

Agenda

Audit Committee

Thursday, 16 July 2020 at 7.00 pm

Remote meeting via video link



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Members:

D. Allcard	J. P. King
J. S. Bray	S. A. Kulka
H. Brown	C. M. Neame
G. Buttironi	S. J. G. Rickman
K. Foreman	

Substitutes:

Conservatives:	M. S. Blacker, R. S. Turner and S. T. Walsh
Residents Group:	R. J. Feeney, N. D. Harrison and C. T. H. Whinney
Green Party:	J. C. S. Essex and S. Sinden
Liberal Democrats	J. E. Philpott

John Jory
Chief Executive

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Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

1. Election of Chair

To elect a Chair of the Committee for this Municipal Year 2020/21.

2. Election of Vice-Chair

To elect a Vice-Chair of the Committee for this Municipal Year 2020/21.

3. Apologies for Absence and Substitutions

To receive any apologies for absence and notification of substitutes in accordance with the Constitution.

4. Declarations of Interest

To receive any declarations of interest (including the existence and nature of any Party Whip).

5. Approval of 2020/21 Internal Audit Plan and Charter (Pages 5 - 38)

To approve the 2020/21 Internal Audit Plan and Charter.

6. Strategic Risks for 2020/21 (Pages 39 - 46)

To note the Council's Strategic Risks for 2020/21 and make any observations to the Executive.

7. Annual Governance Statement - Draft (Pages 47 - 60)

To review the Draft Annual Governance Statement.

8. Any Other Urgent Business

To consider any item(s) which, in the opinion of the Chair, should be considered as a matter of urgency – Local Government Act 1972, Section 100b (4)(b).

Note: Urgent business must be submitted in writing but may be supplemented by an oral report.



Our meetings

As we would all appreciate, our meetings will be conducted in a spirit of mutual respect and trust, working together for the benefit of our Community and the Council, and in accordance with our Member Code of Conduct. Courtesy will be shown to all those taking part.



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Notice is given of the intention to hold any part of this meeting in private for consideration of any reports containing "exempt" information, which will be marked accordingly.

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Agenda Item 5



SIGNED OFF BY	Head of Projects and Performance
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TO	Audit Committee
DATE	Thursday, 16 July 2020

KEY DECISION REQUIRED	YES
WARDS AFFECTED	(All Wards);

SUBJECT	Internal Audit Plan 2020/21-2022/23 and Charter 2020/21
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RECOMMENDATIONS

- (i) That the Audit Committee approve the internal audit plan for 2020/21-2022/23 as set out in annex 1; and,
- (ii) That the Audit Committee approve the internal audit Charter for 2020/21 as set out in annex 2.

REASONS FOR RECOMMENDATIONS

The Council has a statutory obligation to undertake an adequate and effective internal audit function. The approval of the audit plan and Charter is integral to this.

EXECUTIVE SUMMARY

The Audit Committee is responsible for agreeing the Council's internal audit plan and Charter. The audit plan and Charter (attached as annex 1 and 2 respectively) will provide independent and objective assurance that the Council's systems and processes are appropriate, operating effectively and provide sufficient control for the purposes of risk management, internal control and governance.

The Committee has the authority to approve the above recommendations.

STATUTORY POWERS

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1. The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their] risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
2. The latter standards are defined in the Public Sector Internal Audit Standards (PSIAS) which were last updated in 2017.
3. Under Section 151 of the Local Government Act (1972), the Council's Chief Financial Officer holds the statutory responsibility for the overall financial administration of the Council's affairs and is therefore responsible for maintaining an adequate and effective internal audit function. The Head of Projects and Performance has day to day responsibility for managing the internal audit contract.

BACKGROUND

4. The Council's internal auditors are the Southern Internal Audit Partnership (SIAP).
5. The Partnership is hosted by Hampshire County Council and is comprised of a number of local authorities and other public sector organisations.
6. In 2018/19 the Council entered into a partnership agreement with SIAP for the provision of internal audit services and, in so doing, discharged this function as permitted under section 101 (5) of the Local Government Act (1972). The Council joined the Partnership as a Key Stakeholder Partner.
7. The financial year 2019/20 was the first year in which SIAP was the Council's internal auditors.
8. The Council's Chief Internal Auditor – the Head of the Southern Internal Audit Partnership – is responsible for the management of the Council's internal audit activity.
9. Under the Council's constitution the Audit Committee has responsibility for approving the Council's internal audit plan and Charter, amongst other responsibilities.
10. The Audit Committee's internal audit role is to provide assurance of the adequacy of the risk management framework and the associated control environment, as well as independent scrutiny of the Council's financial and non-financial performance insofar as it affects the Council's exposure to risk.
11. The Chartered Institute of Public Finance and Accountancy's (CIPFA) guidance of the role of the Audit Committee in Local Government (2018) provides further background and context to this requirement.

KEY INFORMATION

Internal audit

12. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
13. The PSIAS defines internal audit as an 'independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic,

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disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

14. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and are operating effectively.
15. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

The internal audit plan and Charter

16. The PSIAS state that a risk-based internal audit plan should be established on an annual basis in order to determine the priorities of internal audit activity. The plan for 2020/21 through to 2022/23 is provided at annexe 1.
17. The audit plan provides the mechanism through which the Council’s internal auditors are able to ensure the most appropriate use of resources. The eventual culmination of the work as detailed by the plan is a clear statement of assurance on risk management, internal control and governance arrangements, expressed in an annual opinion of the Chief Internal Auditor.
18. The Chief Internal Auditor holds overall responsibility for the delivery of the plan.
19. The audit plan has been developed in consultation with the Council’s senior management and with due regard to the Council’s strategies, objectives and risks. Past internal audit reports (from 2019/20 as well as from the tenure of the Council’s past internal auditors) have similarly informed its development.
20. The plan is kept under regular review in order to ensure that it continues to remain relevant to the Council’s risk profile. Any subsequent revisions to the plan are reported to the Committee through the quarterly progress reports.
21. The Charter – updated annually – formally defines the purpose, authority and responsibility of internal audit.
22. In approving the plan and Charter the Committee is confirming its agreement that these documents are sufficient to monitor the organisation’s risk profile and provide assurance that the Council’s risk management framework and controls are robust and fit for purpose.

The COVID-19 pandemic

23. The COVID-19 pandemic has radically reshaped the risk environment in which the Council operates and has therefore resulted in the audit plan being updated to take account of the risks that have resulted.
24. Responding to, and recovering from, the pandemic has and will continue to draw upon significant resource from across the organisation.
25. It should also be noted that the emergence of a second wave of infection and subsequent lockdown may compromise the organisation’s ability to achieve the delivery of the audit plan as currently defined. As noted above, the Committee will be kept up to date as to the plan’s delivery and with respect of any changes.

OPTIONS

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26. The Committee has two available options:
27. Option 1: approve the internal audit plan for 2020/21-2022/23 and Charter for 2020/21 as set out in annexe 1 and 2 respectively. This is the recommended option as it will allow the auditors to swiftly commence their work programme for 2020/21.
28. Option 2: defer approval. This is not the recommended option as it will cause delay and may prove injurious to SIAP's ability to deliver the 2020/21 plan to schedule.

LEGAL IMPLICATIONS

29. The adoption of the internal audit plan and Charter will fulfil the Council's statutory duty to maintain an independent and effective internal audit function.
30. An effective internal audit function supports good governance which, in turn, reduces the risk of the Council being subject to successful legal challenge.

FINANCIAL IMPLICATIONS

31. The cost of funding the Audit Plan is covered within the Council's revenue budget.
32. The cost of any additional work – including, for instance, ad-hoc consultancy – that is not provided for within the audit plan will be funded from the service area that requires the additional support.

EQUALITIES IMPLICATIONS

33. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

35. An effective internal audit function is an important part of risk management.
36. The Council's strategic and operational risk registers have influenced the development of the audit plan.

OTHER IMPLICATIONS

37. There are no other implications arising from this report.

CONSULTATION

38. The plan and Charter have been developed alongside the Council's Corporate Governance Group, Heads of Service and Management Team with due regard to the Council's strategies, objectives and risks.

POLICY FRAMEWORK

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39. Internal audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan Priority areas.

BACKGROUND PAPERS

None

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Internal Audit Plan

2020-21 / 2022-23

Reigate & Banstead Borough Council



**Southern Internal
Audit Partnership**

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Assurance through excellence
and innovation

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Introduction

The role of internal audit is that of an:

'Independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the Senior Management Team and Audit Sponsors, to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The team will be led by Natalie Jerams, Assistant Head of Southern Internal Audit Partnership, supported by Joanne Barrett, Audit Manager.

Conformance with internal auditing standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2015 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework.

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

In considering all sources of evidence the external assessment team concluded:

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*'It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to **all** of these principles. This is a notable achievement given the breadth of these Standards and the operational environment faced by SIAP.'*

*There are **no instances** across these standards where we determined a standard below "generally conforms", and 4 instances where the standard is assessed as "not applicable" due to the nature of SIAP's remit.'*

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under internal auditing standards.

Reigate & Banstead 2025 - 5 Year Plan

Reigate & Banstead Borough Council have adopted a 5 year plan for the 2020-25 period. The plan sets out the Council's priorities and explains how they will focus resources and deliver services to those living, working and spending time in the borough. The plan is based around a vision for the borough, with priorities set around three key themes.

Vision:

To be recognised by our residents, businesses and partners as a great Council. This means: delivering quality services and support; providing value for money; making the borough a great place to live, work in, do business and visit; being proactive about tackling climate change and reducing our environmental impact; and ; being flexible and sustainable, responding to the needs and demands of our borough, residents and businesses.

Commitments:

People

Housing: Secure the delivery of homes that can be afforded by local people and which provide a wider choice of tenure, type and size.

Communities and community safety: Work with partners to create strong, safe and welcoming communities.

Vulnerable residents: Provide targeted and proactive support for our most vulnerable residents.

Leisure and wellbeing: Provide leisure, cultural and wellbeing services that are accessible to, and meet the needs of, communities and visitors.

Place

Towns and villages: With our partners, invest in our town and village centres, so they continue to be places where people choose to live, work, do business and visit.

Economic prosperity: Drive the continued economic prosperity of the borough, facilitate improved business infrastructure, and confirm the borough's reputation as a great place to do business.

Shaping our places: Ensure new development is properly planned, sustainable, and benefits the borough's communities and the wider area.

Clean and green spaces: Provide high quality neighbourhood services to ensure that the borough continues to be clean and attractive and local people have access to the services and facilities they need.

Environmental sustainability: Reduce our own environmental impact, support local residents and businesses to do the same, and make sure our activities increase the borough's resilience to the effects of climate change.

Organisation

Financial sustainability: Be a financially self-sustaining Council. Funding our services: Generate additional income and build our financial resilience, in order to sustain services, through responsible and sustainable commercial activities.

Operational assets: Ensure that our operational assets (things like our estate, equipment, IT and vehicles) are fit for purpose.

Skills and great people: Ensure the Council (councillors and officers) has the right skills to deliver this plan.

Council Risk

The Council have a clear framework and approach to risk management. The strategic risks assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation's assurance needs and contributes to the achievement of their objectives. We will monitor the strategic risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

Ref	Risk Description
SR1	<p>Brexit - The UK's withdrawal agreement with the European Union includes a transition period where the pre-Brexit trade arrangements will continue to apply. The transition period ends on 31 December 2020, where, if successfully negotiated, new trade arrangements covering goods and services will be put in place. Despite the COVID-19 pandemic, the government remains committed to leaving the transition period by 31 December.</p> <p>The government has the option to extend the transition period but will need to make this decision by June at the latest. If the option to extend is not exercised any later request will require a new treaty and ratification by all EU member states within a short timeframe.</p> <p>If the extension is refused, this leaves the government limited time to agree new trading arrangements. If new trade arrangements aren't negotiated then the transition period will elapse without a trade deal being in place, resulting in a no-deal Brexit which will likely have adverse effects on the economy.</p>
SR2	<p>Financial sustainability -The Council is now operating in a uniquely challenging and uncertain financial context.</p> <p>In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty.</p> <p>The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review and Business Rate Reset and Revaluation being delayed.</p> <p>The most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.</p>
SR3	<p>Local government reorganisation - A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of a new devolution agenda.</p> <p>Given the COVID-19 Pandemic, a mandated reorganisation or devolution is unlikely. Instead, changes are most likely to result from a neighbouring or partner authority's financial failure or distress.</p>
SR4	<p>Partner public sector funding decisions - The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself.</p> <p>The COVID-19 pandemic has increased pressure on public services. These pressures may result in partners being stretched which may require the Council to increase services and support provided. This could have negative funding and resource implications.</p>
SR5	<p>Organisational capacity and culture - The Council has adopted an ambitious Corporate Plan, supported by a capital investment, housing and Great People strategy.</p> <p>The COVID-19 pandemic will change the way the Council operates and will drastically change the organisational culture and ways of working.</p> <p>The Council will continue to be ambitious and the new ways of working will need to be embraced by both members and officers in order for objectives to be achieved.</p> <p>The failure to remain ambitious will risk the delivery of these objectives in these unprecedented times.</p>
SR6	<p>Economic prosperity -A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. The COVID-19 pandemic will have negative impacts upon the economy, with forecasts suggesting the worst recession in a century.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p>

Ref	Risk Description
SR7	Reliance on the welfare system - The COVID-19 pandemic has resulted in increasing numbers of residents being reliant upon the welfare system as the economy is negatively impacted. This increases the risk of household budgets being stretched and residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.
SR8	Cyber security - Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised. The shift to remote working and teleconferencing in response to COVID-19 could potentially compromise cyber security. The effects of a cyber-attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.
SR9	Fraud - Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed. The latter is exacerbated by the new areas of activity which the Council has launched following the COVID-19 pandemic.
SR10	Marketfield Way - This is a major place delivery project for the Council and is critical to shaping Redhill and ensuring the town's continued vitality and viability. It will also generate income which can be reinvested in Council services. The COVID-19 pandemic will likely negatively impact upon this development, including in its delivery as well as its financial viability.
SR11	Gatwick Airport - The COVID-19 outbreak is likely to have a prolonged negative impact on Gatwick Airport. The outbreak has seen a large reduction in air travel which can be expected to continue into the foreseeable future due to the negative economic outlook and likely ongoing global travel restrictions. As a key local employer the financial position of the airport will likely have a negative effect on local employment, which may result in an increased number of residents seeking support from the Council.

*Strategic Risks as per the Draft Strategic Risk Register 2020/21 (due to be presented to Executive on 25 June 2020)

Developing the internal audit plan 2020-21 / 2022-23

We have used various sources of information and discussed priorities for internal audit with the following groups:

- Corporate Governance Group
- Interim Head of Finance & Assets (S151 Officer)
- Directors & Heads of Service
- Overview & Scrutiny Committee
- Other key stakeholders

Based on these conversations with key stakeholders, review of key corporate documents and our understanding of the organisation, the Southern Internal Audit Partnership developed an annual audit strategy for 2020-21 / 2022-23 in March (pre COVID-19) for approval by the Overview & Scrutiny Committee at its meeting on 19 March 2020, however, due to the unprecedented consequences of the COVID-19 pandemic this meeting was cancelled.

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working across the Council. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. In response, the Southern Internal Audit Partnership has engaged with the Council's Corporate Governance Group to reprioritise the originally drafted audit plan to provide assurance in respect of emerging key risk areas and these are detailed within the section 'Adjustments to the 2020-21 Audit Plan' (page 17).

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.



Internal Audit Plan

Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Corporate						
Programme & Project Management	Assurance over project management framework and compliance in relation to delivery on live / ongoing projects through the PMO. To focus on a review of Marketfield Way	SR10	2019/20 (position statement)	Q2	✓	
Alternative Delivery Models	Unique methods of service delivery with the potential for loss of control / ownership over. Assurance over governance, rights of access, third party assurance, contingencies, exist strategies, hosting arrangements, accountability.	SR3, SR4			✓	
Financial Resilience	Impact of COVID, reassessment of financial risks and impact of assumptions in the MTFS (income, reserves, investments). Implications on future saving programmes / work streams. Also consider the impact on debt recovery.	SR2	2017/18	Q3	✓	
Working in Partnership	Working alongside different cultures. Potential for some loss of control / ownership of service delivery. Assurance over governance, rights of access, third party assurance, contingency arrangements, exit strategy, hosting arrangements (accountabilities), benefit realisation. Focus on non-commercial partnerships and Inter Authority Agreements (IAA's).	SR3, SR4			✓	
Corporate Plan	Assurances over the delivery of the Corporate Plan.	SR1, SR2, SR3, SR4, SR5, SR6, SR10	2019/20 2016/17		✓	✓
Transformation	To meet future financial challenges and enable improved and more efficient services. To include digitalisation (new ways of working, CRM, AI, robotics etc.)	SR2, SR3, SR4	2017/18		✓	

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Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Governance						
Decision Making & Accountability	Assurance over the effectiveness and transparency of the decision-making process at officer and Member level. To consider governance, accuracy and timeliness of information including consultation with the public as necessary.	SR5	2019/20			✓
Risk Management	Assurance over the risk management framework including governance, transparency and maturity.		2018/19 2017/18 2016/17	Q3		
Fraud & Irregularities	Cyclical assurance over the governance arrangements to prevent, detect and investigate fraud and irregularities.	SR9	2019/20			✓
Human Resources & Organisational Development	Weak or ineffective internal control leading to financial loss resulting in damage to the Council's reputation and adverse publicity. Assurances over the audit cycle to cover: <ul style="list-style-type: none"> • Performance Management • Absence Management • Officer Recruitment • Officer Training & Development • Workforce Strategy / Development • Flexible Working • Use of Volunteers. 	SR5	2019/20 2015/16		✓	✓
Contract Management	Review of contract management arrangements and compliance across a selection of contracts in place. To include a review of the Leisure Centre contracts.		2018/19 2015/16	Q4		

Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Commissioning & Procurement	Analysis of spend and the appropriateness of transactions for Procurement Cards.		2018/19 2015/16	Q2		
Health & Safety	Assurance over responsibilities to staff whilst home working, effective allocation of PPE, social distancing in the workplace, preparedness for staff returning to the workplace, HSE assessments. Incorporate staff welfare - arrangements over duty of care for staff welfare during extended period of isolation including consideration of wellbeing and mental health.		2016/17	Q2		
Information Governance	Assurance over information governance arrangements to include FOI, SAR, Transparency and General Data Protection Regulation (GDPR).		2018/19	Q4		✓
Ethical Governance	Evaluation of the design, implementation and effectiveness of RBBC's ethics-related objectives, equalities, programmes and activities (Officers & Members Code of Conduct).		2019/20		✓	
COVID-19: Small Business Grants	Assurance over the processes and due diligence to support the award of small business support grants in response to COVID 19 pandemic. Completion of returns to Government. Analytical review to identify potential duplicate / fraudulent payments.	SR2, SR9		Q2		
COVID-19: Decision Making & Governance	Assurances over interim arrangement put in place to ensure appropriate governance and decision-making arrangements. To incorporate procurement decisions and the role of the IMT.	SR2, SR4, SR5		Q2		
COVID-19: Emergency Response & Recovery	Lessons learnt from the Council's response to the COVID pandemic and assurance over the governance and recovery actions in place to return to business as usual.	SR2, SR5, SR8		Q2		

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Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Business Continuity & Emergency Planning	Assurance over planning for extreme events that may lead to delays in responding to situations resulting in increased costs and staff resources including <ul style="list-style-type: none"> • Business Continuity Plan (to be covered in 2020/21) • Emergency Plan (to be covered in 2021/22) 		2016/17		✓	
Annual Governance Statement	Cyclical assurance over the governance arrangements to compile, contribute and deliver the AGS.				✓	
IT						
IT Governance	Review of IT strategy, policies, standards and procedures. Other potential areas for consideration to include IT asset management, change management and software licensing.				✓	
22 Data Management	Review of data centre facilities and security including storage and back-up. To also consider database management.				✓	
Information Security	Review of security controls (including remote access) and cloud storage. To also consider network security and infrastructure management	SR8	2016/17	Q4		✓
Cyber Security	Review of cyber security arrangements (including Phishing, Smishing etc.), security controls (including remote access) against the Cyber Essentials Scheme. Focus on vulnerabilities of home working and interim arrangements enforced through response to COVID 19.	SR8, SR9		Q2		
System Development & Implementation	Systems Life Cycle, Project Management and Application Management.		2019/20 2016/17			✓
IT Disaster Recovery	Disaster recovery, system resilience.	SR8		Q3		

Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Networking & Communications	Virtualisation, operating system management				✓	
Payment Card Industry Data Security Standard	Compliance to meet industry standards		2018/19	Q4		
Mobile Working	Initiatives to promote agile working. Security (physical, environmental and technical) of data and hardware.				✓	
Core Financial Reviews						
Housing Benefits			2017/18	Q2		
Council Tax			2019/20 2017/18			✓
Accounts Payable			2018/19 2017/18		✓	
Accounts Receivable / Debt Management			2018/19 2016/17		✓	
Main Accounting	Programme of cyclical systems reviews		2019/20 2018/19 2016/17			✓
Treasury Management			2018/19 2016/17	Q3		
Income Collection			2019/20			✓
Capital Accounting			2017/18		✓	
NNDR			2019/20 2017/18			✓
Payroll			2018/19 2017/18	Q3		
Organisation						
Property Management & Maintenance	Assurance over effectiveness and delivery repairs and maintenance to non-housing assets (planned & reactive).		2018/19		✓	

Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Investments	Assurance over the governance, development, accountabilities, viability and outcomes of Investment Strategy. Significant financial expectations through the successful delivery of the IS to meet savings targets (incl. review of Asset Management Plan).	SR2	2019/20			✓
Income Generation & Commercialisation	Effectiveness of income generation / maximisation (rental income and leases, optimal use of subsidies, fees and charges). Review of relevant strategies based on financial pressures. Setup and future deliverables of investment companies.	SR2			✓	
People						
Affordable Housing	Opportunities for development and alternative methods of delivery to meet organisational and national priorities.	SR7			✓	
Homelessness	Assurance over management and prevention of homelessness. Working in partnership with housing associations and purchase of property to provide temporary / emergency accommodation.	SR6	2017/18	Q4		
Housing	Effective Housing Policy and procedures to achieve desired outcomes. Development of Housing Strategy (project management.)	SR2	2019/20 2017/18			✓
Community Safety	Response to community safety and anti-social behaviour. To include PREVENT, East Surrey Community Safety Partnership.				✓	
Health & Leisure Facilities	Thematic reviews based on areas of significant risk. To include contract management of leisure centres (x3); community centres (x3). The Harlequin Theatre & Cinema is run in-house inherent risks cash handling, procurement, H&S, safeguarding. 2020/21 wider review of contract management to include the leisure centres contract.		2018/19		✓	

Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Community Development	Assurances over services designed to help residents retain their independence and reduce social isolation. Inherent risks include funding, demand, safeguarding.				✓	
Supporting Families	Part of the national Troubled Families agenda. Devolved from SCC and provided on behalf of Tandridge and Mole Valley. To review the revised assurance arrangements in place with SCC from March 2020 onwards.				✓	
Place						
Refuse, Recycling & Street Cleansing	In-house responsibilities for household, clinical waste and recycling collection in addition to recycling sites / banks. Some commercial activity through garden / bulky / trade waste collection. Future risks include reduced recycling credits.		2019/20			✓
JET	The JET provides a visible presence & neighbourhood services. Inherent risks of H&S, safeguarding etc.				✓	
Environmental Health & Licensing	In-house delivery with some opportunities to provide services / advice to other LA's. Legislative changes could increase licensing and enforcement activity (i.e. HMO's).			Q3		
Development Management & Planning Policy	Development Management (planning applications, appeals, enforcement); Planning Policy (local plan, CIL, S106).		2019/20 2018/19 2017/18			✓
Parks & Countryside	Grounds maintenance of parks, cemetery and open spaces in addition to road verges on behalf of Surrey County Council. Risk of reduced income in some services areas i.e. bereavement services.				✓	
Regeneration	Programme management, governance and reporting of key projects against desired outcomes.				✓	
Economic Prosperity	Support to help local businesses start, develop and grow. Includes administering business support grants.	SR6			✓	

Audit	Risk / Scope	Strategic Risk(s)	Previous IA Coverage	2020-21	2021-22	2022-23
Environmental Sustainability	Priority area within the Corporate Plan. Strategy being developed during 2020. Review of implementation and delivery.				✓	
Parking & Enforcement	Assurance over service delivery in addition to existing agreements with other authorities (i.e. SCC, Tandridge on-street parking). Inherent risk of cash handling and contract management.		2017/18 2016/17		✓	
Disabled Facility Grants	Administration and compliance with local / legislative requirements.		2015/16		✓	
Fleet Management	To cover the council's management of its fleet including procurement, maintenance and renewal. Existing fleet coming towards the end of its service life. Significant volume of MOT's through the workshop (licensed taxi's)		2015/16	Q2		
Other						
26 Management	To include annual planning, reporting and attendance at SMT, Corporate Governance Group and Overview & Scrutiny Committee, action tracking, liaison with key stakeholders and annual report and opinion.				✓	✓
Total days				213	170	180

Adjustments to the 2020-21 Audit Plan

Plan Variations for 2020/21	
Removed from the plan	Reason
Working in Partnership	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Community Safety	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Business Continuity & Emergency Planning	Scope refocused to prioritise lessons learnt from COVID-19 and recovery processes in place.
IT Governance	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Economic Prosperity	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Income Generation & Commercialisation	Defer until 2021/22. Replaced with the review of Financial Resilience.
Added to the plan	Reason
Information Security	Deferred from 2019/20
COVID-19: Small Business Grants	Prioritised due to implications of COVID-19.
COVID-19: Decision Making & Governance	Prioritised due to implications of COVID-19.
Cyber Security	Prioritised due to implications of COVID-19.
Financial Resilience	Prioritised due to implications of COVID-19.
COVID-19: Emergency Response & Recovery	To review lessons learnt from the Council's response to the COVID pandemic and assurance over the governance and recovery actions in place to return to business as usual.

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2020/21 Audit Plan Overview

Audit	2020/21
Corporate	
Programme & Project Management (Marketfield Way)	Q2
Financial Resilience	Q3
Governance	
COVID-19: Small Business Grants	Q2
COVID-19: Decision Making & Governance	Q2
Commissioning & Procurement	Q2
COVID-19: Emergency Response & Recovery	Q2
Health and Safety	Q2
Risk Management	Q3
Information Governance	Q4
Contract Management	Q4
IT	
Cyber Security	Q2
IT Disaster Recovery	Q3
Information Security	Q4
Payment Card Industry Data Security Standard	Q4
Core Financials	
Housing Benefits	Q2
Treasury Management	Q3
Payroll	Q3
People	
Homelessness	Q4
Place	
Fleet Management	Q2
Environmental Health & Licensing	Q3
Other	
Management	On-going
Total Days	213

Internal Audit Charter – 2020/21

Introduction

The Public Sector Internal Audit Standards (the Standards) provide a consolidated approach to audit standards across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards form part of the wider mandatory elements of the International Professional Practices Framework (IPPF) which also includes:

- the mission;
- core principles;
- definition of internal audit; and
- Code of Ethics.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'.



The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Mission and Core Principles

The IPPF 'Mission' aims *'to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.'*

The 'Core Principles' underpin delivery of the IPPF mission:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive, and future-focused; and
- Promotes organisational improvement.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which state that a relevant body must:

‘undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards (updated 2017).

Purpose

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

‘independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Reigate & Banstead BC lies with the S151 Officer.

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the ‘Mission’, ‘Core Principles’, ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and ‘the Standards’.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Audit Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Senior Management Team.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the S151 Officer who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Audit Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The S151 Officer will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'Senior Management' and *'the Board'* will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to *'senior management'* and *'the Board'*, for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to *'senior management'* and *'the Board'*.

If the Chief Internal Auditor, *'the Board'* or *'Senior Management'* consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the S151 Officer accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to *'senior management'* and *'the Board'*;
- reports functionally to *'the Board'*;
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team; and
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to *'Senior Management'* and *'the Board'*. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity, but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the '*Mission*', '*Core Principles*', '*Definition of Internal Auditing*', the '*Code of Ethics*' and the '*Standards*' and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported in accordance with the Council's Anti-fraud and Corruption Policy.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the SIAP. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisation's success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

The Council maintain an in-house Fraud & Investigation Team responsible for conducting reactive fraud and irregularity investigations and proactive fraud work. This includes participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

The Fraud & Investigation Team will inform the SIAP of the outcomes of all reactive fraud and irregularity investigations and proactive fraud work on a regular basis. SIAP will monitor the outcomes of this work to contribute to its assessment of the wider control environment and will review the governance arrangement to prevent, detect and investigate fraud and irregularities on a cyclical basis.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council. It is imperative that the Senior Management Team are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;

- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to '*Senior Management*' and '*the Board*' for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council
Key Stakeholder Partners:	West Sussex County Council Havant Borough Council East Hampshire District Council Winchester City Council New Forest District Council Mole Valley District Council Epsom & Ewell Borough Council Reigate & Banstead Borough Council Tandridge District Council Hampshire Fire & Rescue Authority Office of the Hampshire Police & Crime Commissioner / Hampshire Constabulary Office of the Sussex Police & Crime Commissioner / Sussex Police Force Office of the Surrey Police & Crime Commissioner / Surrey Police Force
External clients:	Waverley Borough Council Hampshire Pension Fund West Sussex Pension Fund New Forest National Park Authority
	Further Education Institutions Eastleigh; Highbury; Isle of Wight College; and Portsmouth

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

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Agenda Item 6



SIGNED OFF BY	Doula Pont, Head of Projects and Performance
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TO	Audit Committee
DATE	Thursday, 16 July 2020

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Risk management – 2020/21
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RECOMMENDATIONS
<ul style="list-style-type: none"> (i) That the Audit Committee note the strategic risks for 2020/21 as detailed in annex 1 of this report and make any observations to the Executive; (ii) That the Committee note the risk management reporting arrangements for 2020/21.
REASONS FOR RECOMMENDATIONS
The Audit Committee’s risk management responsibilities require it to receive regular updates on the Council’s risk management arrangements.
EXECUTIVE SUMMARY
This report details the Council’s strategic risks for 2020/21 as well as the arrangements for risk management reporting. The Council’s strategic risks have been fundamentally updated given the change in the risk environment that the COVID-19 pandemic has brought. The Committee will receive regular updates on the risks throughout the year so that assurance is given that action is being taken to mitigate the risks identified.
The Committee has the authority to approve the above recommendations.

STATUTORY POWERS

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1. The Council holds various statutory responsibilities for ensuring that its business is conducted in accordance with the law and that public money is safeguarded, accounted for and used economically and effectively.
2. The Council also has a duty under the Local Government Act (1999) to put in place proper arrangements for the governance of its affairs.
3. The discharge of this responsibility includes arrangements for managing risk.
4. The Council's Code of Corporate Governance outlines these core governance principles; compliance with the code is reported each year via the Annual Governance Statement.
5. The Audit Committee has constitutional responsibilities in the area of risk management, including to:
 - Consider the effectiveness of the authority's risk management arrangements, the control framework and seek assurance that action is being taken to mitigate those risks identified; and,
 - Monitor the effective development and operation of risk management in the Council.

BACKGROUND

6. Reigate and Banstead Borough Council has a proactive approach to risk management. It is an integral part of the Council's corporate governance arrangements and is built into management processes.
7. The Council operates a two-tiered risk management process to address the dynamic and inter-dependent nature of risk categorisation. The risk categories are strategic and operational risks.
8. 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 in conjunction with the Five-Year Medium-Term Financial Plan.
9. Members of the Management Team and Executive Members have shared responsibility for strategic risks. It is the responsibility of the Executive to formally endorse any new risks for inclusion on the strategic risk register.
10. As such, the strategic risks as detailed in annex 1 were approved by the Executive on 25 June 2020.
11. Operational risks are short term risks that are encountered in the course of the day to day delivery by services. However, if the 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. Heads of Service have responsibility for operational risks.

KEY INFORMATION

12. The strategic risks for 2020/21 are available for the committee to note at annex 1.
13. The risks have been fundamentally updated given the change in the risk environment that the COVID-19 pandemic has brought.

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14. In terms of ongoing updates, all risks are updated and reviewed on a quarterly basis. New risks are similarly considered for inclusion on the risk registers at the end of every quarter.
15. An update on the strategic risks will be reported to the Audit Committee on a quarterly basis before being considered by the Executive. This report will also include and newly identified strategic risks.
16. The Committee will also receive an update on any RED rated operational risks at the end of every quarter. A definition of the risk ratings that the Council employs is provided in annex 1.
17. The full risk registers are made available to all members via the ModGov document library. Risk registers from previous years are available via the eMembers portal.

OPTIONS

18. The Committee has two options open to it:
19. Option 1: note this report, the strategic risks and reporting arrangements for 2020/21 and make no observations;
20. Option 2: note this report, the strategic risks and reporting arrangements for 2020/21 and make any observations to the Executive.

LEGAL IMPLICATIONS

21. There are no legal implications arising from this report.

FINANCIAL IMPLICATIONS

22. There are no financial implications arising from this report.

EQUALITIES IMPLICATIONS

23. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

24. There are no communications implications arising from this report

RISK MANAGEMENT CONSIDERATIONS

25. The Council's risks inform the development of the annual risk based internal audit plan.
26. There are no other risk management implications arising from this report.

OTHER IMPLICATIONS

27. There are no other implications arising from this report.

CONSULTATION

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28. The strategic risks for 2020/21 have been developed alongside Executive Members, the Management Team and Heads of Service, as well as the Council's Corporate Governance Group.

POLICY FRAMEWORK

29. The Council's risk management strategy and methodology provides additional information on how the Council manages risks.

BACKGROUND PAPERS

None

ANNEX 1 – RISK MANAGEMENT 2020/21

The strategic risks for 2020/21 are detailed below.

Rating	Action
Red risk	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority .
Amber risk	Where management should ensure that contingency plans are in place. These may require immediate action and will require monitoring for any changes in the risk or controls. These will be a key area of assurance focus.
Yellow risk	These should have basic mechanisms in place as part of the normal course of management.
Green risk	Where risk is minimal if does not demand specific attention but should be kept under review.

Ref	Risk description	Portfolio Holder	Risk rating
SR1	<p>Brexit</p> <p>The UK’s withdrawal agreement with the European Union includes a transition period where the pre-Brexit trade arrangements will continue to apply. The transition period ends on 31 December 2020, where, if successfully negotiated, new trade arrangements covering goods and services will be put in place. Despite the COVID-19 pandemic, the government remains committed to leaving the transition period by 31 December.</p> <p>The government has the option to extend the transition period but will need to make this decision by June at the latest. If the option to extend is not exercised any later request will require a new treaty and ratification by all EU member states within a short timeframe.</p> <p>If the extension is refused, this leaves the government limited time to agree new trading arrangements. If new trade arrangements aren’t negotiated then the transition period will elapse without a trade deal being in place, resulting in a no-deal Brexit which will likely have adverse effects on the economy.</p>	Cllr Schofield	AMBER
SR2	<p>Financial sustainability</p> <p>The Council is now operating in a uniquely challenging and uncertain financial context.</p>	Cllr Schofield	RED

Ref	Risk description	Portfolio Holder	Risk rating
	<p>In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty.</p> <p>The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review and Business Rate Reset and Revaluation being delayed.</p> <p>There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council's COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct Government support these unplanned financial pressures will have an adverse impact on the Council's capacity to deliver against its Corporate Plan ambitions in future years.</p>		
SR3	<p>Local government reorganisation</p> <p>A reorganisation of local government could be prompted by a range of scenarios and circumstances, including the financial failure of an authority within Surrey or as part of a new devolution agenda.</p> <p>Given the COVID-19 Pandemic, a mandated reorganisation or devolution is unlikely. Instead, changes are most likely to result from a neighbouring or partner authority's financial failure or distress.</p>	Cllr Brunt	AMBER
SR4	<p>Partner public sector funding decisions</p> <p>The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself.</p> <p>The COVID-19 pandemic has increased pressure on public services. These pressures may result in partners being stretched which may require the Council to increase services and support provided. This could have negative funding and resource implications.</p>	Cllr Schofield	AMBER
SR5	<p>Organisational capacity and culture</p> <p>The Council has adopted an ambitious Corporate Plan, supported by a capital investment, housing and Great People strategy.</p>	Cllr Lewanski	AMBER

Ref	Risk description	Portfolio Holder	Risk rating
	<p>The COVID-19 pandemic will change the way the Council operates and will drastically change the organisational culture and ways of working.</p> <p>The Council will continue to be ambitious and the new ways of working will need to be embraced by both members and officers in order for objectives to be achieved.</p> <p>The failure to remain ambitious will risk the delivery of these objectives in these unprecedented times.</p>		
SR6	<p>Economic prosperity</p> <p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. The COVID-19 pandemic will have negative impacts upon the economy, with forecasts suggesting the worst recession in a century.</p> <p>Prevailing economic conditions have a direct impact on the Council's financial position and likewise impacts upon the demand for Council services, particularly in terms of income derived from paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p>	Cllr Humphreys and Cllr Schofield	RED
SR7	<p>Reliance on the welfare system</p> <p>The COVID-19 pandemic has resulted in increasing numbers of residents being reliant upon the welfare system as the economy is negatively impacted. This increases the risk of household budgets being stretched and residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p>	Cllr Knight	RED
SR8	<p>Cyber security</p> <p>Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised.</p> <p>The shift to remote working and teleconferencing in response to COVID-19 could potentially compromise cyber security.</p> <p>The effects of a cyber-attack are wide and varied though</p>	Cllr Lewanski	AMBER

Ref	Risk description	Portfolio Holder	Risk rating
	at their worst could result in data destruction, disruption to the delivery of services and data theft.		
SR9	<p>Fraud</p> <p>Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed. The latter is exacerbated by the new areas of activity which the Council has launched following the COVID-19 pandemic.</p>	Cllr Knight	AMBER
SR10	<p>Marketfield Way</p> <p>Marketfield Way is a major place delivery project for the Council and is critical to shaping Redhill and ensuring the town's continued vitality and viability. It will also generate income which can be reinvested in Council services.</p> <p>The COVID-19 pandemic will likely negatively impact upon this development, including in its delivery as well as its financial viability.</p>	Cllr Humphreys	AMBER
SR11	<p>Gatwick Airport</p> <p>The COVID-19 outbreak is likely to have a prolonged negative impact on Gatwick Airport. The outbreak has seen a large reduction in air travel which can be expected to continue into the foreseeable future due to the negative economic outlook and likely ongoing global travel restrictions.</p> <p>As a key local employer the financial position of the airport will likely have a negative effect on local employment, which may result in an increased number of residents seeking support from the Council.</p>	Cllr Humphreys	AMBER

Agenda Item 7



SIGNED OFF BY	Interim Head of Finance
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TO	Audit Committee
DATE	Thursday, 16 July 2020
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

KEY DECISION REQUIRED	YES
WARDS AFFECTED	ALL

SUBJECT	DRAFT ANNUAL GOVERNANCE STATEMENT 2019/20
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RECOMMENDATIONS
Audit Committee is asked to consider and to provide feedback on the draft Annual Governance Statement for 2019/20 as set out in Annex 1.
REASONS FOR RECOMMENDATIONS
To enable the adoption of the Annual Governance Statement so that it can be included within the annual Statement of Accounts for 2019/20.
EXECUTIVE SUMMARY
The Council is required to publish an annual statement on its corporate governance arrangements as part of the Statement of Accounts. The Audit Committee is invited to review the draft Annual Governance Statement and provide any feedback to be taken into consideration before the Leader and Chief Executive sign the final version. The final Statement will then be presented to Audit Committee for approval on 10 September 2020 and included in the audited Statement of Accounts in November.
Audit Committee has authority to approve the Annual Governance Statement.

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STATUTORY POWERS

1. The Accounts and Audit Regulations 2015 require the Council to prepare and publish annually a statement on the adequacy of its internal control and governance framework. This is the Annual Governance Statement (AGS).

BACKGROUND

2. The Accounts and Audit Regulations require that the AGS is published with the Council's annual Statement of Accounts.
3. The Code of Practice on Local Government Accounting recommends that the Statement should be endorsed by a body within the Council that is responsible for overall corporate governance. Under the Council's Constitution, that responsibility sits with the Audit Committee.
4. The Code also recommends that the AGS should be formally signed by the Leader of the Council and the Chief Executive. This will take place before the next meeting of this Committee in September.

KEY INFORMATION

Annual Governance Statement

5. The AGS is compiled from the following sources of evidence:
 - Council Strategies, Policies and Codes of Practice
 - Annual Internal Auditor Report.
 - External Audit and Inspection Reports.
 - Issues identified from the Council's Risk Registers.
 - Annual assurance statements signed by the Management Team that confirm that the Council has achieved 'best value' and has complied with all relevant legislation, regulations and codes of practice.
6. A draft AGS for the year ended 31 March 2020 has been compiled and is attached as Annex 1.

OPTIONS

1. **Option 1 – Approve the recommendations in this report**

This will allow the Audit Committee to provide feedback before the final AGS is reported.

This is the recommended option.

2. **Option 2 – To defer the report and ask Officers to provide more information and/or clarification on any specific points**

The AGS must be approved shortly after the end of the financial year to which it relates. Any delay in approving the 2019/20 AGS could leave the Council open to the same risks as identified in option 3 below.

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3. Option 3 – To not support the contents of this report

This would mean there is a risk that Officers will not be able to finalise the AGS or Statement of Accounts for 2019/20.

LEGAL IMPLICATIONS

7. There are no further legal implications arising from this report.

FINANCIAL IMPLICATIONS

8. There are no direct financial implications arising from this report.

EQUALITIES IMPLICATIONS

9. There are no equalities implications arising from this report.

COMMUNICATION IMPLICATIONS

10. There are no communications implications arising from this report; the AGS will be published on the Council's website as part of the published Statement of Accounts.

RISK MANAGEMENT CONSIDERATIONS

11. Adoption of this Annual Governance Statement is evidence of the Council managing its risks by ensuring adequacy of its internal control and governance framework.

CONSULTATION

12. The Executive Member for Finance was consulted during the preparation of this report.

POLICY FRAMEWORK

13. There are no policy issues to raise as part of this report.

BACKGROUND PAPERS

None

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Annual Governance Statement 2019/20

1. Scope

Corporate governance describes how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

The changing needs of residents and communities, significant reductions in resources and central government reforms present a challenge to all councils. In addressing these challenges, the Council must ensure that governance arrangements support the effective delivery of services and management of risk.

This Council is committed to planning and delivering services to the residents of the borough in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

The Council's Code of Corporate Governance outlines our governance principles:

- i. Focusing on the Council's purpose and community needs;
- ii. Having clear responsibilities and arrangements for accountability;
- iii. Requiring good conduct and behaviour;
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- v. Developing the capacity and capability of members and officers to be effective;
- vi. Engaging with local people and other stakeholders.

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for local government over recent years.

This Annual Governance Statement sets out how the Council has complied with the Code and also meets the Accounts and Audit (Coronavirus) (Amendment) Regulations

2020 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.

In discharging this responsibility, the Council has put in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

It has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance which was refreshed during 2019/20 and is publicised on the Council's [website](#).

During 2019/20 the Councillor Code of Conduct was also reviewed and agreed by the Governance Task Group in March 2020. Planned approval in April 2020 was deferred due to COVID-19; it is now scheduled to be approved by Council in July. A copy is available on the Council's [website](#)

These arrangements are supported by the Council's Risk Management Strategy which is also available on the [website](#).

2. Purpose

The Council's governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.

The governance framework has been in place for the year to the date of approval of this annual governance statement.

3. Governance Framework

The Council's governance framework comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.

These are summarised below:

- The Council's Five Year Plan and other documents contained in the Budget and Policy Framework set out priorities and intended outcomes for residents and service users. In January 2020 a new 5 Year Plan, Housing Delivery Strategy and Environmental Sustainability Strategy were adopted.
- The Executive, Committees and Panels have been established to ensure

democratic engagement and accountability and are central to our decision-making.

- The arrangements for oversight and scrutiny of decisions and policy development by Councillors.
- Establishment of the Commercial Ventures Executive Sub-Committee whose terms of reference include:
 - Consider and take decisions about the potential establishment of commercial ventures and the undertaking of other investment activities by the Council.
 - Exercise the function of the Council as a shareholder or partner, in relation to companies, partnerships or other commercial entities owned or part owned by the Council.
 - Monitor and review the performance of commercial ventures undertaken by the Council, and to take decisions on the management of those commercial ventures.
 - Monitor and review the performance of investment activities undertaken by the Council, and to take decisions on the management of those investments.
- Delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions.
- Risk, performance and accountability arrangements that measure the quality of services - ensuring they are delivered in accordance with our objectives and that they represent the best use of resources. Commercial decisions are subject to a due diligence process and risk analysis.
- Business plans and associated resource plans, role profiles, organisation vision, values and behaviours and codes of conduct which underpin how Members and employees work.
- Arrangements for consultation and engagement with the community.
- Independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.

- Independent oversight and challenge provided by our external auditors, the Information Commissioner, Freedom of Information (Act 2000) requests for information, General Data Protection Regulations and the Local Government Ombudsman;
- Procedures and internal management processes for:
 - Financial management
 - Procurement
 - Project management
 - Risk Management
 - Information governance & data security
 - Health & safety
 - Decision making
 - Whistleblowing
 - Complaints handling
 - Anti-fraud & corruption

4. Review of Effectiveness

We regularly review the effectiveness of the Council's governance arrangements through the officer Corporate Governance Group, by evaluating performance against the CIPFA/Solace framework (Delivering Good Governance in Local Government) and through independent audit reviews.

This includes considering decisions taken and matters considered by full Council, the Executive, the Management Team, the Overview & Scrutiny Committee, internal audits, work undertaken by external auditors and the annual report of the Local Government Ombudsman.

Self-Assessment

Our planning, performance and risk management framework has enabled us to focus on the delivery of our corporate priorities and provides the Overview & Scrutiny Committee and Executive with information to check and challenge attainment of our priorities.

An internal audit review of our Decision Making & Accountability was undertaken in 2019/20 which concluded there was 'substantial' assurance about the arrangements that are in place.

Overview & Scrutiny Committee and Executive Members have reviewed the register of the strategic business risks facing the Council. The Executive has received assurances about the operation of the arrangements for identifying and managing risk.

Financial Planning and Management

When the 2019/20 budget was approved it included growth of £2.620m, (mainly due to reduced funding from the Government), offset by £1.229m savings, resulting in net budget growth to £1.391m. Despite volatile economic conditions and in-year service pressures, expenditure was controlled and the final outturn was an underspend equivalent to 11.9% of the revenue budget (£2.09m). The outturn position for the capital programme was £18.96m, representing £30.15m (61%) below the approved programme for the year. The variance was primarily as a result of £29.74m programme slippage and a £0.412m net underspend.

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee and Corporate Governance Group have remained in place.

The Overview & Scrutiny Committee (and its Budget Scrutiny Panel) reviewed 2020/21 budget proposals in depth as part of the budget preparation process in Autumn 2019 concluding that, while overall, there was a proposed £2.1m of investment and additional spending in service budgets with an overall a £1.256m call from reserves, it was anticipated that the forecast underspend from the current year's budget would in effect fund the majority of the call on Reserves in 2020/21. The Committee was supportive of this approach and its realistic approach to budget planning.

The new Capital Investment Strategy provides a framework within which investment decisions can be assessed.

Accountability

We have reviewed the Constitution to reflect legislative changes particularly in relation to procurement. We also continue to review the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. The Scheme of Delegation was reviewed during 2019/20 and approved at Council in February 2020.

The Overview & Scrutiny Committee has agreed the Audit Plan and is scheduled to receive an end of year report from Internal Audit.

Conduct

The Standards Committee has operated in accordance with our published local arrangements, supported by the Monitoring Officer, since the abolition of the statutory requirement to have a Standards Committee.

The Council has a locally adopted Code of Conduct and all Councillors are given training regarding the conduct requirements. The latest Code of Conduct is scheduled for approval by Council in July 2020.

Councillor conduct complaint handling arrangements are approved by the Standards

Committee and published on our [website](#). Emphasis is placed on a speedy informal resolution of concerns where possible. A set of principles has been agreed by the Political Group Leaders who work together to support this process. The Monitoring Officer maintains a register of complaints and resolutions and provides, as a minimum, an annual report to the Standards Committee.

Registers of Interest for Elected Members and senior Employees are maintained and arrangements are in place for the declaration of interests when decisions are taken. We have also appointed a pool of Independent Persons, (shared with six other local authorities in Surrey) for four years up to 2023 to provide resilient support to meet this statutory responsibility.

Decision-Making

Our decision-making arrangements are one of our significant governance controls, linking to all of the governance principles that are set out in our Code of Corporate Governance. We continue to review these key principles on an ongoing basis and will recommend consideration of changes to reflect new working arrangements as identified.

Positive assurances have been given by all Managers and by the Statutory Officers on risk management activities.

Skills and Capacity

The Council is developing an Organisational Development Strategy which will set out the approach needed to help ensure officers are engaged and committed to deliver the Council's priorities and services. Personal development plans and investment in 'talent management' helps to ensure we have effective succession planning in place and that our workforce has the skills, capability and capacity to meet the challenges facing the Council.

We undertake regular staff engagement, including surveys, and action plans are put in place to address any themes emerging from staff engagement activities.

An induction and Member Learning and Development programme is in place for new and returning Councillors. In May 2019, following the review of ward boundaries and local elections, a full-day training event took place to induct all new and re-elected councillors. This included briefings on the requirements of the Member Code of Conduct, Data Protection and Council finances. This was followed up with skills training for regulatory functions before Members took up places on the Planning, Licensing and Regulatory Committees. A variety of other learning events took place during the year to ensure that Councillors were briefed on new initiatives and legislative changes.

Engagement

Consultation and engagement had taken place with local people and other stakeholders on a range of issues during the year to inform the plans and decisions taken by the Council. We have reviewed our approach to engagement and continue to improve our use of digital channels to reach audiences with an improved website and a greater use of social media.

Independent Review

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of the system of internal financial control. The Internal Audit Annual Report for 2019/20 included the following conclusion:

Annual Internal Audit Opinion 2019-20

"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Reigate & Banstead Borough Council's internal control environment.

In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

Internal audit reviews that were assessed as providing 'substantial' assurance included our work around development of the Corporate Plan and Decision Making & Accountability while Ethical Governance and development of the Housing Delivery Strategy were found to provide 'adequate' assurance.

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year. The most recent report, received by the Council, in September 2019, in respect of the 2018/19 financial year, contained the following conclusions:

- *On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Reigate and Banstead Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.*

In our opinion the financial statements of Reigate and Banstead Borough Council ('the Authority') and its subsidiaries ('the group'):

- *give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's and the Authority's expenditure and income for the year then ended; and*
- *have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.*

A copy of the Report can be found on the Council's [website](#).

5. Coronavirus Pandemic Response

This AGS focuses on the governance in place during 2019/20 therefore the majority of the year was unaffected by coronavirus. However, there were impacts experienced as a consequence of the pandemic at the end of March 2020 and that remain at the time of finalising this AGS. Therefore, it is important to make reference to some of the more significant governance impacts in this year's AGS, which include:

- Changes to decision-making arrangements and the conduct of meetings online.
- Impacts on business as usual in the delivery of services
- Introducing new areas of activity as part of the national response to coronavirus and any governance issues arising
- Adopting new policies and processes
- Managing the logistical consequences of delivering the local government response
- Establishing new collaborative working arrangements with other public bodies and the voluntary and community sector
- Funding and cash flow challenges as a consequence of carrying out new unbudgeted activities, reduced demand for our income generating services, pausing some services and significant changes to cashflows in council tax and business rates collection
- New risks have been identified and some existing risks escalated

Over the longer term the disruption and consequences arising from the coronavirus pandemic are expected to continue for some time, however planning for a Recovery phase is now in progress, including a lessons-learnt assessment.

6. Significant Governance Issues

The independent opinions of our internal and external auditors provide considerable assurance in respect of the Council's arrangements. These have identified no significant issues or areas for improvement.

The outlook for local government over the next few years has increased challenges, related to growing demand and declining resources, and managing recovery following the Coronavirus pandemic. However, the Council is confident that it has arrangements in place to ensure that resources are directed toward identified priorities and to ensure that it will continue to seek innovative ways of securing financial sustainability.

7. Summary

The Council has in place strong governance arrangements which protect its interests and provide necessary assurances to our residents and stakeholders. We are committed to continuing to review and develop the supporting arrangements and take action as necessary to ensure this continues.

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Councillor Mark Brunt

Leader of the Council

Date:

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John Jory

Chief Executive

Date:

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