

## **BOROUGH OF REIGATE AND BANSTEAD**

### **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held at the remotely on 11 March 2021 at 7.00 pm.

Present: Councillors J. S. Bray (Chair), M. S. Blacker, G. Buttironi, S. A. Kulka, C. M. Neame, S. J. G. Rickman and R. Ritter.

Also present: Councillors Knight, Lewanski and Schofield.

#### **25. MINUTES**

The minutes (including exempt minutes) from the meeting held on 26 November 2020 were approved.

#### **26. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were no apologies for absence.

#### **27. DECLARATION OF INTEREST**

There were no declarations of interest.

#### **28. REPORT OF THE EXTERNAL AUDITOR (ISA260) AND AUDITED STATEMENT OF ACCOUNTS 2019/20**

The Interim Head of Finance explained that the 2019-20 audit was drawing to a conclusion and that officers had been meeting with Deloitte on a weekly basis to review progress. The first draft of the Auditor's report was received the week prior to this meeting. It was noted that while some adjustments to how the 2019/20 accounts were presented had been requested by Deloitte, these did not have a material impact on the figures.

An additional meeting of the Committee would be convened to consider the statement of accounts 2019-20 and the Auditor's report; this would be arranged in consultation with the Chair and Democratic Services. A briefing session for Committee members with the Finance Team would be arranged prior to this meeting.

It was acknowledged that the delay in receiving these reports was due in part to the competing demands on Finance and auditor resources due to the pandemic along with the ever increasing scope of local authority audits.

**RESOLVED** that the current position regarding completion of the audit of the Statement of Accounts for 2019/20 be noted.

#### **29. INTERNAL AUDIT PLAN 2021/22-2023/24 AND CHARTER 2021/22**

The Committee was asked to consider the programme for internal audit over 2021/22 and 2023/24. It was noted that there had been changes to the schedule for some audits. The Interim Head of Finance gave an overview of how the audit plan was developed and reviewed.

It was explained that the audit plan was risk based and this determined the priorities for internal audit activity. The plan was fluid in order to ensure that it continued to remain relevant to the Council's risk profile and ensure an appropriate level of audit coverage, particularly given the finite nature of audit team resources. A further key consideration was to ensure that audits added value. Over the past year the plan had also been revised to ensure sufficient focus on risks related to the pandemic.

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), explained that Appendix 1 was the plan for the forthcoming 3 years and reiterated that the plan should remain fluid. With this in mind, the Committee was requested to focus on the audits planned for 2021/22. There had been some significant changes within the 2021/22 plan, with some audits being pushed further along the audit programme due to the emergence of risks in new areas or some audits being considered as lower priority currently.

In terms of producing the audit plan, this had been carried out in consultation with the Corporate Governance Group and the wider Management Team. The Council's visions and priorities were considered as part of the planning process, as well as the strategic risks recorded in the risk register. Other areas of assurance and previous audit opinions were taken into account when determining priorities over the next 12 months.

The Committee was reminded that resources for carrying out audits were finite and a wide spectrum of audit coverage was required so an annual report and opinion could be provided.

The Committee was directed to the report which showed the audits to be included for the year and were there for the Committee to review.

Neil Pittman, Head of SIAP, also stated the need for the plan to be flexible, as risks changed ordinarily but the current year brought additional change.

A Councillor commented on the report requesting two changes to the wording of the Council's strategic risks. The Interim Head of Finance explained that this was SIAP's report which quoted the Council's risk. Any feedback on strategic risks would be better considered during the later item on the agenda. There was also some concern around coverage of fraud risks in the plan; in response Councillor Schofield explained that the Council had its own fraud team that was dedicated to investigating fraud.

The Committee considered the Internal Audit Charter 2021/22. There had been no changes from the previous year.

**RESOLVED** that:

- (i) That the Audit Committee approves the internal audit plan for 2021/22-2023/24 as set out in annex 1; and,
- (ii) That the Audit Committee approves the internal audit Charter for 2021/22 as set out in annex 2.

### **30. INTERNAL AUDIT 2020/21 - QUARTER 3 PROGRESS REPORT**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), explained that the report had advanced since it had been circulated. At the point of writing the report there were still two audits that required scoping; however, these were both now underway. An overview of the performance dashboard was given.

The report provided an update on where the live audit reports were in terms of progress. It was noted that they either had management actions that had tipped into being overdue, or audits that were still showing as live. These would remain on the report until completion. There had been some revised target dates due to Covid-19 and SIAP would follow these through until completion. Reasons for any adjustments were shown within the report.

Planning Enforcement showed as having two overdue low priority actions, however these had since been completed.

Neil Pittman, Head of SIAP, thanked Officers for their assistance in getting to the current position. It was a challenging year and the cooperation received had enabled SIAP to produce its Annual Report.

Following a question from a Councillor it was explained that the audit opinion "reasonable" equated to the previous audit opinion of "adequate". There had not been any significant areas of non-compliance, but there were some areas for improvement.

In respect of the audit of street cleansing and recycling there had been 15 actions raised of which 14 had been resolved (including the 3 high priority actions). Any further detail on this would need to be brought back to the Committee. Members also questioned IT disaster recovery and its testing, and it was stated that once this review had been undertaken, which would consider the arrangements for disaster recovery, the assurances around this would be provided to the Committee.

Natalie Jerams and Neil Pittman were thanked for their work. The Committee asked the Interim Head of Finance to thank all Officers involved in the internal audit process.

**RESOLVED** that:

- (i) the Committee notes the internal audit progress report attached at annex 1; and
- (ii) the Interim Head of Finance thanks Officers for ensuring the audits had been conducted.

### **31. STRATEGIC RISKS - 2021/22**

Councillor Lewanski introduced the item stating that strategic risks were defined as those risks that had an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium-Term Financial Plan (MTFP).

Annexe 1 of the report detailed the proposed strategic risks for 2021/22 and the risks had been updated to reflect the anticipated position as of 1 April 2021.

The key differences from the 2020/21 strategic risk register were:

- SR1 – Brexit. This was recommended for closure in Q3 2020/21 reporting; and,
- SR4 – Partner public sector funding decisions. It was expected that this risk would be recommended for closure in Q4 2020/21 reporting. As reported in the Q3 risk update agenda item, this was due to the Council's funding reliance on the County Council reducing. This meant reduced potential impact of any funding or budgetary decisions made by the County Council for this Council. The recommendation for closure was Q4 would align with the agreement of this Council's and Surrey's 2021/22 budgets.

Following the Committee meeting, the 2021/22 strategic risks would be considered by the Executive for approval at its meeting on 25 March 2021.

Members were assured that red rated risks were actively regarded and not just considered quarterly. The Committee was reminded that only red rated operational risks were reported to the Committee.

A Member of the Committee asked if it was premature to close SR1 - Brexit as risk, however in response it was stated that the UK had now passed through the Brexit process and had left the EU. Any trade deals that could follow would be outside this process.

**RESOLVED** that the Committee notes the identified strategic risks for 2021/22 as detailed in annex 1.

## **32. RISK MANAGEMENT - QUARTER 3 2020/21**

Councillor Lewinski introduced the item stating that the report provided an update on risk management in Q3 2020/21.

Annex 1 of the report provided an update on all strategic risks, including their rating and a summary of the key updates. No new strategic risks were identified in Q3.

Following the agreement of a trade deal between the United Kingdom and the European Union, the strategic risk on Brexit (SR1) was recommended for closure in Q3 reporting.

In addition to strategic risks, the Committee also received updates on red rated operational risks. At the end of Q3 there was one rated operational risk, the detail of which was provided in the part 2 exempt annex. The Committee considered information relating to this risk within the exempt part of the meeting.

Following the meeting of this Committee, this report would be considered by the Executive on 25 March.

Members were assured that in respect of SR10 (Marketfield Way), income generated would be reinvested in Council services.

In respect of closing the risk on Brexit, further information relating to this was shown on page 79 of the report.

Concern was raised regarding the Government's plan to change aspects of planning law around affordable housing and it was questioned how many units did a reduction of 60% represent. In response it was stated that the Council currently had a target of achieving 100 new units of affordable housing per annum. It was acknowledged that a change such as this could represent a strategic risk to the Council.

Additionally, Members raised a concern regarding the Registered Providers (RPs) plans to dispose of property in order to meet their net zero carbon emissions target, which would also reduce the number of affordable homes in the borough. It was stated that the Council continued to work with RPs, and it was hoped that funding could be drawn from other sources to assist them. The Council had signed a joint venture with Raven and was looking to bring more affordable housing online. The loss in social housing would be considered and if this posed a strategic risk this could be brought back in quarter 4.

Councillor Knight introduced a PowerPoint presentation relating to SR7, reliance on the welfare system, and in particular regarding the end on the ban of evictions from the 31 May 2021, and the impact this may have.

The presentation covered the following headings:

- Challenges
- Increase in single homeless requiring emergency accommodation
- MHCLG recently released figures showing the single cohort numbers assisted across Surrey
- Family Homelessness – loss of tenancy
- Housing Register (waiting list)
- Work to mitigate risks
- Housing delivery

It was stated that there would be 30 evictions from Raven properties after 31 May 2021 and the Council was unsure of how many evictions there would be from private landlords. The winter night shelter had been unable to open and this increased pressure on the Council. Many of the people that would use this facility required additional support that was not currently available. It was noted that the Housing Register had increased by between 28 and 29%.

Councillor Knight, Richard Robinson (Head of Housing) and Housing Officers were thanked by the Committee for their ongoing work.

**RESOLVED** that:

- (i) the Committee notes the Q3 update on risk management provided by the report and associated annexes; and
- (ii) the Committee notes the closed strategic risk on Brexit as detailed in the report and in annex 2.

**33. AUDIT COMMITTEE ANNUAL REPORT 2020/21**

The Committee was apprised that the Annual Report 2020/21 set out the work of the Audit Committee in 2020/21 and considered its forward work programme for 2021/22. It was noted that the Committee's forward work programme was a live document and would be subject to change as required.

**RESOLVED** that:

- (i) the Annual Report of the Audit Committee be noted and is recommended to Council; and
- (ii) the Audit Committee's Forward Plan for 2021/22 is approved.

**34. ANY OTHER URGENT BUSINESS**

There were no items of urgent business.

**35. EXEMPT BUSINESS**

**RESOLVED** that members of the Press and public be excluded from the meeting for part of agenda item 6 (Risk Management – Quarter 2 2020/21) under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- i. it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Act; and
- ii. information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The Meeting closed at 8.16 pm