Foreword by the Chair
Lester Hudson, Deputy Mayor - Resources and Cabinet Member for Finance

Newham’s Audit Board has an important role in ensuring that public money is spent wisely and in accordance with the priorities set.

The board has been operating for a number of years and provides independent advice and assurance to elected members and the public about governance, financial reporting and performance of the council.

It also scrutinises and reviews reports from Internal Audit and from external agencies such as the council’s external auditor to ensure that the council is complying with the law; spending money appropriately, has good internal controls and provides a quality service to residents.

The board is made up of members, executive advisers and independent advisors and is governed by a terms of reference. This wide membership enables the board to forge links with other parts of the council’s governance arrangements.

The board met four times this year. Meetings are held in public and residents can attend to listen to the business being conducted and view the papers on the council’s website. The meetings are scheduled around key dates for council business such as the final accounts, the audit planning process, the external audit reporting timetable and the governance statement.

We’ll continue to build on this success and improve how we conduct our business over the next year.

Lester Hudson
Audit Board Terms of Reference

The advisory board has responsibility for advising and reviewing all the council’s arrangements for internal control, financial management and corporate governance (but not in so far as such matters are the remit of the Standards Advisory Committee) including (but not limited to) the following:

Risk management which shall include:
- The council’s risk strategy and making any recommendations for change of that strategy to the Chief Finance Officer and/or Mayor as appropriate;
- Reviewing the council’s corporate risks and control of those risks;
- Reviewing the council’s risk appetite to ensure that it is appropriate and proportionate.

Securing value for money:
- Consider the council’s arrangements for securing financial resilience.
- Reviewing the external auditor’s assessment of the systems and processes that are in place to effectively manage financial risks and opportunities.
- Ensure the council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. Reviewing the external auditor’s assessment of how the council is prioritising its resources within tighter budgets, for example, by achieving cost reductions and by improving efficiency and productivity.

Counter fraud:
- Consider the council’s fraud policy and framework including whistle blowing and make recommendations to the Director of Legal and Governance as appropriate.

Internal and external audit:
- Provide advice to the council concerning the appointment of the council’s external auditor;
- To commission work from internal and external audit where considered appropriate;
- Consideration of internal and external audit plans;
- Consideration of progress and result of internal and external audits and receiving updates on compliance with management action plans from the relevant Head of Service/Director or their representative;
- Consideration of external audit management letter.

Asset management:
- Consideration of the council’s asset management plan including the council’s arrangements for securing and disposing of assets.

Financial management:
- Review of financial regulations, contract procedure rules, relevant codes of conduct and behaviour, and related financial rules including consideration of any non-compliance and reporting as appropriate to the Chief Finance Officer. Review of the council’s statement of accounts making any recommendations to the Chief Finance Officer.
- To review the annual statement of accounts before they are reported to Investment and Accounts Committee for approval to consider whether
appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

Treasury Management
• Provide effective scrutiny of the treasury management strategy and policies in accordance with the CIPFA Treasury Management in the Public Sector Code of Practice.

Corporate Governance
• Consideration of the fitness of the council’s assurance framework and the annual governance statement.
• Consideration of the adequacy of the arrangements for information governance including data security.
• Review the council’s policy governing the use of the Regulatory Investigatory Powers Act 2000 (RIPA) and conduct regular review of its use to ensure compliance.

Membership and attendance at the Audit Board during the 2017 municipal year, as reported in the minutes

<table>
<thead>
<tr>
<th>Position</th>
<th>Member</th>
<th>Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair:</td>
<td>Councillor Lester Hudson, Deputy Mayor - Resources and Cabinet Member for Finance</td>
<td>4/4</td>
</tr>
<tr>
<td>Members:</td>
<td>Councillor Andrew Baikie, Mayoral Advisor - Place Commissioning</td>
<td>4/4</td>
</tr>
<tr>
<td></td>
<td>Councillor Rokhsana Fiaz OBE</td>
<td>4/4</td>
</tr>
<tr>
<td></td>
<td>Councillor James Beckles</td>
<td>3/4</td>
</tr>
<tr>
<td></td>
<td>Councillor Julianne Marriott</td>
<td>2/4</td>
</tr>
<tr>
<td></td>
<td>Councillor Anthony McAlmont, Chair of Overview and Scrutiny Committee</td>
<td>3/4</td>
</tr>
<tr>
<td></td>
<td>Councillor Terence Paul, Mayoral Advisor - Housing</td>
<td>4/4</td>
</tr>
<tr>
<td></td>
<td>Councillor Ted Sparrowhawk</td>
<td>4/4</td>
</tr>
<tr>
<td></td>
<td>Ruth Glazzard, Nominee from Standards Committee, non elected independent member</td>
<td>4/4</td>
</tr>
<tr>
<td></td>
<td>Nadim Choudhary, non-elected independent member</td>
<td>1/4</td>
</tr>
<tr>
<td></td>
<td>Fiona Marsh, non-elected independent member</td>
<td>1/1</td>
</tr>
</tbody>
</table>

Membership
• 8 Councillor members:
• 3 Independent non elected members.

Links with other parts of the Council
• 1 Executive Member with links to Cabinet
- 2 Mayoral Advisors
- 4 Members with links to the Overview and Scrutiny Committee
- 1 Independent member with links to Standards Committee
- 2 Independent member with no links to any part of the council.

Meetings

- These are held in public so you can attend if you want to
- Agendas are published 5 days in advance so you can read the reports we see
- Meetings are scheduled around core business for the council and at each meeting we include a schedule of work that is reviewed and updated so nothing gets missed.

What we look at during the meetings

Reports are prepared by officers on a range of topics within the remit of our terms of reference. These enable us to take a view about how things are working and for us to ask questions and look for improvement through challenge. The graph shows the reports officers have prepared for us.

Source: Analysis of reports presented to members for the municipal year 2017/18 per agenda/meeting minutes

<table>
<thead>
<tr>
<th>Number of reports presented to Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management</td>
</tr>
<tr>
<td>Audit Board Business</td>
</tr>
<tr>
<td>Corporate Governance</td>
</tr>
<tr>
<td>Counter Fraud</td>
</tr>
<tr>
<td>External Audit</td>
</tr>
<tr>
<td>Financial Management</td>
</tr>
<tr>
<td>Internal Audit</td>
</tr>
<tr>
<td>Risk Management</td>
</tr>
<tr>
<td>Securing Value for Money</td>
</tr>
<tr>
<td>Treasury Management</td>
</tr>
</tbody>
</table>

Review of the council’s internal control framework

The control reports from internal audit are broken down further in the graphs below. These show the audit opinions for the audits of the council and audits for schools. Members request the attendance of Directors, Heads of Service and Head Teachers where the audit opinion is limited assurance, so that an account of any progress made since the issue of the report can be given to them. This means that one report has been submitted in full during the year and members have questioned those attending to understand the causes of the weaknesses identified and what action is being taken both to prevent a reoccurrence and to put matters right.
Number of audit reports (excluding schools) by opinion

- Limited or Low
- Moderate
- Substantial

Source: Analysis of opinions from audit reports submitted to Audit Board for the municipal year 2017/18

Number of school audit reports by opinion

- Limited
- Moderate
- Substantial

Source: Analysis of opinions from audit reports submitted to Audit Board for the municipal year 2017/18
Audit reports provide assurance to us on the control framework across the council. The graph shows the number of reports we have received by service.

The audit reports cover a range of risks faced by the council. The graph shows the distribution of reports we have received.

**Board arrangements**

The Board:
- Undertook the role scrutinising the treasury management strategy and polices in line with the code of practice for Treasury Management.
- Actively followed up control issues that have been of concern by seeking additional reports to ensure that action has been taken.
- Reviewed the schedule of work, ensuring items do not slip or get overlooked.
Audit Board 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. The Board has considered and reviewed the assurance provided to the council’s Section 151 Officer and the Chief Executive in respect of governance, risk management and control arrangements operated by the council.

Work of the Audit Board in 2018/19

In order to be able to consider all the items within our remit in a timely manner it is anticipated that there will be six meetings in the 2018/19 municipal cycle.