)
Councillor David Godwin (Vice Chairman)
Councillor David Taylor
Councillor Keith Prince
Councillor Damian White
Councillor Sarah Edwards
Councillor Jane Keane
Councillor Darren Wise

Internal Auditors: oneSource

External Auditors: Ernst & Young

During the year under review, the Committee met on five occasions and dealt with the following issues:

3. Audit Committee coverage

3.1 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.

3.2 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; and
- The Accounts closedown timetable and progress reports.

3.3 Specific Reviews / Reports

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

- the Statement of Accounts;
- the Annual Governance Statement; and
- the Annual Audit Plan.

The Committee also received assurances via:

- Annual Report from Internal Audit that includes the Annual Assurance Statement; and
- The work of the Council's External Auditors (Ernst & Young).

Priorities and work plan for the forthcoming year

- 3.1 The Audit Committee is currently scheduled to meet on four occasions over the next municipal year. There are specific reports planned throughout the year, running through a mix of 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.
- 3.2 Officers will continue to ensure all members on the Committee, and their nominated substitutes, are adequately trained.
- 3.3 The Committee will continue to oversee the effectiveness of the audit team and wider fraud resources in accordance with the Public Sector Audit Standards Audit and Accounts Regulations 2015.
- 3.4 The Committee will continue to receive updates on the Corporate Risk Register and specific input from risk owners where required.
- 3.5 Fraud prevention and detection will continue to be high on the Audit Committee's agenda going forward.
- 3.6 The Committee will continue to focus on ensuring Value for Money and challenging control issues and high risk areas that have been highlighted by the work of Internal Audit.

AUDIT COMMITTEE AGENDA ITEMS – FROM JULY 2022 TO MAY 2023

July 2022

- **Internal Audit Plan 2022/23**
The Committee was presented with a report on the Public Sector Internal Audit Standards that referred to the need to produce a risk-based Internal Audit Plan. It was explained that this took into account the requirement to produce an annual internal audit opinion and report that could be used by each Council to inform the Annual Governance Statement.
- **Head of Assurance Annual Report**
The Committee noted a report that brought together all the aspects of audit, assurance and counter fraud work undertaken in the 2021/22 financial year. These included actions taken by management in response to audit and counter fraud activity, which supported the governance framework of the authority.
- **Treasury Management Annual Report**
It was explained that the Authority's Treasury Management Strategy Statement (TMSS) 2021/22 was approved by Full Council on the 3 March 2021. This backward looking report covered the delivery of the TMSS in 2021/22.

October 2022

- **Assurance Progress Report Q1 and Q2**
The Committee received a report that detailed the work undertaken by the Assurance Service during the period from 1 April to 30 September 2022 and included the work done around the Council's standards progress, internal audit measures, counter fraud and risk functions.
- **Treasury Management Mid Year Report**
The Committee was provided with an update on the mid-year report on the treasury management activities as required by The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code.

It was to be noted that the Authority's Treasury Management Strategy Statement for 2022/23 was approved at the Cabinet meeting on 16 February 2022 and at Full Council on the 2 March 2022.

- **Work Programme 2022/23**
The following were suggested:
 - **Scrutiny of Council Grants** with further examination into who they are awarded to and with specific focus on assurance grants for families in need. Was there a central record of all grants?

- Invoice payments to companies and were there issues around raising pre-orders for things outside of budget
- Children's Services

January 2023

- Treasury Management Strategy Statement 2023/24 and Annual Investment Strategy 2023/24 Treasury Indicators.

The Committee considered, commented and noted the Treasury Management Strategy Statement report that was a part of the authority's reporting procedures as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management ("TM") Code and its Prudential code ("The CIPFA Prudential Code") for capital finance in local authorities.

The Strategy sets out recently introduced changes to the legislative framework, which were generally designed to place restrictions on authorities' commercial activity.

It was noted that the report fulfilled the authority's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA TM Code/Prudential Code and Government Guidance.

- Assurance Progress Report

The Committee were presented with a report that advised on the work undertaken by the Assurance Service (internal audit and counter fraud) during the period from 1st October to 31st December 2022.

- Report on Mercury Land Holdings

The Committee noted a report that advised on the background, activity and financial status of Mercury Land Holdings, the Council-owned development company.

February 2023

- Mercury Land Holdings

The Committee met to raise questions and conduct further scrutiny in relation to Mercury Land Holdings.

April 2023

- Assurance Progress Report

The Committee received the progress on assurance work undertaken by the Assurance Service (internal audit and counter fraud) during 2022/23.

It was noted that the Internal Audit follows up all high and medium risk audit recommendations with relevant service management. There was a rolling programme of follow up work, with each auditor taking responsibility for tracking

the implementation of recommendations made in their audit reports. The implementation of audit recommendations, in systems where limited assurance was provided, was verified through a follow up audit review.

- Draft Internal Audit Plan 2023/24 – Consultation

The Committee noted a report that informed Members of the proposed audit plan for 2023/24

It was explained that the Public Sector Internal Audit Standards referred to the need to produce a risk-based Internal Audit Plan. This would take into account the requirement to produce an annual internal audit opinion and report that could be used by each Council to inform the Annual Governance Statement.

The report set out the approach to producing the draft Internal Audit plan and invited comments from Members.

- Risk Management Update

Members noted an update report on the Corporate Risk Register.

It was explained that the Corporate Risk Register was subject to regular review and risks were discussed at monthly Governance and Assurance Board meetings, chaired by the Section 151 officer. The Committee should receive an updated Corporate Risk Register every six months.

- LBH Provisional Audit Results Report & Havering Pension Fund Provisional Audit Results Report

The Committee were presented with a report that informed them of the progress on the audit of the 2020/21 Draft statement of Accounts. The report explained that the external auditor, Ernst & Young advised the Members on the work undertaken and that the Council published its draft statement of Accounts for the financial year 2020/21 in July 2021.

- Accounting Policies 2023/24 and Statement of Accounts Update

Members received and noted a report that outlined the accounting policies for 2023/24 and an update on the Statement of Accounts for previous years.

The Committee noted that there were no material changes proposed to Havering's accounting policies for the 2023/24 accounts. The requirement to include all leased assets on the balance sheet had been deferred for Local Government until 2024/25, this change should not have a material impact upon the Council's usable financial resources as the amounts payable under the leases would remain the same.

The 2020/21 and 2021/22 draft Statement of Accounts were now available on the Council website. The collating of the 2022/23 Statement of Accounts was on target for publication by the Government deadline, currently 31st May 2023.

IMPLICATIONS AND RISKS

Financial implications and risks:

None – narrative report only.

Legal implications and risks:

None – narrative report only.

Human Resources implications and risks:

None – narrative report only.

Equalities implications and risks:

While the work of the Sub-Committee can impact on all members of the community, there are no implications arising from this specific report which is a narrative of the Sub-Committee's work over the past year.

BACKGROUND PAPERS

Minutes of meetings of Audit Committee