

# Public Document Pack

## MINUTES OF A MEETING OF THE AUDIT COMMITTEE

Appointment Centre Room 10 & 11, Town Hall, Romford  
25 July 2024 (7.00 - 8.30 pm)

**Present:**

### **COUNCILLORS:**

**Conservative Group** Keith Prince

**Residents' Group** Julie Wilkes and John Crowder

**Labour Group** Jane Keane

Apologies were received for the absence of Councillors Williams and Osman Dervish.

Unless otherwise indicated all decisions were agreed with no vote against.

Through the Chairman, announcements were made regarding emergency evacuation arrangements and the decision making process followed by the Committee.

### 125 **MINUTES OF THE MEETING**

The meeting minutes of the Committee held on 14 May 2024 were agreed as a correct record and signed by the Chairman.

### 126 **EXTERNAL AUDIT PLANS 2023/24**

Heather Salmon, Head of Finance introduced the Council's external auditor, Ernst and Young (EY), who presented its 2023/24 audit plans for both the Council and the Pension Fund to the Committee.

Each year the council's external auditor presented their audit plan for the financial accounts to the Audit Committee. The audit plan outlined the scope of the audit, any significant risks inherent in the audit, materiality and value for money arrangements.

In summary at its meeting on Wednesday 22 March 2022 the Council approved the decision of Audit Committee to procure an external audit contract through Public Sector Audit Appointments Ltd (PSAA) for both the London Borough of Havering and the Havering Pension Fund.

At the time it was anticipated that audit scale fees for 2023/24 would likely increase by 150% compared to the previous year. Under the Local Audit (Appointing Person) Regulations, the 2023/24 fee scale must be published before 1 December 2023. Following a period of consultation, the PSAA published the scale fees for 2023/24 for each audited body in November 2023. The scale fees for 2023/24 accounts were: LB Havering Council - £421,745 and Pension Fund - £ 85,945.

Any subsequent changes that may affect audit fees, such as in national requirements or local circumstances, would be the subject of fee variations.

EY provided the key highlights and expanded on specific areas of the report and in particular highlighted the risks.

Members asked questions around level three investments and why one would invest in them. It was explained that level three investments were not investments that were held or valued on a sort of standard Stock Exchange and therefore was a hard to value stock. The reason for investing in these type of investments was to ensure diversification in funds. The Council received both independent and professional advice to support their decision making and the pension funds fast and foremost objective and responsibility was to ensure a financial return.

RESOLVED that the Committee:

1. Noted the contents of the audit plans (Appendices A and B), in particular the significant risks, materiality and reporting levels.
2. Noted the scale fees for the external audit of £421,745 and £85,945 for the Council and Pension Fund respectively, for the year ending 31 March 2024.

## **127 ANNUAL TREASURY MANAGEMENT REPORT 2023/24**

Kathy Freeman, Strategic Director presented the report that outlined the performance of the treasury management function that was approved by Full Council on 1 March 2024. The report covered the delivery of the TMSS in 2023/24, activity on treasury managed investments and borrowings and the associated monitoring and control.

The CIPFA TM Code required that authorities report on the performance of the treasury management function to Full Council at least twice per year (mid-year and at year-end). The Authority's Treasury Management Strategy Statement (TMSS) 2024/25 was approved by Full Council on the 1 March 2024.

It was explained that the Authority had borrowed and invested substantial sums of money and was potentially exposed to financial risk from loss of invested funds and the revenue impact from changing interest rates.

The Council provided an annual report and a Treasury Management Strategy every year as part of the budget setting process. A mid-year report was also provided to look at the formants against that strategy, in terms of how the Council was doing in that year. The final of the three reports was a backward look of the performance of the prior year and to demonstrate that the Authority had acted in accordance with the policy that they set out for themselves. In terms of the key highlights section on page 115, there were a number of indicators, the debt position, what the yield was, what the investment income was and also the interest payable.

The report broadly set out a number of key sections including the economic outlook and looking backwards for the last financial year, notably the increase in the Bank of England base rate and the PWB rate and how that increased in line with the base rates, which could be seen on graph one of the report on page 117. It was also noted that the report set out how the Council's borrowing strategy was adhered to and section three of the report further set out the detail of the debts and the amount of interest paid. Page 119 set out details of the compliance with the Council investment strategy. Appendix A displayed how the Council set out the maturity of the borrowing profile and the terms of the investment and the security rating of who the money was invested with. Lastly, the report illustrated that the Council operated within the operational and authorized limits in terms of borrowing which was vital that there was no breach in the operational or the authorized limits in borrowing terms.

Members asked various questions around the Lender Option Borrower Option (LOBO) and Kathy explained that assessment was made as and when offered a buyout option to determine whether or not it was cheaper to keep the LOBO or whether to buy out of it, consideration was relative to the interest rate and if the Council would be able to borrow for that equivalent sum.

It was also explained that the Council budgets as if all of the capital program was going to be fully spent. They then had to budget for interest costs and debt repayment costs on the assumption that they were going to fully spend the capital program and what's contributed towards the reduction and overspend last year was because they haven't fully spent the capital program.

The budget was then brought down by the overspend quite significantly because of the slippage in the capital program and thereby it had reduced the capital financing costs and the cost that had been set aside for the repayment of the debt which had helped to contribute to the overspending. It was not great for the delivery of the capital programming perspective; however, from a financial perspective, it had supported the Council's overall situation.

RESOLVED that the Committee:

1. Noted the content of treasury management activities and performance against targets for the financial year 2023-24 as detailed in the report.

## **128 RISK MANAGEMENT UPDATE**

Jeremy Welburn, Head of Assurance provided an update on the Strategic Risk Register, the updated and revised Risk Management Toolkit and Strategy.

It was to be noted that the Strategic Risk Register was subject to regular review and risks were discussed at Governance and Assurance Board meetings, chaired by the Section 151 officer during the first half of 2023/24 and subsequently at the Executive Leadership Group since December 2023.

As part of the ongoing review, new risks may be added and existing risks amended or removed at any time as changes were identified. A summary version of the current Strategic Risk Register was provided in Appendix 1. It included the current likelihood and impact scoring of the risks based on assessment by the risk owner (using the risk matrix from the Council's Risk Management Strategy and Toolkit). The Risk Management Strategy and Toolkit provided a comprehensive framework and process designed to support managers in ensuring that the Council was able to discharge its risk management responsibilities fully. The strategy outlined the objectives and benefits of managing risk, described the responsibilities for risk management, and provided an overview of the process that was in place to manage risk successfully.

Havering used a 5 x 5 scoring matrix to assess the likelihood of a risk event occurring and the potential impact on the Council if it were to happen. The green shaded area on the matrix contained in the report showed the risks where there was good control and the Council was comfortable with the level of risk. Risks in the amber and red zones were those over which closer control and further management action may be required.

Work continued by the Internal Audit & Risk Team to further embed the risk management strategy at a Directorate level, including risk workshops and further training where required. This phase of work would ensure Directorate level risks were aligned to the strategic risks to ensure mitigating actions were managed consistently.

There would also be a wider rollout of access to JCAD, the Risk Management system, to make the process more efficient and effective; providing links to strategic objectives; easier monitoring and reporting, and demonstration of compliance with good risk management practices.

Members asked various questions and queried various risks to which Officers provided responses.

RESOLVED that the Committee:

1. Noted and reviewed the Council's Strategic Risk Register as attached;
2. and consider, with the assistance of Officers, the current level of risk to which the Council is exposed.

## 129 **ASSURANCE PROGRESS REPORT**

Jeremy Welburn, Head of Assurance introduced the report that provided a summary of the outcomes of the Internal Audit and Counter Fraud work that was completed during Quarter 1 of 2024/25.

The report brought together all aspects of audit, assurance and counter fraud work undertaken in Quarter 1 of the 2024/25 financial year, including actions taken by management in response to audit and counter fraud activity, which supported the governance framework of the authority. Limited assurance reports issued since the last Audit Committee were included in Appendix 1.

Member asked questions around the risks in relation to the IT transition and contract procedure rules. Officers explained that procurement was underway for various software packages etc. and an up-to-date contract procedure rules document was being worked on.

RESOLVED that the Committee:

1. Noted the contents of the report.
2. Raised any issues of concern and asked specific questions of Officers where required.

---

**Chairman**