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| Signed off by | Interim Head of Finance |
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| To | Audit Committee |
| Date | Thursday, 11 March 2021 |
| Member | Councillor Jill Bray |

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| Key Decision Required | N |
| Wards Affected | (All Wards); |

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| Subject | Audit Committee Annual Report 2020/21 |
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| Recommendations |
| <p>(i) That the Annual Report of the Audit Committee be noted and, subject to any changes agreed at this meeting, recommended to Council.</p> <p>(ii) That the Audit Committee's Forward Plan for 2021/22 be approved.</p> |
| Reasons for Recommendations |
| <p>The purpose of the Audit Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. The Annual Report of the Committee provides a summary of its work during 2020/21. It also demonstrates the scope of the Committee's work programme for 2021/22.</p> |
| Executive Summary |
| <p>The Audit Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and strong public financial standards and management. It scrutinises the Council's governance, risk management and control frameworks and oversees the integrity of financial reporting and annual governance processes. It oversees the work of internal audit and external audit, helping to ensure efficient and effective independent assurance arrangements are in place.</p> <p>There are strong risk management arrangements in place and the Audit Committee receives quarterly reports on internal audit and risk management, together with individual reports from the Executive.</p> |

The roles and responsibilities of the Audit Committee are set out in its written terms of reference, which include the requirement to provide an annual report to the Council which presents a summary of work undertaken over the previous year and its plans for the coming year. In performing this function, the Audit Committee is encouraging an awareness of their oversight responsibilities.

The above recommendations are subject to approval by the Committee.

Statutory Powers

1. The functions of the Audit Committee are set out in the Council's Constitution, in line with the Local Government Act 2000 as amended by the Localism Act 2011 and the Local Audit and Accountability Act 2014 and the Local Audit and Accounts Regulation 2015.

Background

2. The Annual Report 2020/21 sets out the work of the Audit Committee in 2020/21 and considers its forward work programme for 2021/22.

Key Information

Introduction

3. The Accounts & Audit (England) Regulations 2003 impose responsibility on local authorities *“for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body’s functions and which includes arrangements for the management of risk.”*
4. The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out the role of Audit Committees in their Practical Guidance for Local Authorities 2018. This states that *“the purpose of the Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.”*

Audit Committee Overview

5. The Audit Committee held its first meeting on 16 July 2020, having taken over the audit function from the Overview and Scrutiny Committee for 2020/21 onwards. These arrangements are in accordance with best practice guidance from CIPFA.
6. The Committee has worked well and has an established forward work programme which is examined periodically by the Chair and Officers. The programme is amended when new requirements and issues are identified which ensures the Committee remains dynamic and focussed on its functions.
7. There were nine members appointed to the Committee and Councillor Bray was elected as Chair of the Committee for 2020/21. At the meeting held in September a tribute was paid to Committee member Councillor Allcard, who had sadly passed away. The vacancy was filled by Councillor Blacker. In November 2020 Councillor Brown resigned as a member of the Audit Committee and Councillor Ritter was

appointed to the Committee in his place. On 28 February 2021 Councillor Foreman, who was elected as Vice-Chair, resigned from the Council, thus ceasing to be a member of the Committee.

8. Since the Audit Committee's inception there have been four scheduled meetings.
9. Members of the Committee were invited to attend the training courses listed below. Six of the nine current members that were appointed to the Committee attended at least one course as well as four substitute members having attended at least one course.
 - CIPFA 'Role of the Audit Committee' – held on 9 July 2020
 - SIAP 'Role of the Audit Committee' – held on 16 July 2020
 - CIPFA 'Councillors' Guide to Understanding your Council's Financial Reporting Requirements' – held on 8 September 2020 (attended by Cllr Bray)
 - CIPFA 'Update for Local Authority Audit Committee Members' – held on 27 January 2021

Programme of Work 2020/21

10. The Audit Committee has considered the following during 2020/21.
 - Approval of the 2020/21 Internal Audit Plan and Charter and quarterly progress reports from Southern Internal Audit Partnership (SIAP)
 - Strategic Risks for 2020/21
 - External Audit Plan 2020/21
 - Quarterly reports relating to risk management
 - Update of the Code of Corporate Governance
 - External Auditor's Report (ISA260) and audited Statement of Accounts 2019/20 (scheduled to be considered at the meeting on 11 March 2021)

Internal Audit 2020/21 and Internal Audit Opinion

11. At its meeting on 26 November 2020, internal audit - quarter 2 was considered and it was reported that there were some overdue management actions outstanding from previous audits, as such these were provided with revised target dates. Southern Internal Audit Partnership (SIAP) thereafter continued to work with Officers on these overdue actions. The delays were generally due to competing demands and shifting priorities on Officers as the Council responded to the difficulties of the COVID-19 pandemic. These actions continue to be monitored.
12. In September 2020, the Institute of Internal Auditors (IIA) undertook an External Quality Assessment (EQA) of SIAP, which considered their conformance with the International Professional Practices Framework (IPPF), Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN).
13. The EQA stated that SIAP conformed to all standards and requirements of the audit. SIAP's outcome was that they were 'Excellent' in three areas and 'Good' in two. The aspiration is to become Excellent in all areas and an action plan had been formulated. This was taken forward to the SIAP Stakeholder Board, of which the Interim Head of

Finance, was a member. This assessment gave the Council and its Members independent assurance on the quality of SIAP's operations.

14. The Committee will consider the internal audit opinion given for 2020/21 at the first meeting of the Audit Committee of 2021/22 (currently scheduled for the 28 July 2021).

Risk Management

15. The Audit Committee receives a quarterly update on risk management as part of its constitutional responsibility. As per the Council's risk management methodology, the risk management report provides an update on all strategic risk as well as any red rated operational risks. Through this, the Committee has oversight and ensures robustness of strategic risk setting and assessment of the adequacy of the risk management process. Furthermore, the Committee feeds back to the Executive in respect of the risk register.
16. Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium Term Financial Plan (MTFP). Part of the Committee's remit is to consider these risks as part of risk management.
17. Operational risks are risks that are encountered in the course of the day to day delivery of services. However, if an operational risk cannot be fully managed within the service or it has a wider organisational impact then it will be considered for inclusion in the operational risk register by the Council's Corporate Governance Group. Heads of Service have responsibility for operational risks. The Council's Risk Management Strategy requires that operational risks are reported by exception to the Audit Committee (and Executive) when RAG rated 'red'. In 2020/21 one red rated operational risk was reported to and considered by the Committee.

Corporate Governance

18. The Code of Corporate Governance sets out the principles of good governance and the arrangements in place to ensure that the Council conducts its business in accordance with the law and proper standards. It provides assurance that the Council is meeting best practice in protecting its assets and serving the community.

External Audit Opinion and Statement of Accounts

19. At the time of preparing this report the authority was still awaiting confirmation of the external auditor's ISA260 report on the Statement of Accounts for 2019/20. An additional meeting of the Committee will be arranged to consider the auditor's report and the statement of accounts as soon as the ISA260 is finalised.
20. Conclusion of the audit is later than the original plan, which was to report in November 2020. It has been delayed due to a combination of factors which include:
 - the volume of work that has been carried out by Deloitte LLP during this year's audit, to ensure compliance with the National Audit Office's Code of Audit Practice. Audit team capacity was also under pressure due to the volume of changes to 2019/20 audit deadlines both for this authority and other clients in response to the COVID-19 pandemic; also

- the Finance team's capacity to respond to audit enquiries whilst also supporting the authority's response to the COVID-19 pandemic.

Acknowledgement

21. It is acknowledged that 2020/21 has been a challenging year and thanks were offered to the Finance Team for their work and in enabling the success of the Audit Committee in 2020/21.

Future Work Programme 2021/22

22. A Forward Plan for the Committee has been compiled and can be found in Appendix A. This is a live document and will be subject to change as required.

Conclusion

23. The Committee provides independent assurance to the Council of the adequacy of the risk management framework, the internal control environment and financial reporting. It recognises that the Council continues to focus on outcomes for residents and businesses and is responding well to continuing financial pressures, managing its processes in an efficient manner, particularly with the added pressures 2020/21 has brought in relation to COVID-19. The Committee's work programme is dynamic and will continue to be reviewed to ensure the Committee maximises its contribution to governance and the control framework.
24. The work programme for 2021/22 has been considered in line with the Committee's remit.
25. In accordance with the Audit Committee's Terms of Reference, the Committee is requested to consider and recommend this Annual Report to Council.

Options

26. To approve the Annual Report of the Audit Committee 2020/21 as written and recommend it to Council.
27. To suggest amendments to the Annual Report of the Audit Committee 2020/21 prior to recommendation by Council.

Legal Implications

28. Audit Committee terms of reference are based upon CIPFA Guidance and meet the requirements of the Accounts & Audit (England) Regulations 2003 which require the Audit Committee to consider the work of internal and external audit to give assurance to give assurance to elected members and the public about the governance, financial reporting and performance of the Council.
29. In approving the above recommendations, the Audit Committee is promoting sound robust risk management in accordance with its statutory responsibilities.

Financial Implications

30. There are no direct financial implications arising from the annual report.

Equalities Implications

31. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination harassment and victimisation and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share those protected characteristics and people who do not;
 - Foster good relations between people who share those characteristics and people who do not.
32. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.
33. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:
- How policy issues impact on different groups within the community,
 - Particularly those that share the nine protected characteristics;
 - Whether the impact on particular groups is fair and proportionate;
 - Whether there is equality of access to service and fair representation of all groups within the Borough;
 - Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

Communication Implications

34. There are no significant communications implications arising from this report.

Risk Management Considerations

35. Oversight of the Council's risk management arrangements is a key responsibility of this Committee and is considered throughout the wider audit process.

Consultation

36. In accordance with the Audit arrangements contained in the Council's Constitution, the Committee's Annual Report was drafted in consultation with the Chair and Vice-Chair of the Audit Committee.

Annex

37. Annex A – Audit Committee Forward Plan 2021/22