## AUDIT BOARD REPORT

<table>
<thead>
<tr>
<th>Date of meeting</th>
<th>27th September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject Heading</td>
<td>Draft Annual Report of the Audit Board</td>
</tr>
<tr>
<td>Is this Item for: Information or Discussion</td>
<td>Information and Discussion</td>
</tr>
</tbody>
</table>
| **Summary of issues/key points for discussion** | The Council’s constitution states that the Audit Board, which is advisory only, shall prepare, for submission to the Mayor, an annual report on the work of the Board which, after consideration by the Mayor in consultation with Cabinet, will then be submitted to Full Council for information.  

Having considered the draft Annual report at its meeting in April of this year, the Audit Board requested that a number of amendments be made to the report and authorised the Chair to amend the draft report and to circulate the amended report for Members’ approval. Not all Members approved the revised report.  

On the advice of senior officers and at the request of the Chair, Members’ comments on the revised draft report are set out in the attached report so that Members of the Board can decide how they might wish to progress matters on this item.  

**Recommendation:** That the Audit Board Authorise the Chair and Vice Chair to -  

1. Consider the comments made by Members on the proposed amendments to the draft annual report;  
2. Make amendments to the report to reflect Members’ comments; and  
3. Finalise the report for -  
   (i) The Audit Board’s approval; and/or  
   (ii) Submission to the Mayor for consideration in consultation with Cabinet before the report is referred to Full Council for information. |
| Officers preparing original and updated report | Nicole Metivier / Cameron MacLean |
| Contact Number and e-mail address | 020 3373 9783  
nicole.metivier@onesource.co.uk  
020 3373 1629  
cameron.mclean@newham.gov.uk |
REPORT

1. Introduction and Background

1.1. At its meeting on 11 April 2018, the Board considered the draft Audit Board Annual report 2017/18. After discussion, it was agreed that the report be amended to reflect a request that the report refer to financial and governance concerns raised by some Members of the Board.

1.2. The subsequent amendments, drafted by officers in consultation with the Chair, Cllr Lester Hudson, were agreed by the Chair and circulated to Members for approval.

1.3. The following Members of the Board approved the amendments, as circulated -
   - Cllrs Hudson, Baikie and Sparrowhawk; and
   - Fiona Marsh (Independent Member)

1.4. The following Members requested that further amendments be made -
   - Cllrs Fiaz, Marriott, Beckles and Paul; and
   - Ruth Glazzard (Independent Member)

1.5. There was no response from Cllr McAlmont. Mr Nadim Choudhary (Independent Member) was not present at the meeting and, therefore made no response.

2. Comments Received from Members

Comments received from Members wishing further amendments to be made were, as follows –

2.1. Ruth Glazzard, Independent Member

   In terms of the Assurance Statement (throughout the year the Board has received reports to enable it to provide reasonable reassurance on the adequacy of the system of internal audit and the financial arrangements for the London Borough of Newham), other members may disagree but I can't say that I have been provided with “reasonable reassurance” following a year in which the Audit Board didn't meet for 6 months, only met 4 times and were unable to see the accounts closed in a timely fashion.

   In terms of the work for 2018/19 I don’t think the two actions capture the detail of what we had asked to be included. Seeing a report of the financial control framework and roles and responsibilities is helpful but it doesn’t call out the need for the new Audit Board to be reviewing the plan of action for dealing with the control weaknesses highlighted by the external auditor (and was challenged by members at the last Board meeting).
2.2. Cllr Marriott

I agree [with Ms Glazzard]. We discussed at the last meeting about how a new board would be in existence and we wanted to set out in a note a summary of the board’s concerns about the accounts and the problems with the process and a brief action plan setting out steps to resolve this in the future that would be our ‘legacy’ to the new board.

I'm not happy to sign this off.

2.3. Cllr Beckles

Following on from what colleagues have suggested and with compliance, timeliness of accounts being prepared and the regularity of meetings being some of the concerns it would be advisable that the report builds in a procedure/action plan to reassure a future board and this one of steps or measures that can be taken otherwise we run the risk of this reoccurring. As staff mobility has been an issue we lose organisational memory knowledge therefore a plan to mitigate this would be prudent.

I'll abstain from signing this off until those assurances are written in.

2.4. Cllr Terry Paul

At the recent Audit Board Meeting the following concerns were raised:

- Internal financial controls;
- Shortcomings in transferring to a new financial system;
- Reductions in trained financial staff;
- Financial items incorrectly posted; and,
- Statutory financial reporting deadlines missed.

In light of the above, and subsequent failure to circulate, as agreed a draft action plan, I’m unable to ‘sign off’ the accounts.

3. Recommendation

That the Audit Board –

1. Authorise the Chair and Vice Chair to consider the comments made by Members on the proposed amendments to the draft annual report; and

2. Make suitable amendments to the report to reflect Members’ comments; and either -

   (i) Finalise the report for approval by the Audit Board; and/or
   (ii) Submission to the Mayor for consideration in consultation with Cabinet before referral to Full Council for information.

Appendices

Appendix 1: Proposed Amendments Previously Circulated for Approval

Appendix 2: Report to Audit Board 11th April 2018 - Draft Audit Board Annual Report 2017/18