

# Agenda

## Audit Committee

Thursday, 10 June 2021 at 7.30 pm

New Council Chamber, Town Hall, Reigate



Meetings will take place in accordance with Government guidance. Members of the Committee will assemble at the Town Hall, Reigate.



Members of the public may observe the proceedings live on the Council's [website](#).

### Members:

J. Baker

M. S. Blacker

J. Booton

G. Buttironi

R. J. Feeney

J. P. King

S. A. Kulka

R. Michalowski

S. T. Walsh

### Substitutes:

**Conservatives:** J. King, S. Parnall and R. S. Turner

**Residents Group:** N. D. Harrison and C. T. H. Whinney

**Green Party:** P. Chandler, J. C. S. Essex, S. McKenna, S. Sinden, R. Ritter and D. Torra

**Liberal Democrats** M. Elbourne

**Mari Roberts-Wood**  
Interim Head of Paid Service

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Published 02 June 2021

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

**1. Election of Chair**

To elect a Chair of the Committee for this Municipal Year 2021/22.

**2. Election of Vice-Chair**

To elect a Vice-Chair of the Committee for this Municipal Year 2021/22.

**3. Minutes** (Pages 5 - 12)

To confirm as a correct record the Minutes of the previous meeting and the exempt minutes from the meeting held on 11 March 2021.

**4. Apologies for Absence and Substitutions**

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

**5. Declaration of Interest**

To receive any declarations of interest.

**6. Draft Annual Governance Statement 2020/21** (Pages 13 - 26)

To enable the adoption of the Annual Governance Statement so that it can be included within the annual Statement of Accounts for 2020/21.

**7. External Audit Plan 2021/22 (To follow)**

To approve the External Audit Plan 2021/22.

**8. Internal Audit - 2020-21 Annual Report and Opinion** (Pages 27 - 48)

To consider the Annual Internal Audit Report and Opinion for 2020/21.

**9. Internal audit - Q4 2020/21 progress report** (Pages 49 - 76)

To provide an update on the delivery of the 2020/21 internal audit plan as of the end of Q4 2020/21.

**10. Risk management - quarter 4 2020/21** (Pages 77 - 98)

To consider the Risk Management – Quarter 4 2020/21 report.

**11. Audit Committee Forward Plan 2021/22**

(Pages 99 - 102)

To note the Committee's current work programme for 2021/22.

**12. 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.



### **Streaming of meetings**

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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.

## **BOROUGH OF REIGATE AND BANSTEAD**

### **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held at the New Council Chamber - Town Hall, Reigate on 18 May 2021 at 7.00 pm.

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

Also present: Councillor Schofield.

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

Apologies for absence had been received from Councillor J King.

#### **37. DECLARATION OF INTEREST**

There were no declarations of interest.

#### **38. MINUTES**

The minutes from the meeting held on 11 March 2021 were approved.

#### **39. FINAL ANNUAL GOVERNANCE STATEMENT 2019/20**

The Interim Head of Finance introduced the Final Annual Governance Statement 2019/20 and explained that a draft had previously been considered by this Committee and by the Overview and Scrutiny Committee, whose feedback had been taken into account.

Approval of the document was sought in order to confirm its formal incorporation within the Statement of Accounts 2019/20.

The Committee was reminded that this report considered governance arrangements relating to the year prior to the formation of this Committee and for that reason, the Overview and Scrutiny Committee had taken responsibility for reviewing it.

**RESOLVED** that the Annual Governance Statement at Annex 1 be endorsed.

#### **40. REPORT FROM THE EXTERNAL AUDITOR ON THE STATEMENT OF ACCOUNTS 2019/20**

The ISA 260 report from the Council's external auditors (Deloitte LLP) summarised the conclusions and significant issues arising from their audit of the 2019/20 Annual Financial Report.

Ben Sheriff (Director), Deloitte, introduced the report and stated that the audit was complete subject to receipt of the signed Representation Letter and final confirmations. They had not identified any significant uncorrected adjustments or disclosure deficiencies. Adjustments had been agreed in respect of the presentation of Marketfield Way assets and these had been addressed satisfactorily.

# Agenda Item 3

Audit Committee  
18 May 2021

Minutes

The Committee was reminded that year end for 2019/20 occurred immediately after the start of the first Covid-19 pandemic lockdown and this had created significant uncertainty, some of which was reflected in the audit opinion. In respect of property values at 31 March 2020, the valuer had reported 'material uncertainty' and there were increased levels of uncertainty within areas such as pension assets. Nevertheless, the overall the opinion was clean and there were no issues relating to value for money.

The rest of the report set out the areas that Deloitte had considered in more detail, these included:

- Covid-19 and its impact on the audit
- Significant risks
- Defined benefit pension scheme
- Property asset re-classification

Further detail was requested regarding Deloitte's reporting of a difference of £400,000 in the value of some assets in the valuation report and the fixed asset register. It was explained that the Council had a large number of individual assets and the valuer had undertaken work to value them for the accounts. However, their reported values were not completely aligned with the Council's records resulting in a small discrepancy between the two sets of records. This was considered a limited risk; however, a recommendation had been made that "*management should put in place a second review of all valuation entries, including allocation by asset prior to being posted into system.*"

A question was asked regarding the Council's share of the liability in the Surrey Pension Funds and whether this was being managed appropriately. The reasons for the deficit were explained, including the impacts of the McCloud and Goodwin legal case judgements. The overall deficit shown on the balance sheet would always be a financial challenge as the pension entitlement of employees and pensioners was significant, but this was the same for all Local Authorities.

The Council had the ability to reduce its net liability by paying additional contributions to the pension scheme and it had some input into the Fund's investment decisions, but these were complex matters of judgement. It was explained that the underlying asset and liabilities number were subject to market movements and the position at 31 March 2020 showed significant adverse impacts due to stock market movements in response to the pandemic. This coupled with interest rates being low, meant that the liability at March 2020 was greater. Asset prices were now a lot higher as there had been a recovery in many markets so by March 2021 some of this adverse movement may have been recovered. The primary areas of choice for the authority related to the number of employees employed, as the number of former employees with accrued pension rights and pensioners was fixed.

Members asked for clarification of the comment in the report that that the audit had been completed subject to '...updating our review of events since 31 March 2020 through to signing...'. It was confirmed that this was a standard form of words and that nothing had occurred that would impact on signing off the accounts.

Members of the Committee recognised that these accounts were being considered much later than the original audit deadline and it was accepted that Covid-19 had

played a part in this, however it was questioned whether there had been any other issues that had delayed the accounts.

Deloitte acknowledged that there had been challenges in the last year largely through conducting audits remotely and this had delayed their work. There was also a delay due to the additional work undertaken relating to asset reclassification. The Interim Head of Finance echoed this and stated that the Finance Team was now planning ahead for 2020/21, taking on board the lessons learnt from this audit. 2019/20 was the second year the Council's team was working with Deloitte and they were becoming more accustomed to the new style of audit contracts and the expectations of the Finance team. 2019/20 was an improvement from the previous year in this regard and the Team was now more prepared for what was expected. A further factor was that the Finance Team underwent a restructure in 2019/20 and subsequently recruited four qualified accountants during the summer. This created some disruption while these new staff were trained, and this was acknowledged by Deloitte. The pandemic was also a significant contributing factor for both teams. The main focus currently, was to enhance the quality of working papers and continue to build an effective working relationship with Deloitte.

**RESOLVED** that:

- (i) The report from the external auditor (ISA 260) on the 2019/20 audit be noted (Annex 1); and
- (ii) The Management Representation letter be agreed and signed by the Chair of the Audit Committee and Chief Finance Officer (Annex 2).

#### **41. STATEMENT OF ACCOUNTS 2019/20**

The Interim Head of Finance presented the Statement of Accounts which required approval by the Committee. There had been some minor typographical amendments up until the afternoon of the meeting and it was confirmed that the Chair would be signing the most up to date version. There had been no material changes to the report.

Following a briefing received by members regarding the Statement of Accounts, a number of questions had been submitted to the Interim Head of Finance in advance of the Audit Committee. A presentation in response to the questions was given and the following summarises the key points:

Question 1. Investment Properties: Re-Classification in 2019/20

A total of £49.5m was reclassified from investments properties to other land and buildings.

Assets reclassified from Investment Property to Property Plant & Equipment (PPE). Their book values are shown below.

- Marketfield Way properties (£11.9m)
- Merstham Regeneration (£8.8m)
- Warwick Quadrant (£6.6m)
- Travelodge (£5.2m)

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- Linden House (£2.7m)
- Madeira Walk, Sandpit (£2.2m)
- Town Hall (£2.0m);
- Reading Arch Road Properties (£1.5m)
- Park Farm (£1.0m)
- New Pond Farm (£0.7m)
- Holly Lane Farm (£0.5m); and
- Old Town Hall (£0.5m)

This followed a fundamental review of the reasons for holding the assets:

- Investment Property – solely for purpose of generating income.
- PPE – support delivery of broader corporate and service delivery objectives.

This was consistent with the CIPFA Code of Practice for Local Authority Accounting.

An extract from the Balance Sheet was shared to explain [agenda pack page 104].

## Question 2. Marketfield Way Assets

It was appropriate to reduce the value of the portfolio of assets at Marketfield Way (Impairment of Marketfield Way Assets). This was a key area of change within the audited accounts compared to the original draft.

- Head Lease on 18-44 High Street, the Pay & Display car park and some smaller property leases on the site.
- Historic value in the accounts was £5.2m.

Work commenced on site in spring 2020

- the properties were demolished, and the car park was under the footprint of the new development.

Significant new assets were being created as a result of development and this would create new assets in 2020/21 accounts.

- at 31 March 2020 the project was at the demolition and preparatory works stage.
- this resulted in a net 'disposal' in the Accounts.

## Question 3. Comprehensive Income and Expenditure Statement (CIES) Movements 2018/19 to 2019/20

The Comprehensive Income and Expenditure Statement (CIES) reported a movement from a surplus on provision of services of £3.494m in 2018/19 to a surplus of £1.034m in 2019/20. The main reasons for this movement were:

- Increase in Community Infrastructure Levy (CIL) receipts.

Offset by:

- Property revaluations (Marketfield Way asset write-offs).
- Increased depreciation charges.
- This Council's share of prior years' Collection Fund deficits.

Reserve movements 2018/19 to 2019/20 were also referred to. The main reasons for the Usable Reserves increasing from £54.3m to £63.6m were:

- Increase of £9.3m to reflect Community Infrastructure Levy (CIL) receipts during the year.

The main reasons for Unusable Reserves decreasing from £112.1m to £104.6m were:

- Charge to Unusable Reserves to reflect the reduction in value of Marketfield Way assets (£5.2m).
- Charge to Unusable Reserves to reflect this Council's share of prior-year Collection Fund deficits (£1.8m).

Question 4. Credit Loss Calculations; and  
Question 5. Company Loans - Impairment Basis

Note 22.3 – Financial Instruments [agenda pack page 132]

International Financial Reporting Standards IFRS9 – accounting treatment for Financial Instruments (including company loans) required the following to be taken into account:

- Risk factors such as the COVID-19 pandemic - may lead to delays in loan repayment.
- Charge against the value of assets (Financial Instruments) with the opposite entry to the Capital Adjustment Account, both in the Balance Sheet.
- No direct impacts on the CIES.
- No direct link to the separate Policy on Minimum Revenue Provision (MRP) for company loans in the Treasury Strategy.

The key loans and balances at the end of March 2020 that the Council had made were as follows:

*Horley Business Park Development LLP*  
*Loan/Accrued Interest £1.154m - impairment £200k*

*Greensand Holdings Ltd*  
*Loans £13.258m - impairment £1.100m*

Question 6. Increase in NNDR Appeals

This question related to commentary in Deloitte's ISA260 Report – Significant Risks [agenda pack page 35].

- Requirement to make provision for this Council's share of Business Rate payers' appeals against rateable valuations.
- Increase from £0.7m in 2018/19 to £2.5m in 2019/20.
- 2019/20 - premises-specific assessment prepared by the Council's rating advisors.

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- More accurate than reliance on UK-wide rating appeal indices as in previous years - based on the risks associated with the specific types of businesses operating in the local area.

## Question 7. Property Revaluations – exclusions

This question related to commentary in Deloitte's ISA260 Report – Valuation of Property Assets [agenda pack page 36].

The exclusions were primarily parks and allotments

- All other significant buildings and land assets had been revalued by the external valuer - either by a site visit or a desktop valuation.

## Question 8. Comparison with the Outturn Reported to Executive in Summer 2020

The main reason for differences would be if changes were subsequently agreed during the audit of the Accounts which would not have been reflected in the Outturn report.

For 2019/20 these included:

- Total Usable (Capital) Reserves decreased as a result of identifying that £2.5m of the Section 106 balances previously reported as being an asset of the Council were in fact payable to Surrey County Council. (It was noted that these funds would be used for the benefit of local residents). Moving forward that distinction would be made clear.
- Total Unusable Reserves decreased by £5.2m as a result of writing-off the Marketfield Way assets.

The Interim Head of Finance was thanked for her clear explanation. There were no further questions.

The Chair understood that the Council's MRP policy, within treasury management, stated that the Council did not make any MRP repayments in respect of loans lent to subsidiaries due to the expectation that the loan would be repaid in full at some point in the future, however, given that the loans had been impaired in the accounts, it was questioned whether the Treasury Management Policy should be reviewed in light of this. They asked that this should be carried forward for discussion to a future Committee meeting, once treasury management was within the remit of this Committee.

**RESOLVED** that the Statement of Accounts 2019/20 be approved.

## 42. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

The Meeting closed at 7.47 pm

# Agenda Item 6



<b>SIGNED OFF BY</b>	Interim Head of Finance
<b>AUTHOR</b>	Pat Main, Interim Head of Finance
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<b>EMAIL</b>	<a href="mailto:pat.main@reigate-banstead.gov.uk">pat.main@reigate-banstead.gov.uk</a>
<b>TO</b>	Audit Committee
<b>DATE</b>	Thursday, 10 June 2021
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance and Governance

<b>KEY DECISION REQUIRED</b>	Y
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Draft Annual Governance Statement 2020/21
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<b>RECOMMENDATIONS</b>
<b>Audit Committee is asked to consider and to provide feedback on the draft Annual Governance Statement for 2020/21 as set out in Annex 1.</b>
<b>REASONS FOR RECOMMENDATIONS</b>
To enable the adoption of the Annual Governance Statement so that it can be included within the annual Statement of Accounts for 2020/21.
<b>EXECUTIVE SUMMARY</b>
The Council is required to publish an annual statement on its corporate governance arrangements as part of the Statement of Accounts.
Audit Committee is invited to review the draft Annual Governance Statement and provide any feedback to be taken into consideration before the Leader and Acting Head of Paid Service sign the final version.
The final Statement will then be presented to Audit Committee for approval on 28 September 2021 and included in the audited Statement of Accounts.
<b>Audit Committee has authority to review the Annual Governance Statement</b>

# Agenda Item 6

## 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 Acting Head of Paid Service. This will take place before the next meeting of this Committee in September.

## KEY INFORMATION

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; and
  - Annual assurance statements signed by Directors and Heads of Service 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. Audit Committee Members are invited to provide feedback on the draft.

## OPTIONS

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

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

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

8. The AGS must be approved shortly after the end of the financial year to which it relates. Any delay in approving the 2020/21 AGS could leave the Council open to the same risks as identified in option 3 below.

<b>3. Option 3 – To not support the contents of this report</b>
9. This would mean there is a risk that Officers will not be able to finalise the AGS or Statement of Accounts for 2020/21.
<b>LEGAL IMPLICATIONS</b>
10. There are no further legal implications arising from this report..
<b>FINANCIAL IMPLICATIONS</b>
11. There are no direct financial implications arising from this report.
<b>EQUALITIES IMPLICATIONS</b>
12. There are no equalities implications arising from this report.
<b>COMMUNICATION IMPLICATIONS</b>
13. 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
<b>RISK MANAGEMENT CONSIDERATIONS</b>
14. Adoption of this Annual Governance Statement is evidence of the Council managing its risks by ensuring adequacy of its internal control and governance framework.
<b>CONSULTATION</b>
15. The Deputy Leader & Portfolio Holder for Finance and Governance was consulted during the preparation of this report.
<b>POLICY FRAMEWORK</b>
16. There are no policy issues to raise as part of this report.
<b>BACKGROUND PAPERS</b>
<i>None</i>

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## Annual Governance Statement

2020/21

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### Scope of Responsibility

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 our residents and communities, significant reductions in resources and central government reforms present a challenge to all councils. In addressing these challenges we 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. In November 2020 the Council adopted a Local Code of Corporate Governance which had been refreshed during 2019/20 and is published 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 the COVID-19 pandemic; it was approved by Council in July 2020. 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](#).

### **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.

### **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 Corporate Plan and other documents contained in the Policy and Budget Framework set out priorities and intended outcomes for residents and service users. In January 2020 the [Corporate Plan](#) was adopted. The Corporate Plan is supported by supplementary strategies, including the Housing Delivery Strategy (adopted December 2019), the Environmental Sustainability Strategy (adopted August 2020) and the Commercial Strategy Part 1 (adopted November 2020);

- 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 Audit Committee whose terms of reference include:
  - Oversight of internal audit and governance, including risk management; and
  - Approval of the audited statement of accounts and external auditor's report.
- 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; and
- Procedures and internal management processes for:
  - Financial management;
  - Procurement;
  - Project management;
  - Risk Management;
  - Information governance & data security;
  - Health & safety;
  - Decision making;
  - Whistleblowing;
  - Complaints handling; and
  - Anti-fraud & corruption.

### **Review of Effectiveness**

We regularly review the effectiveness of the Council's governance arrangements through the officer Corporate Governance Group (comprising Directors and Statutory

Officers), by evaluating performance against the CIPFA/Solace framework (Delivering Good Governance in Local Government) and through independent 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, Audit 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. In addition, the Council's approach to decision making and governance in the context of COVID-19 was audited in 2020/21. The conclusion was that there was a 'reasonable' level of assurance on the controls and arrangements in place.

The Council's approach to risk management was also audited in 2020/21. The audit concluded with a 'reasonable assurance' opinion. The identified management actions will be addressed when the Council's risk management framework is next reviewed in 2022.

Audit 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**

The Medium-Term Financial Plan and Capital Investment Strategy were updated during the year and provide a framework within which budget and investment decisions can be assessed. 2020/21 was also the first year for implementation of the CIPFA Financial Management Code. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of the COVID-19 pandemic has tested that financial resilience in 2020/21 and will continue to do so in coming years. There are clear links between the FM Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes.

An assessment has been conducted of this Council's compliance with the principles of the Code and areas for development are being addressed, primarily with regard to

further development of the approach taken to preparation of the annual Statement of Accounts and MTFP forecasts.

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

The Overview & Scrutiny Committee (and its Budget Scrutiny Panel) reviewed 2021/22 budget proposals in depth as part of the budget preparation process in Autumn 2020.

- The Committee concluded that the Council had a well-planned and effective budget for 2021/22, particularly given the challenges of the COVID-19 pandemic.

### **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. A further review is planned during 2021/22.

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 was approved by Council in July 2020 and incorporated voluntary adoption of the Committee on Standards in Public Life's *Ethical Standards* report (2019) recommendations [Link](#).

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) 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. This includes briefings on the requirements of the Member Code of Conduct, Data Protection and Council finances and is followed up with skills training for regulatory functions before Members take up places on the Planning, Licensing and Regulatory Committees. Tailored training is also provided to members of the Employment and Audit Committees. A variety of other learning events are arranged during the year to ensure that Councillors are briefed on new initiatives and legislative changes. During 2020/21 this activity had to be scaled back due to the COVID-19 pandemic but will resume as soon as it is safe to do so.

### **Engagement**

Consultation and engagement has 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 2020/21 included the following conclusion:

*TBC – to be reported to Audit Committee in June 2021*

Internal audit reviews that were assessed as providing 'substantial' assurance included our work around: Programme & Project Management; COVID-19: Small Business Grants; COVID-19: Discretionary Payments; Housing Benefits; Payroll; and Homelessness.

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year. The most recent report, to Audit Committee on 18 May 2021, in respect of the 2019/20 financial year, contained the following conclusions:

*We have not identified any significant uncorrected audit adjustments or disclosure deficiencies. The version of the accounts presented to [the Audit] committee has been amended for our proposed changes.*

*We have summarised any audit adjustments.*

*We have considered the impact of the COVID-19 pandemic on our work. We did not identify any new financial statement or value for money significant risks as a result of the impact of the pandemic*

*We identified findings or internal control deficiencies which have been included [in their report].*

*As detailed in our valuations work set, management's expert – Wilks, Head & Eve – included a material uncertainty clause in their valuation report. This is common to 31 March 2020 valuations in the sector. This wording is reflected in the financial statements and we draw attention to it in our draft auditor's report. Note that this is not a qualification of our opinion.*

*Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.*

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

## COVID-19 Pandemic Response

This AGS focuses on the governance in place during 2020/21 where there was significant global disruption as a consequence of the COVID-19 pandemic. Some of the more significant governance impacts for this Council 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 COVID-19 (for example the welfare support response and payment of grants to businesses) 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; and
- New risks have been identified and some existing risks escalated.

Planning for Recovery is well underway, including a lessons-learnt assessment, however this has been disrupted at times due to further national lockdown measures. Despite the recovery progress that is being made and the vaccine rollout, over the longer term the disruption and consequences arising from the pandemic are expected to continue for some time.

### Annual Review of the System of Internal Control

An annual review has been conducted in compliance with the Regulations that govern preparation of the AGS. The purpose of the review was to consider the effectiveness of the system and provide the evidence to support it.

Our approach to the review has been risk-based and it has been conducted on a continuous basis throughout the year. Risk registers have been subject to regular review and requests for additional audit assurance have been targeted at those areas impacted by the pandemic or where risks have increased as a consequence of it.

The impact of the COVID-19 pandemic has been taken into account when conducting the annual review for 2020/21, both identifying changes that have resulted from the pandemic and identifying the impact on effectiveness of arrangements in practice. For example, face to face meetings and consultation activities have been

replaced by other approaches. While there was some disruption at the start of the year, meetings are now being held remotely with no disruption to decision-making or accountability.

2020/21 was also a 'shadow' year for the implementation of the CIPFA Financial Management Code. The annual review has taken into account the outcome of the self-assessment that has been undertaken during the year of the extent to which the Council's financial management arrangements comply with the Code.

### **Significant Governance Issues**

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

While not significant, two governance matters worthy of specific mention are:

- The Final Statement of Accounts for 2019/20 was approved by Audit Committee on 18 May 2021. This was later than the 30 November 2020 date specified in the amended Accounts & Audit Regulation 2020. The reasons for this delay were explained to Audit Committee and included the impacts of the pandemic on Finance team and auditor capacity and the complexity of some transactions that required additional time to resolve during the audit.
- The Acting Head of Paid Service who was previously Director for People remains in post and is responsible for signing this AGS.

**Summary**

The outlook for local government over the next few years has increased challenges, related to growing demand and declining resources, as well as managing recovery following the COVID-19 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.

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.

.....

**Councillor Mark Brunt**

**Leader of the Council**

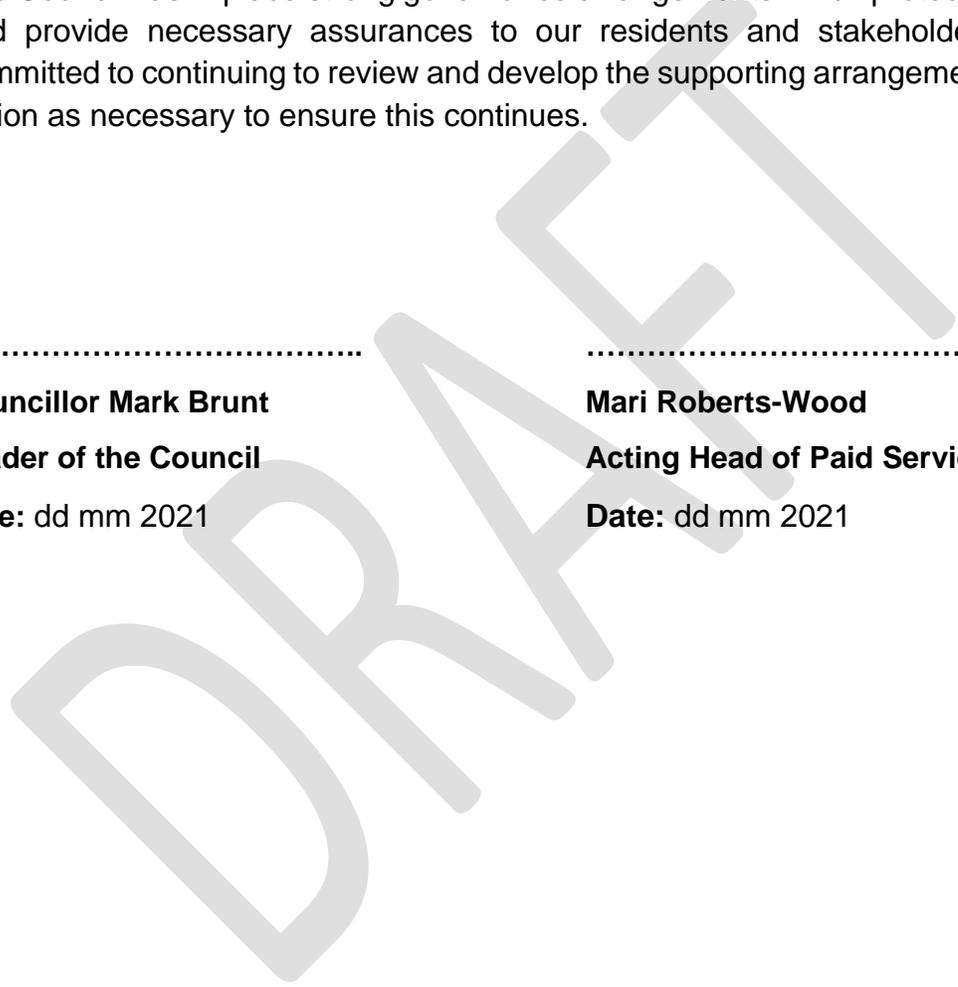
**Date:** dd mm 2021

.....

**Mari Roberts-Wood**

**Acting Head of Paid Service**

**Date:** dd mm 2021



# Agenda Item 8



<b>Signed off by</b>	Interim Head of Finance
<b>Author</b>	Luke Harvey, Project & Performance Team Leader
<b>Telephone</b>	Tel: 01737 276519
<b>Email</b>	Luke.Harvey@reigate-banstead.gov.uk
<b>To</b>	Audit Committee
<b>Date</b>	Thursday, 10 June 2021

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Internal audit - 2020/21 annual report and opinion
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<b>Recommendations</b>
<p>(i) That the Committee note the annual internal audit report and opinion available at annex 1; and,</p> <p>(ii) That the Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.</p>
<b>Reasons for Recommendations</b>
In accordance with its constitutional responsibilities and the Council's Internal Audit Charter, the Audit Committee is required to receive the annual internal audit opinion of the Council's Chief Internal Auditor.
<b>Executive Summary</b>
<p>The Council's Chief Internal Auditor is responsible for the delivery of an annual audit opinion which provides a view on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The annual internal audit opinion also informs the Council's annual governance statement.</p> <p>For the 12 months ending 31 March 2021, the opinion of the Council's Chief Internal Auditor is as follows:</p> <p><i>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 &amp; Banstead Borough Council's internal control environment.</i></p>

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*In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is 'Reasonable' 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.*

**The Committee has the authority to approve the above recommendations.**

## **Statutory Powers**

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] 45 Agenda Item 6 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. In accordance with these standard and the Council's Internal Audit Charter, the internal auditors are required to provide senior management and the Audit Committee with an annual report and opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
4. The annual report and opinion informs the Council's Annual Governance Statement, a statutory document required by Regulation 4(2) of the Accounts and Audit Regulations 2003, later amended by the Accounts and Audit (Amendment) (England) Regulations 2006. The Annual Governance Statement reports on compliance with the Council's Code of Corporate Governance.
5. Under Section 151 of the Local Government Act (1972), the Council's Chief Finance 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.

## **Background**

6. The Council's internal auditors are the Southern Internal Audit Partnership (SIAP).
7. The Partnership is hosted by Hampshire County Council and is comprised of a number of local authorities and other public sector organisations.
8. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
9. 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, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
10. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance

# Agenda Item 8

arrangements. Internal audit plans a vital role in advising the Council that these arrangements are in place and are operating effectively.

11. 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.
12. 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.
13. The Audit Committee approved the 2020/21 internal audit plan at its meeting on 16 July 2020.
14. The audit plan is risk based and determines the priorities of internal audit activity. Ahead of its approval by the Audit Committee the plan was fundamentally updated given the change in risk environment that the Covid-19 pandemic caused. The plan has similarly been kept under close review so as to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage.
15. As SIAP's report at annex 1 notes, the pandemic has had a significant impact on the way that the auditors have worked and interacted, with a new 'virtual' operating model implemented. As section 2 of the report at annex 1 notes, the Chief Internal Auditor is confident that the revised operating model has not compromised quality or SIAP's ability to complete assurance work.
16. The Audit Committee receives regular quarterly updates on the progress of delivery of the audit plan, including any agreed amendments to the audit plan. This report should therefore be read alongside the Q4 progress report (also on the agenda of this Audit Committee meeting).

## Key Information

### 2020/21 annual report and opinion

17. SIAP's annual report and opinion is available at annex 1, with additional information set out in the exempt part 2 annex.
18. Section 3 of SIAP's report details the annual internal audit opinion for 2020/21, whilst section 4 provides an overview of audit coverage and output.
19. For the 21 months ending 31 March 2020, the annual internal audit opinion is as follows:

*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 'Reasonable' 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.*

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20. In delivering this opinion the Council’s internal auditors have undertaken 21 reviews. One review did not culminate in an audit opinion as it related to a review of the Local Government Compensation Scheme claims (related to government support for Covid-19 response).
21. Three reviews are yet to complete (HR: Establishment controls, Information security and Environmental Health and Licensing) and will therefore carry over into 2021/22. The Audit Committee will continue to be updated on the progress on the delivery of these audits.
22. Internal audit reviews result in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service under review. SIAP’s assurance opinions are categorised as follows:

<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

23. Of the 17 audits that have concluded and which resulted in an assurance opinion, 6 received ‘substantial assurance’, 7 received ‘reasonable assurance’ and 4 received ‘limited assurance’.
24. Section 5 of SIAP’s report provides a summary of the key observations made for the year, including audits that culminated with a ‘limited’ assurance opinion. Further information is also available in the part 2 exempt annex.
25. Additional information on management actions in response to the reviews is available in the Q4 internal audit progress report, which is a separate item on the Committee’s agenda.
26. Completed internal audit reports are available to members via the ModGov document library.

<b>Options</b>
27. The Committee has two options: 28. Option 1: note the annual report and opinion and make any observations on its contents to the Council's Chief Finance Officer. 29. Option 2: note the annual report and opinion and make no observations to the Council's Chief Finance Officer.
<b>Legal Implications</b>
30. There are no legal implications arising from this report.
<b>Financial Implications</b>
31. Internal audit fees are funded through the Council's annual revenue budget. 32. There are no other financial implications arising from this report.
<b>Equalities Implications</b>
33. There are no equalities implications arising from this report.
<b>Communication Implications</b>
34. There are no communications implications arising from this report.
<b>Risk Management Considerations</b>
35. An effective internal audit function is an important part of effectively managing risk. 36. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan. 37. There are no other risk management implications.
<b>Other Implications</b>
38. There are no other implications arising from this report.
<b>Consultation</b>
39. This report has been considered by the Council's Corporate Governance Group as part of its governance role.
<b>Policy Framework</b>
40. 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.
<b>Background Powers</b>

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None.

# Annual Internal Audit Report & Opinion 2020-21

Reigate & Banstead Borough Council



## Southern Internal Audit Partnership

Assurance through excellence  
and innovation

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## 1. Role of Internal Audit

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

***‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’***

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



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 organisation’s 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.

## 2. Internal Audit Approach

To enable effective outcomes, internal audit provides 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. A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

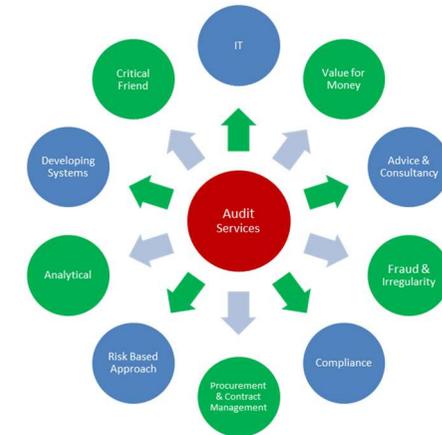
- Level of assurance required;
- Significance of the objectives under review to the organisation’s success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.

The impact of COVID-19 during the year has had a significant impact on the way we have worked and interacted. The enforced central government directive ‘*if you can work from home, you must do so*’ has required the Southern Internal Audit Partnership to adopt a revised operating model and innovative approach to virtual auditing.

Work contributing to my 2020/21 annual opinion has all been undertaken virtually, optimising technology and virtual platforms to share, monitor and observe operations to substantiate our findings.

I am confident that the revised operating model has not compromised quality or SIAPs ability to complete assurance work throughout the year or the conclusion drawn. I would wish to extend my appreciation to Council officers with whom we have worked during the year for their support, cooperation, and seamless transition to the virtual audit approach without which the delivery of an annual opinion would not have been possible.



### 3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership 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 concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

#### *Annual Internal Audit Opinion 2020-21*

*"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.*

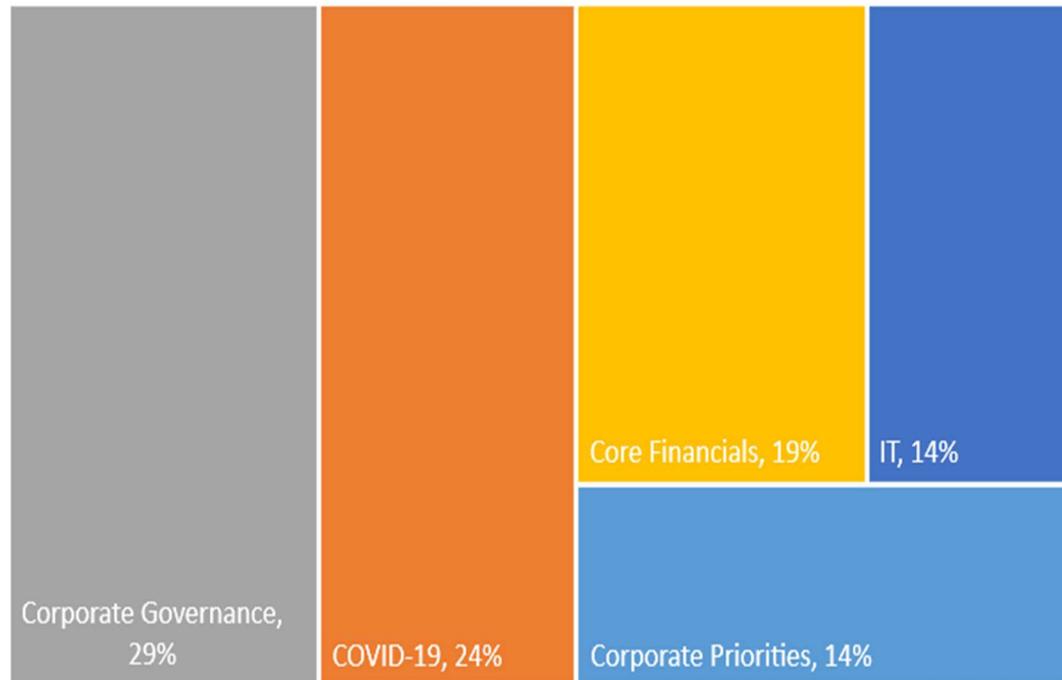
*In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is 'Reasonable' and audit testing has demonstrated controls to be working in practice.*

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

#### 4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.

Audit Reviews by Type



Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2020-21 Internal audit plan, approved by the Audit Committee in July 2020, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

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. The plan has remained fluid throughout the year to maintain an effective focus.

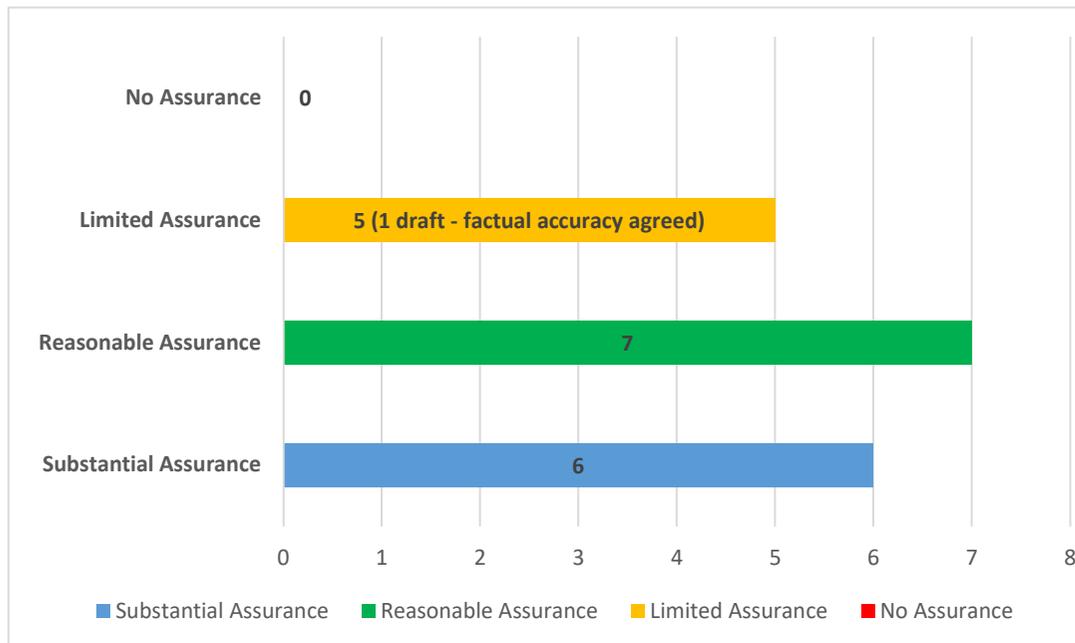
In delivering the internal audit opinion internal audit have undertaken 21\* reviews during the year ending 31 March 2021.

Due to the significant impact and subsequent challenges posed by the coronavirus pandemic (Covid-19), there has been an inevitable impact on the delivery of the revised 2020-21 internal audit plan.

Work is substantially complete, and an opinion has been formed for 2 reviews (Information Security, for which factual accuracy has been agreed, and Environmental Health & Licensing) however, final reports have not yet been agreed.

Fieldwork remains in progress in respect of 1 review (HR Establishment Controls). It is fully anticipated that assurance work will be completed in the near future and reported to Senior Management and the Audit Committee as part of our next progress report. I do not expect the outcomes of this review to adversely impact my annual opinion.

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**Substantial** –A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

**Reasonable** - There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

**Limited** - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

**No** - Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

\*1 review did not culminate in an audit opinion as it related to a review of the Local Government Compensation Scheme claims.

A list of the 2020-21 assurance reviews undertaken and their respective opinions is provided in Annex 1

## 5. Key Observations

There were no 'No Assurance' opinions issued during the year. In general, internal audit work found there to be a sound control environment in place across a majority of review areas that were working effectively to support the delivery of corporate objectives, however, there were some areas identified that provide challenge to the organisations risk environment:

### Fleet Management

The effective maintenance of the Council's fleet is essential to ensure compliance with legislative and health & safety requirements. Whilst not significant in numbers the audit did highlight areas of non-compliance that leaves potentially significant risk exposures, including one vehicle having no MOT in place at the time of the audit and two occasions where inspections to lifting equipment had lapsed.

Additionally, the Fleet Driving Policy requires drivers to undertake driving assessments biennially. None of those sampled had complied with that requirement. There were also gaps in the verification of driving licences prior to staff driving Council vehicles.

### Procurement

The Constitution clearly articulated the Council's Financial Regulations and Contract Procedure Rules (CPR's) and were being revised to take account of Brexit developments and updates to UK procurement regulations.

It was confirmed that a procurement strategy (2010) was held but has not been used as a point of reference for some considerable time. The absence of an overarching corporate procurement strategy weakens assurances that the objectives and key required outcomes for the Council's procurement function have been defined, supported or delivered.

Analytical review of spend data across a 12-month period identified 120 Suppliers, each with an aggregated spend higher than £25k, where contract arrangements would be expected to be in place.

A waiver register, in respect of those areas of procurement not required to comply with CPR's, was not in place to provide a central point of reference and consistent review of the waiver process. We also noted that when waivers were granted, they were not timebound.

The Contracts register was not found to be proactively used to identify contracts expiring that may require review and possible renewal.

## Credit Cards

This review was included within the audit plan at the request of the Interim Head of Finance and S151 Officer and has focused on an analysis of expenditure made on credit cards over a nine-month period (November 2019 to July 2020) to analyse the impact of changes to working practices and urgent spending during COVID-19 compared to prior usage.

At the time of the audit the Council had 26 corporate credit cards assigned to individual officers, and the number of cards did not increase during the pandemic. Pre COVID (November 2019 to March 2020) the Council had an average spend of £21,000 per month across all cards combined. With the exception of April 2020, the average spend did not significantly increase during May 2020 to July 2020.

As part of this review assurance was further sought that expenditure was in accordance with relevant policies/ business need and that transactions were authorised and accurately recorded.

Analytical review and testing highlighted that credit card agreements were not held for all card holders; receipts for purchases were not consistently retained; VAT was not always appropriately accounted for; card holders were allowing other officers to use their cards; and authorisation of increases to card and transaction limits were not evident.

## Information Security – Data Centre Security

Roles, responsibilities, and the approval process for computer room access were not formally documented. There were a high number of employees with permanent access to the computer suite increasing the risk to ICT infrastructure. Computer room access permissions on contractor cards and management of temporary staff cards was inconsistent, and no regular reviews of access rights had taken place.

External visitors to the server rooms were not recorded, and those visitors as well as contractors were not required to formally agree to the security requirements before accessing server rooms.

The Earlswood Depot server room was secured with a combination padlock. The combination padlock has a weak mechanism that can be forced and decrypted. Additionally, the number of staff requiring access the room meant the combination had to be widely shared. Staff holders of the padlock combination were not formally identified and recorded, and the combination was not changed on a regular basis or when staff leave.

It was also found that the CCTV cameras in the Town Hall did not cover the entrance or the path to the server room, and the Earlswood Depot had no internal CCTV cameras.

## IT Disaster Recovery

Please see Annex 2 for details.

## Financial Resilience

The Council maintain a sound framework of financial control and management, however, whilst a balanced budget, supported by a draw on reserves, has been set for 2021/22 there remains a challenge to the financial resilience of Reigate & Banstead Borough Council from 2022/23 onwards.

The MTFP highlights a forecast budget gap of £3.149m over the medium term (compared to the 2020/21 budget – before ongoing COVID 19 impacts). The Council have acknowledged (in a report to the Executive on 28 January 2021) that over the medium-term sustainable solutions that reduce costs or increase income on a permanent basis will have to be identified for 2022/23 onwards which may include:

- Pursuing commercial investments to generate new income streams.
- Considering options for asset sales.
- Continuing the fees and charges review.
- Planning for 2022/23 staff pay negotiations.
- Reviewing in-year budget forecasts to identify new opportunities for savings and efficiencies.

The Council's Commercial Strategy sets out the potential areas for generating income and is scheduled that the detail of such commercial activities will be subject to review by an appointed scrutiny panel to be convened in July 2021.

The Council currently maintain a reasonably healthy level of reserves; however, they are not finite, and if savings do not materialise there is a risk of continual draw which is not a sustainable solution to balancing the revenue budget in the medium to longer term.

## 6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

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

*‘The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.’*

## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

**‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’**

There are no disclosures of Non-Conformance to report.

## 8. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2020-21 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- An independent external quality assessment against the IPPF, PSIAS & LGAN.

## 9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered	95%	86%
Positive customer survey response		
<ul style="list-style-type: none"> <li>• Reigate &amp; Banstead Borough Council</li> </ul>	90%	97%
<ul style="list-style-type: none"> <li>• SIAP – all Partners</li> </ul>	90%	98%
Public Sector Internal Audit Standards	Compliant	Compliant

*Customer satisfaction was collated for SIAPs EQA and is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date May 2020).*

## 10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman  
Head of Southern Internal Audit Partnership  
May 2021

2020-21 Audit Reviews and Opinions

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
<ul style="list-style-type: none"> <li>• Programme &amp; Project Management</li> <li>• COVID-19: Small Business Grants</li> <li>• COVID-19: Discretionary Payments</li> <li>• Housing Benefits</li> <li>• Payroll</li> <li>• Homelessness</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Health &amp; Safety</li> <li>• COVID-19: Decision Making &amp; Governance</li> <li>• COVID-19: Emergency Response &amp; Recovery</li> <li>• Cyber Security</li> <li>• Treasury Management</li> <li>• Financial Resilience</li> </ul>	<ul style="list-style-type: none"> <li>• Fleet Management</li> <li>• Procurement</li> <li>• Procurement – Credit Cards</li> <li>• IT Disaster Recovery</li> <li>• Information Security – Data Centre Security (Draft Report – factual accuracy agreed)</li> </ul>	

\*1 review did not culminate in an audit opinion as it related to a review of the Local Government Compensation Scheme claims.



<b>Signed off by</b>	Interim Head of Finance
<b>Author</b>	Luke Harvey, Project & Performance Team Leader
<b>Telephone</b>	Tel: 01737 276519
<b>Email</b>	Luke.Harvey@reigate-banstead.gov.uk
<b>To</b>	Audit Committee
<b>Date</b>	Thursday, 10 June 2021

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Internal audit - Q4 2020/21 progress report
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<b>Recommendations</b>
<p>(i) That the Audit Committee note the internal audit progress report contained in the annexes to this report; and,</p> <p>(ii) That the Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.</p>
<b>Reasons for Recommendations</b>
In accordance with its constitutional responsibilities and the Council's Internal Audit Charter, the Audit Committee is required to receive regular updates on the progress of internal audit plan delivery.
<b>Executive Summary</b>
This report provides an update on the delivery of the 2020/21 internal audit plan as of the end of Q4 2020/21.
<b>The Committee has the authority to approve the above recommendations.</b>

<b>Statutory Powers</b>
<p>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] 45 Agenda Item 6 risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.</p>

# Agenda Item 9

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.

## 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. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
7. 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, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.
8. 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.
9. 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.
10. 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.
11. The Audit Committee endorsed the 2020/21 internal audit plan at its meeting on 16 July 2020.
12. The audit plan is risk based and determines the priorities of internal audit activity. Ahead of its approval by the Audit Committee the plan was fundamentally updated given the change in risk environment that the Covid-19 pandemic caused. The plan has similarly been kept under close review so as to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage.
13. Under the Council's Constitution the Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
14. The attached progress report:
  - Summarises the status of 'live' audit reports (an audit is considered to be 'live' if there are outstanding management actions);
  - Provides an update on the delivery of the annual audit plan;

- Summarises internal audit performance, including assurance opinions given; and,
- Summarises any adjustments made to the audit plan.

## Key Information

### Q4 2020/21 progress update

15. Section 3 and 4 of SIAP's report details the overall progress in delivering the 2020/21 audit plan.
16. Section 7 of the report provides a detailed overview of the work programme for the year.
17. The following audits from the year are yet to conclude and work will carry over to 2021/22 reporting.
  - Environmental Health and Licensing
  - HR Establishment Controls
  - Information security
18. Significant work has been undertaken on these audits, however, and they will be reported to the Committee as part of subsequent progress reports once they have concluded.
19. Internal audit reviews result in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service under review. SIAP's assurance opinions are categorised as follows:

<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

# Agenda Item 9

20. So far this year the following audits have concluded with an assurance opinion:

Audit	Assurance opinion
Programme and project management – Marketfield Way	Substantial
Risk management	Reasonable
Health & Safety (Covid-19 response)	Reasonable
Covid-19: Small business grants	Substantial
Covid-19: Discretionary payments	Substantial
Covid-19: Emergency response and recovery	Reasonable
Covid-19: Decision making and governance	Reasonable
Cyber security	Reasonable
Housing benefits	Substantial
Financial resilience	Reasonable
Procurement	Limited
Procurement – Credit cards	Limited
Payroll	Substantial
Treasury Management	Reasonable
Homelessness	Substantial
Fleet management	Limited
Local Government Compensation Scheme	N/A
IT Disaster Recovery	Limited

21. Section 5 of the report available at annex 1 provides a summary of the key observations arising from audits that concluded with a 'limited' assurance opinion. Information is also available to the Committee in the part 2 exempt annex 2.

## Management actions

22. Section 4 of the report at annex 1 provides a summary of the outstanding management actions.
23. As previously reported to the Audit Committee, the Council is prioritising efforts on the ongoing response to, and recovery from, the COVID-19 pandemic. As such, all identified management actions in section 4 of SIAP's have been given revised implementation dates from those originally identified. It is therefore expected that all actions will be concluded by Q1 2021/22 reporting.
24. Outstanding management actions will continue to be reported to the Audit Committee until their full implementation.

## **Amendments to the 2020/21 plan**

25. Section 8 of SIAP's report at annex 1 details the changes made to the audit plan during the year.
26. The internal audit plan is risk based and determines the priorities of internal audit activity. The plan should remain fluid and kept under constant review in order to ensure that it continues to remain relevant to the Council's risk profile and to ensure an appropriate level of audit coverage.
27. The internal audit plan for 2020/21 has therefore been updated within the year to take account of new risk areas and to also ensure the most appropriate, risk-based use of resources.
28. To that end, section 8 of SIAP's report details the audits that have been deferred this year. An update on the audits deferred from the 2020/21 audit plan is provided below. The Committee considered and approved the 2021/22-2023/24 audit plan at its 11 March 2021 meeting.
  - **Working in partnership** – to be audited in 2022/23;
  - **Community safety** – to be audited in 2023/24;
  - **Business continuity and emergency planning** – the original audit scope was amended to focus on COVID-19 response and recovery, with two audits resulting 48 Agenda Item 6 (Decision making and governance and response and recovery). Emergency planning and business continuity will be audited in 2022/33;
  - **IT governance** – to be audited in Q4 2021/22;
  - **Economic prosperity** – to be audited in 2023/24;
  - **Income generation and commercialisation** – to be audited in 2022/23;
  - **Treasury management** – was originally deferred from 2020/21, however the audit took place in Q4 2020/21;
  - **Information governance** – to be audited in Q1 2021/22;
  - **Contract management** – to be audited in 2021/22; and,
  - **Payment Card Industry Data Security Standard (PCIDSS)** – to be audited in Q3 2021/22.

## **2021/22 audit plan**

# Agenda Item 9

29. The 2021/22 audit plan was approved by the Audit Committee at its meeting on 11 March 2021. The Q1 2021/22 progress report will be considered by the Audit Committee in September 2021.

## Options

30. The Committee has two options:

31. Option 1: note the report and make any observations and comments on its contents to the Council's Chief Finance Officer.

32. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

## Legal Implications

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

## Financial Implications

34. Internal audit fees are funded through the Council's annual revenue budget.

35. There are no other financial implications arising from this report.

## Equalities Implications

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

## Communication Implications

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

## Risk Management Considerations

38. An effective internal audit function is an important part of effectively managing risk.

39. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.

40. There are no other risk management implications.

## Other Implications

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

## Consultation

42. This report has been considered by the Council's Corporate Governance Group as part of its governance role.

## Policy Framework

## Agenda Item 9

43. 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 Powers**

None.

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# Internal Audit Progress Report 2020/21

May 2021

Reigate & Banstead Borough Council



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## 1. Role of Internal Audit

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

*‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’*

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

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’.*

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 organisations’ objectives.

## 2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

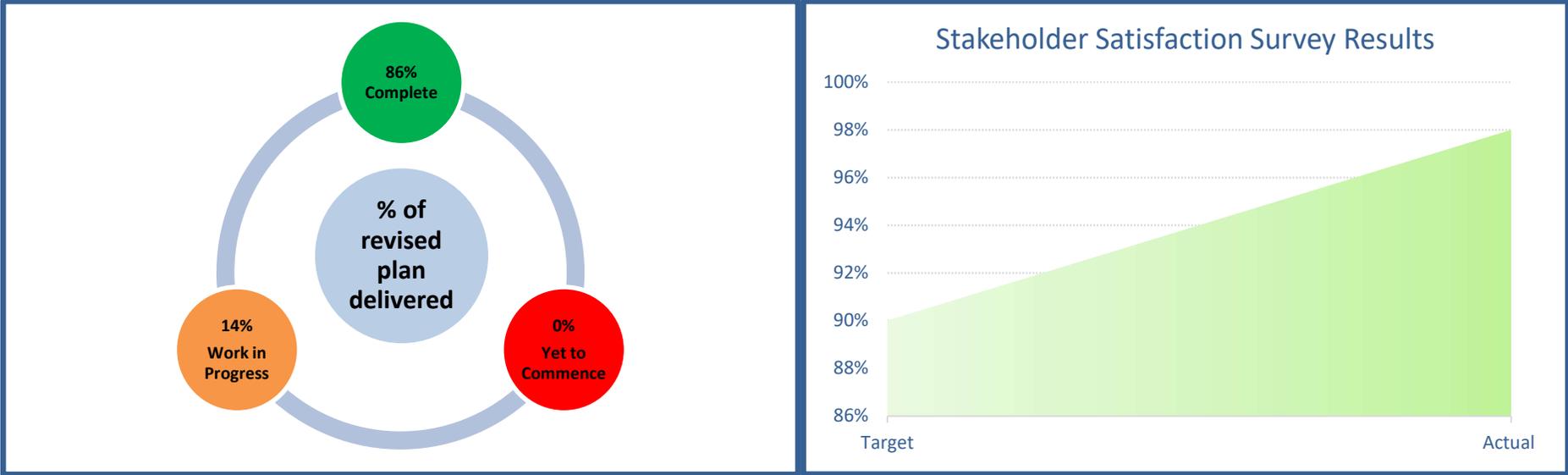
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

*\* Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

*'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'*

## 4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue		
							L	M	H
Human Resources and Organisational Development	03.10.19	HofOD	Adequate	7(0)	0(0)	1(0)	6		
Refuse, Recycling and Street Cleansing	15.10.19	HofNO	Adequate	15(3)	0(0)	14(3)		1	
Council Tax	05.02.20	HofRB&F	Adequate	6(2)	0(0)	3(2)		3	
Ethical Governance	01.04.20	HofL&G	Adequate	5(0)	0(0)	3(0)	2		
Risk Management	03.02.21	HofCP	Reasonable	3(0)	2(0)	1(0)			
Cyber Security	04.02.21	HofIT	Reasonable	7(4)	5(3)	1(0)			1
Housing Benefits	04.02.21	HofRB&F	Substantial	1(0)	1(0)	0(0)			
Health and Safety	04.02.21	HofNO	Reasonable	5(3)	0(0)	4(3)		1	
Fleet Management	06.04.21	HofNO	Limited	16(3)	5(1)	11(2)			
Covid-19 - Decision Making and Governance	07.04.21	HofPP	Reasonable	5(0)	2(0)	3(0)			
Treasury Management	05.05.21	HofF&A	Reasonable	2(0)	2(0)	0(0)			
Procurement	05.05.21	HofL&G	Limited	8(0)	7(0)	1(0)			
Procurement – Credit Cards	05.05.21	HofF&A	Limited	19(19)	7(7)	12(12)			
IT Disaster Recovery	27.05.21	HofIT	Limited	8(6)	8(6)	0(0)			
<b>Total</b>				<b>107(40)</b>	<b>39(17)</b>	<b>54(22)</b>	<b>8</b>	<b>5</b>	<b>1</b>

\*Total number of actions (total number of high priority actions)

## 5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been four new final reports and one draft report published concluding a “limited” or “no” assurance opinion since our last progress report.

Fleet Management		
Audit Sponsor	Assurance opinion	Management Actions
Head of Neighbourhood Operations	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;"> <b>Low</b> 0           </div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;"> <b>Medium</b> 13           </div> <div style="background-color: red; color: white; padding: 5px; text-align: center;"> <b>High</b> 3           </div> </div>
<p><b>Summary of key observations:</b></p> <p>The Fleet/Transport Team is responsible for the ongoing maintenance and repair of all fleet assets, operator license compliance as well as the MOT and inspection of licenced taxis. The fleet comprises of eight cars, 43 light goods vehicles, 37 heavy goods vehicles and several road registered plant/mowers.</p> <p>Our review confirmed that the safety inspection intervals for Council vehicles adhered to DVSA guidelines that helped to ensure road worthiness and compliance with the Operator’s Licence. It was further confirmed that the Transport Manager oversaw an effective tachograph compliance system to manage compliance with HGV driver hour rules.</p> <p>However, testing of a sample of 20 vehicles from the Council’s fleet highlighted one was found not to have a current MOT in place, despite being signed-off internally as having had so. Further analysis confirmed that 11 of the 20 vehicles sampled required LOLER (Lifting Operations and Lifting Equipment Regulations) external inspection to ensure equipment safety. Whilst all 11 had current and in-date inspections, two had previously lapsed for 16 and 19 days respectively before being recertified as safe for use.</p> <p>The Fleet Driving Policy had not been formally reviewed or amended since 2013. In its current form the Fleet Driving Policy required Council drivers to have driving assessments at least every two years. All five drivers sampled were found to be non-compliant with this requirement. Additionally, four were also found to be non-compliant with the requirement for them to sign a copy of the Fleet Driving Policy, which</p>		

outlines requirements and expectations placed on staff and facilitates disciplinary action for non-compliance.

Fleet drivers are also subject to regular licence checks carried out by an external agency. One of those sampled was found not to have been added to the licence checking service list and therefore did not have an up-to-date licence check on file.

The Staff Handbook requires all staff to show a current and valid full driving licence before they drive any vehicle – including their own – on Council business. Seven from the above sample of ten employees had no driving licence check carried out. From the remaining three with a licence it was not possible to confirm when the check was carried out.

There was found to be no overarching Fleet Management Strategy clearly linking with the Council’s broader strategies, such as the Environmental Sustainability Strategy and its goal to move towards a fleet powered by clean energy. Additionally, progress towards overarching Fleet Management objectives were not being measured.

Procurement		
Audit Sponsor	Assurance opinion	Management Actions
Head of Legal & Governance	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 7</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div>
<p><b>Summary of key observations:</b></p> <p>The Constitution clearly articulated the Council’s Financial Regulations and Contract Procedure Rules (CPR’s). At the time of the review these were being revised to take account of Brexit developments and updates to UK procurement regulations.</p> <p>A dedicated e-procurement system (InTend) was in place to provide compliance for relevant procurement legislation and local Contract Procedure Rules. The e-Tendering module forms the basis of the system and provides a complete electronic trail of the contract invitation, tender opening and award processes.</p> <p>The Council had entered into a shared Service Partnership (Orbis) to supplement procurement support and resourcing and a clear contracted Service level Agreement was found to be in place. We note that Orbis are working alongside RBBC Officers to provide commercial insight, expertise and advice where relevant and at the time of the audit were directed to support procurement processes for expenditure between £25,001 and the regulatory threshold.</p> <p>Audit testing confirmed that a procurement strategy (2010) was held but has not been used as a point of reference for some considerable time. The absence of an overarching corporate procurement strategy weakens assurances that the objectives and key required outcomes for the Council’s procurement function have been defined, supported or delivered.</p> <p>There is currently no annual or cyclical report to senior officers or members to provide assurance on the performance of the Council’s procurement function and there are currently no performance indicators to enable monitoring that would provide assurance that key outcomes are being delivered.</p> <p>Analytical review of spend data across a 12-month period identified 120 Suppliers, each with an aggregated spend higher than £25k, where contract arrangements would be expected to be in place.</p>		

A waiver register, in respect of those areas of procurement not required to comply with CPR's, was not in place to provide a central point of reference and consistent review of the waiver process. We also noted that when waivers were granted, they were not timebound.

The Contracts register was not found to be proactively used to identify contracts expiring that may require review and possible renewal.

At the time of the audit, it was noted that the Procurement Intranet page was unavailable and was to be redesigned to take into account the new working arrangements with Orbis. Consequently, there were no procurement intranet pages available to provide guidance to staff and officers were unable to confirm when they would be restored.

Procurement – Credit Cards		
Audit Sponsor	Assurance opinion	Management Actions
Head of Finance		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; border: 1px solid black;">                     Low 0                 </div> <div style="background-color: yellow; color: black; padding: 5px; border: 1px solid black;">                     Medium 0                 </div> <div style="background-color: red; color: white; padding: 5px; border: 1px solid black;">                     High 19                 </div> </div>

**Summary of key observations:**

This review was included within the audit plan at the request of the Interim Head of Finance and S151 Officer and has focused on an analysis of expenditure made on credit cards over a nine-month period (November 2019 to July 2020) to analyse the impact of changes to working practices and urgent spending during COVID-19 compared to prior usage.

As at the time of the audit the Council had 26 corporate credit cards assigned to individual Officers, and the number of cards did not increase during the pandemic. Pre COVID (November 2019 to March 2020) the Council had an average spend of £21,000 per month across all the cards combined. With the exception of April 2020, the average spend did not significantly increase during May 2020 to July 2020.



As part of this review, assurance was further sought that expenditure was in accordance with relevant policies/ business need and that transactions were authorised and accurately recorded.

There was found to be an up-to-date Credit Card Policy available to all cardholders and all expenditure was found to be updated on the system against the relevant budget codes.

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However, the workflow within the financial system allowed for cardholders to approve their own expenditure resulting in a lack of segregation of duties and the risk of misuse going undetected. Where the expenditure was approved by another member of staff, we were advised that the process did not include a review of the expenditure to ensure it was appropriate and supported by valid receipts.

Analytical review and testing highlighted:

- Credit card applications and agreements were not always held for cardholders.
- Purchases were not routinely supported by a receipt or invoice.
- VAT was not consistently accounted for correctly and receipts were not always held centrally to support purchases made.
- The credit card agreement referred to using the list of preferred suppliers when making a purchase, however, the Finance Team were unaware of such a list existing. We were advised that there is no restriction on the use of suppliers when making a credit card purchase.
- Occasions where the purchase should have taken place through a purchase order via the Accounts Payable system.
- Instances where cardholders had allowed other Officers to use their cards for purchases.
- Increases of monthly or transaction credit card limits were not supported by evidence of authorisation. It was also found that credit limits were not regularly reviewed to ensure that they remain appropriate and in line with Officer's delegated limits.

A comprehensive action plan has been put in place to address the audit observations with many of the actions already implemented by management.

**Information Security – Data Centre Security (Draft Report – factual accuracy agreed)**

Audit Sponsor	Assurance opinion	Management Actions		
Head of IT				

**Summary of key observations:**

Our review sought assurance that the IT infrastructure was secure from unauthorised physical and logical access or alteration. The review highlighted that roles, responsibilities and the approval process for computer room access were not formally documented. The high number of employees with permanent access to the computer suite provided an increased risk to ICT infrastructure. Computer room access permissions on contractor cards and management of temporary staff cards was inconsistent, and no regular reviews of access rights had taken place.

Whilst the Net2 door security system retains a detailed record of all access to all doors of the computer suite for 12 months, there were limitations with reports from the system and customised reports were not available, therefore, reports could not show who could access specific doors. Due to the reporting limitations, we were not able to test that card access permissions on a sample of staff had been granted in compliance with the stated procedure.

Staff ICT training did not specifically include physical security related to access to ICT areas, or server rooms. Visitor handling security instructions were not documented or formally communicated to the relevant staff. External visitors to the server rooms were not recorded, and those visitors as well as contractors were not required to formally agree to the security requirements before accessing server rooms.

The Earlswood Depot server room was secured with a combination padlock. Although convenient, a combination padlock has a weak mechanism that can be forced and can also be decrypted. The number of staff needing to access the room means the combination must be widely shared. Holders of the padlock combination were not formally identified and recorded, and the combination had not been changed on a regular basis or when staff leave.

It was also found that the CCTV cameras in the Town Hall do not cover the entrance or the path to the server room, and the Earlswood Depot has no internal CCTV cameras.

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IT Disaster Recovery		
Audit Sponsor	Assurance opinion	Management Actions
Head of IT		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 2</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 6</div> </div>
<p><b>Summary of key observations:</b></p> <p>Please see Annex 2 for details.</p>		

**6. Planning & Resourcing**

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 engaged with the Council’s Corporate Governance Group to reprioritise the originally drafted audit plan in March 2020 to provide assurance in respect of emerging key risk areas and these are detailed within section 8 of this report.

The revised internal audit plan for 2020-21 was presented to Corporate Governance Group and the Audit Committee in July 2020.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

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## 7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>Corporate</b>								
Programme & Project Management	HofP&P	✓	✓	✓	✓	✓	Substantial	
Financial Resilience	HofF	✓	✓	✓	✓	✓	Reasonable	
<b>Governance</b>								
Risk Management	HofP&P	✓	✓	✓	✓	✓	Reasonable	
Procurement	HofL&G	✓	✓	✓	✓	✓	Limited	
Procurement – Credit Cards	HofF	✓	✓	✓	✓	✓	Limited	
Health & Safety	HofNO	✓	✓	✓	✓	✓	Reasonable	
COVID-19: Small Business Grants	HofF	✓	✓	✓	✓	✓	Substantial	
COVID-19: Discretionary Payments	HofF	✓	✓	✓	✓	✓	Substantial	
COVID-19: Decision Making & Governance	HofPP	✓	✓	✓	✓	✓	Reasonable	
COVID-19: Emergency Response & Recovery	HofCP & HofPP	✓	✓	✓	✓	✓	Reasonable	
<b>IT</b>								
Information Security	HofIT	✓	✓	✓	✓			Draft report issued 11/5/21
Cyber Security	HofIT	✓	✓	✓	✓	✓	Reasonable	
IT Disaster Recovery	HofIT	✓	✓	✓	✓	✓	Limited	
<b>Core Financial Reviews</b>								
Housing Benefits	HofRB&F	✓	✓	✓	✓	✓	Substantial	
Local Government Compensation Scheme (LGCS)	HofF	✓	✓	✓	n/a	n/a	n/a	Verification of the claims submitted. (Claim 1 and 2)
Payroll	HofOD	✓	✓	✓	✓	✓	Substantial	
Treasury Management	HofF	✓	✓	✓	✓	✓	Reasonable	

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Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
HR - Establishment Controls	HofF	✓	✓	✓				
<b>People</b>								
Homelessness	HofH	✓	✓	✓	✓	✓	Substantial	
<b>Place</b>								
Environmental Health & Licensing	HofNO	✓	✓	✓	✓			Draft report issued 4/5/21
Fleet Management	HofNO	✓	✓	✓	✓	✓	Limited	

#### Audit Sponsors

HofCP	Head of Corporate Policy	HofW&I	Head of Wellbeing and Intervention
HofPP	Head of Projects and Performance	HofCP	Head of Community Partnerships
HofOD	Head of Organisational Development	HofC&CC	Head of Communications and Customer Contact
HofIT	Head of IT	HofP	Head of Planning
HofL&G	Head of Legal and Governance	HofPD	Head of Place Delivery
HofF	Head of Finance	HofEP	Head of Economic Prosperity
HofH	Head of Housing	HofNO	Head of Neighbourhood Operations
HofRB&F	Head of Revenues Benefits and Fraud		

## 8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2020/21	
Removed from the plan	Reason
Working in Partnership	Defer in order to prioritise new risk areas relating to COVID-19
Community Safety	Defer 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 in order to prioritise new risk areas relating to COVID-19
Economic Prosperity	Defer in order to prioritise new risk areas relating to COVID-19
Income Generation & Commercialisation	Replaced with the review of Financial Resilience.
Treasury Management	Defer in order to prioritise new risk areas relating to COVID-19.
Information Governance	Defer at the request of the client due to staff availability during Q4.
Contract Management	Defer at the request of the client due to staff availability during Q4. To be replaced with a review of Commissioning & Procurement in 2020/21.
Payment Card Industry Data Security Standard	Defer to take account of system changes due to be implemented and therefore look to provide assurance post implementation.
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: Discretionary Payments	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	Prioritised due to implications of COVID-19.
Local Government Compensation Scheme (LGCS)	Prioritised due to implications of COVID-19.
HR – Establishment Controls	Included within the plan through discussions with the Interim Head of Finance and Assets to review the processes in place to monitor establishment vs budgets across the organisation.
Commissioning & Procurement	Incorporated to replace the deferred contract management review and optimise availability of key staff.
Treasury Management	Originally deferred from the 2020/21 plan in order to prioritise new risks relating to COVID-19. However, this has been reincorporated as a replacement for the Payment Card Industry Security Standard review.

### Reigate & Banstead Borough Council Assurance Opinions (Pre 2020-21)

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020/21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report, issued prior to the 1 April 2020) that refer to SIAPs former assurance ratings which are detail below.

<b>Substantial</b>	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
<b>Limited</b>	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.



<b>SIGNED OFF BY</b>	Head of Corporate Policy
<b>AUTHOR</b>	Luke Harvey, Project & Performance Team Leader Ross Tanner, Performance Officer
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<b>TO</b>	Audit Committee Executive
<b>DATE</b>	Audit Committee: 10 May 2021 Executive: 24 June 2021
<b>EXECUTIVE MEMBER</b>	Councillor Victor Lewanski

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Risk management - Q4 2020/21
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<b>RECOMMENDATIONS</b>
<p><b>That the Audit Committee:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Note the Q4 update on Risk Management provided by the report and associated annexes and make any observations to the Executive.</b></li> <li>(ii) <b>Note the recommended closure of strategic risk on ‘Partner Public Sector Funding Decisions’ (SR4) as detailed in the report and in Annex 2.</b></li> </ul> <p><b>That the Executive:</b></p> <ul style="list-style-type: none"> <li>(i) <b>Note the Q4 update on risk management provided by the report and associated annexes</b></li> <li>(ii) <b>Approve the closure of the strategic risk on ‘Partner Public Sector Funding Decisions’ (SR4) as detailed in the report and in Annex 2.</b></li> </ul>
<b>REASONS FOR RECOMMENDATIONS</b>
The Audit Committee and Executive’s constitutional responsibilities require them to receive regular updates on risk management.

# Agenda Item 10

## **EXECUTIVE SUMMARY**

This report provides an update on risk management in Q4 of 2020/21. Additional detail is provided in the report as well as the supporting associated annexes.

**The Audit Committee and the Executive have the authority to approve their respective recommendations.**

## **STATUTORY POWERS**

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 is 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

## **BACKGROUND**

5. 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.
6. The Council operates a two-tiered risk management process to address the dynamic and interdependent nature of risk categorisation. The risk categories are strategic and operational Risks.
7. Strategic risks are defined as those risks that have an impact on the medium and long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium Term Financial Plan (MTFP).
8. 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.
9. Operational risks are risks that are encountered in the course of the day-to-day delivery of services. However, if an operational risk cannot be fully managed within the service or it has a wider organisational impact then it will be considered for inclusion in the operational risk register by the Council's Corporate Governance Group. Heads of Service have responsibility for operational risks.

## **KEY INFORMATION**

### **Risk Management Reporting**

10. The Council's risk registers have been updated at the end of Q4, working alongside Directors and Heads of Service.

11. The full risk registers are made available to all members via the ModernGov document library. Risk registers from previous years are available on the eMembers portal.
12. Each quarter the Audit Committee and Executive receives an update on risk management. As per the Council's risk management methodology this report provides an update on all strategic risks as well as any red rated operational risks.
13. The update – available at annex 1 – includes the current risk rating, the direction of travel of the risk (with reference to its score) as well as a summary of the key updates in the quarter.

## **Risk Ratings**

14. The Council's risk management strategy and methodology utilises the following risk ratings:

Rating	Action
Red	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority.
Amber	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	These should have basic mechanisms in place as part of the normal course of management.
Green	Where risk is minimal and does not demand specific attention but should be kept under review.

## **Q4 2020/21 Risk Management Update**

15. An update on the Council's strategic risks for Q4 2020/21 is provided in annex 1.
16. In Q4 there was one red rated related operational risk, the detail of which is set out in the part 2 exempt annex 3.
17. In Q4 one strategic risk was identified for closure (SR4 – Partner Public Sector Funding Decisions), the detail of which is available in annex 2.
18. At the meeting of the Audit Committee on 11 March 2021 where Q3 risk management was considered, the Committee questioned whether disposals of housing stock by registered providers of social housing to achieve carbon neutrality targets represented a strategic risk. This has been investigated. The number of likely disposals in Reigate and Banstead is low when projected over the anticipated period of 25-30 years, however, and so it is not considered a strategic risk at this time.
19. In Q4 no new strategic risks were identified.

## **OPTIONS**

20. The Audit Committee has two options:

# Agenda Item 10

21. Option 1: note this report and the associated annexes and make no observations to the Executive.
22. Option 2: note this report and associated annexes and make any observations to the Executive.
23. The Executive has two options:
24. Option 1: note this report and endorse the closure of the strategic risk on Partner Public Sector Funding Decisions (SR4). This is the recommended option.
25. Option 2: note this report and not endorse the closure of the strategic risk on Partner Public Sector Funding Decisions (SR4).

## **LEGAL IMPLICATIONS**

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

## **FINANCIAL IMPLICATIONS**

27. Financial risks are taken into account when preparing the Medium Term Financial Plan. Capital Investment Strategy, Revenue Budget, and Capital Programme each year.
28. There are no additional financial implications arising from this report.

## **EQUALITIES IMPLICATIONS**

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

## **COMMUNICATION IMPLICATIONS**

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

## **RISK MANAGEMENT CONSIDERATIONS**

31. The Council's risk registers inform the development of the annual risk based internal audit plan.
32. The Council's approach to managing risk is core component of the Code of Corporate Governance.

## **OTHER IMPLICATIONS**

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

## **CONSULTATION**

34. The contents of this report and the associated Annexes have been considered by the Council's Corporate Governance Group.

## **POLICY FRAMEWORK**

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

**BACKGROUND PAPERS**

None

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**ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE**

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
SR2	<p><b>Financial sustainability</b></p> <p>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>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>	Cllr Schofield	<b>RED</b>	<p>The Council's updated Medium-Term Financial Plan was reported to the Executive in January 2021. This sets out the forecast budget challenges over the coming five years and will form the basis for service and financial planning for 2022/23 onwards.</p> <p>COVID-19 has resulted in material new financial risks, both in 2020/21 and over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority's response and budgeted sources of income have been impacted by reduced demand during lockdown. At the close of the 2020/21 financial year the overall budget outturn is a net underspend for the council, with reserves remaining healthy.</p> <p>In Q4 the Council submitted its a third claim to Central Government for lost income as a result of the COVID-19 pandemic.</p> <p>The Council is now in receipt of external advice on how to deliver appropriate commercial structures, roles and responsibilities and the relevant sub-committee is considering how to take this forward.</p> <p>Despite the impact of COVID-19 on priorities and workloads, the Council adopted Part 1 of its Commercial Strategy in Q3 demonstrating the continued importance of:</p> <p>(i) adopting and implementing strategies that support sustainable income generation and (ii) taking forward income generating projects such as Horley Business Park, and a crematorium.</p>	—

**ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE**

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				This risk will transfer over to the 2021/22 strategic risk register as ‘SR2 – Financial Sustainability’.	
84	<p><b>SR3 Local government reorganisation</b></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> <p>The results of a possible reorganisation are uncertain, though it could adversely affect this Council and the delivery of services for residents.</p>	Cllr Brunt	<b>AMBER</b>	<p>The 2019 Queen’s speech announced an upcoming white paper on devolution and local government reorganisation.</p> <p>In response to the latter, in the summer of 2020 Surrey County Council announced its intention to develop a proposal for a single unitary authority to cover the county. The proposal would have necessarily involved the abolition of all districts and boroughs. The Council was a joint signatory to a letter to the Secretary of State, Robert Jenrick MP, which requested that the government give consideration to alternative proposals for the structure of local government in Surrey.</p> <p>Surrey’s proposal was not one of three that the government invited to take forward.</p> <p>During the year the government announced that the White Paper will now follow in the latter part of 2021 – delayed from Autumn 2020. It has also been confirmed that, at present, the government is not pursuing a mandatory top down reorganisation.</p> <p>As the country moves into the recovery phase the Government’s legislative agenda could change the context within which the Council operates, including funding settlements and subsequent proposals around devolution.</p>	—

ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>Irrespective of the ongoing debate on devolution and reorganisation, the Council's neighbouring and partner authorities are operating in the same strained financial circumstances as detailed in SR2 above. The financial failure of a neighbouring or partner authority is therefore still a risk, which could result in a reorganisation of local government.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as 'SR3 – Local government reorganisation'.</p>	
85	<p><b>SR4 Partner public sector funding decisions</b></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	<p>Our partner public sector organisations are operating in a similarly challenging financial context as detailed in SR2 above.</p> <p>As per SR3, the financial distress or failure of a partner or neighbouring authority could result in changes to the structure of local government in Surrey.</p> <p>As of Q4 2021 reporting, this risk is recommended for closure as the Council's funding reliance on the County Council has reduced in recent times, therefore reducing the potential impact of any funding or budget decisions they make. This closure aligns with the finalisation of the Council's and Surrey's 2021/22 budgets. Any other impacts from public sector funding decisions going forward will be covered in SR2 – Financial Sustainability; in the 2021/22 Strategic Risk Register.</p>	

ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
SR5	<p><b>Organisational capacity and culture</b></p> <p>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>	Cllr Lewanski	AMBER	<p>Before the COVID-19 pandemic significant work was undertaken on the Council's Great People work programme (formerly known as the Organisation Development strategy). This has formed a solid basis for post COVID planning.</p> <p><b>Organisational culture and staff wellbeing:</b> The pandemic has resulted in a need for the organisation to work differently, such as embracing 'hybrid working'. Projects in this area are being driven forward by the Organisation Board.</p> <p>Priority is being given to understanding and addressing staff welfare and wellbeing issues.</p> <p><b>Capacity and resilience:</b> As recently agreed by the Employment Committee, the recruitment of a new Chief Executive will be paused and reconsidered after the May 2021 local elections. Suitable plans are in place within the Management Team to cover all duties. Recruitment successfully took place in Q4 to increase capacity in the Management Team, with a new Strategic Head of Corporate Resources joining the Council in June 2021.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as 'SR4 – Organisational Capacity and Culture'.</p>	—
SR6	<p><b>Economic prosperity</b></p> <p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that</p>	Cllrs Humphreys and Schofield	RED	<p>The latest available data (current as of April 2021) shows that Reigate and Banstead continues to have the highest number of furloughed employees in Surrey. The Job</p>	—

**ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE**

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
87	<p>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>			<p>Retention Scheme is currently expected to end by the 30<sup>th</sup> September 2021. The scheme has supported a significant number of jobs in the borough and for residents that work outside of Reigate and Banstead.</p> <p>In Q4 the Council launched the East Surrey Work Local Youth Hub. The Hub is an initiative to combat the recent increase in youth unemployment and to support the growth of local skills. The Council will work in partnership with the Department for Work and Pensions and Tandridge District Council to provide support in finding work and developing skills to young unemployed residents and those facing redundancy.</p> <p>We continue to offer a range of support to local businesses, and to use local business networks to ensure we are aware of the challenges facing local companies.</p> <p>An East Surrey COVID-19 recovery taskforce has been launched by local MPs. The Council will continue to proactively engage with this group. The taskforce continued to meet through Q4 and has been successful in encouraging a greater number of businesses to apply for funding to the Coast-Capital Local Enterprise Partnership. Q4 has continued to see an increase in applications, and the partnership is looking into securing funding for local infrastructure projects.</p> <p>The “R&amp;B Works” project launched in Q4. This project intends to highlight and provide support towards securing local employment</p>	

**ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE**

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>opportunities for residents. Since its launch, other Local Authorities in East Surrey have expressed an interest in partnering with the Council on this initiative.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as ‘SR5 – Economic Prosperity’.</p>	
<p><b>SR7</b></p>	<p><b>Reliance on the welfare system</b></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>	<p>Cllr Knight</p>	<p><b>RED</b></p>	<p>The COVID-19 pandemic has resulted in significant negative economic impacts on residents. The Council will closely monitor the impact of the gradual ending of the government’s furlough scheme and the impact on local residents. The scheme has been extended several times and is expected to conclude at the end of September 2021.</p> <p>The Council continues to administer Test and Trace support payments. The payment of £500 is for people on low incomes who are unable to work from home if they are told to self-isolate by NHS Test and Trace and will lose income as a result. The initial allocation of funding was spent, with additional funding received to carry on with the payments received during the quarter.</p> <p>The full roll-out date for universal credit has yet to be confirmed. However, the system is live for those experiencing changes in their circumstances. The effects of COVID-19 has increased universal credit claimants in the borough.</p> <p>The Council’s Money Support service is receiving increased referrals in comparison to</p>	<p>—</p>

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ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>previous years. This will continue to be monitored and services adjusted/scaled up if required. Additional resourcing has been identified to support the service.</p> <p>The Housing service continues to apply for government grants where these have been made available. The service has been successful in securing a number of grants aimed at alleviating homelessness issues.</p> <p>The Council has also participated in a cross-Surrey application made to the 'Changing Futures Fund'. This fund is a new pilot service aimed at providing support to vulnerable homelessness clients. As of the end of Q4, the bid of which the Council is part, has made it to the final round (last 20 applicants, of 70). Of the 20, 15 will be allocated grants of up to £3.4 million to tackle a range of health, wellbeing, and housing issues.</p> <p>As of the end of Q4, courts are now operating and are able to issue possession orders. However, the ban on bailiff enforcement action is currently due to expire on 31 May. It is possible the ban may be extended beyond this date.</p> <p>When the ban on evictions ceases, however, there is an expectation that the Housing service will experience an increase in homelessness applications.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as 'SR6 – Reliance on the Welfare System.</p>	

**ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE**

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
SR8	<p><b>Cyber security</b></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 at their worst could result in data destruction, disruption to the delivery of services and data theft.</p>	Cllr Lewanski	AMBER	<p>ICT reports data security matters to the Senior Information Risk Officer (SIRO). The ICT customer base will be kept informed of any specific threats and will be continually reminded to be vigilant when opening email or browsing websites, particular those from unknown sources.</p> <p>The 2020 assessment of ICT security standards, set by the Cabinet office and known as the Public Sector Network Code of Connection (PSN CoCo), has been passed and certificated. Certification for 2021 is expected in June.</p> <p>The Council was audited on cyber security in February 2021 by the internal auditors. The Council received an assurance opinion of ‘reasonable’ (green).</p> <p>ICT are currently working with the National Computer Centre to implement a statement of works to improve the Council’s cyber security. The work is due to complete at the end of June 2021 and will inform future improvements in 2021/22.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as ‘SR7 – Cyber Security’.</p>	—
SR9	<p><b>Fraud</b></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</p>	Cllr Schofield	AMBER	<p>The new areas of activity that the Council has delivered since the pandemic started increase the risk of fraud. The Council nevertheless has robust control measures in place to protect public funds from fraudulent activity.</p>	—

**ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE**

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
	<p>which the Council has launched following the COVID-19 pandemic.</p>			<p>The Council’s processes regarding the payment of small business grants were audited by the Council’s internal auditors in Q2 of this financial year. An opinion of ‘substantial assurance’ was received, with no management actions recommended. An audit on discretionary grant payments took place in Q3, with the service also receiving a “substantial assurance” opinion, with no management actions recommended.</p> <p>The Council’s anti-fraud policies and procedures were audited by the Council’s internal auditors in Q4 2019/20 and received ‘Adequate’ assurance. All management actions arising from this audit have been completed.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as ‘SR8 – Fraud’.</p>	
<p><b>SR10</b></p>	<p><b>Marketfield Way</b></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>	<p>Cllr Humphreys</p>	<p><b>AMBER</b></p>	<p>The project continues to be on track.</p> <p>Enabling works have now been completed, and full works have commenced. Office based staff continue to work remotely and social distancing measures are in place on site. These safety measures are aligned to industry standards as well as all relevant government guidance. This is a key control to prevent work on site being delayed.</p> <p>We have entered into a building contract which reduces financial risk to Council by fixing a high proportion of outstanding costs.</p> <p>Further funding has now been secured from the Local Enterprise Partnership (LEP).</p>	<p>■</p>

ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>Securing tenancy agreements will be continually monitored alongside the Council's commercial agent. The council is adopting a flexibility-of-use methodology for Marketfield Way's commercial units.</p> <p>The Council has entered into dialogue with a number of cinema operators as confidence in the market returns as the economy comes out of the latest national lockdown.</p> <p>In Q4, the Council has instructed its lawyers to commence drafting work for a lease with a major retailer for a Marketfield Way retail unit.</p> <p>The project was recently audited by the Council's internal auditors and received an assurance rating of 'substantial'.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as 'SR9 – Marketfield Way'.</p>	
SR11	<p><b>Gatwick Airport</b></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	RED	<p>As noted above, Reigate and Banstead continues to have the highest number furloughed employees in Surrey. It is likely that a high number of Reigate and Banstead residents are on furlough from Gatwick and its associated supply chain. As of end of Q4, Gatwick continues to operate at severely reduced levels, with majority of staff remaining on furlough.</p> <p>Prior to third lockdown announced before Christmas, Gatwick had indicated some confidence of returning to around 50% of normal capacity in the summer of 2021. This</p>	—

ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>recovery is subject to the success of the vaccination program and may be limited by any future travel restrictions.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as 'SR10 – Gatwick Airport'. The 2021/22 risk will also incorporate the planned intensification/expansion of Gatwick.</p>	
<p>93</p> <p>SR12</p>	<p><b>COVID-19: second wave/local lockdown</b></p> <p>In the event of a second wave or local lockdown, the Council will be required to stand up its response to support residents and businesses.</p> <p>This will result in members of staff being redeployed and could result in significant disruption to the delivery of services.</p>	<p>Cllr Brunt</p>	<p><b>AMBER</b></p>	<p>A third national lockdown commenced during Q4. During the quarter the government published its roadmap out of the national lockdown. Restrictions began to be lifted on 8 March with further easing set to take place on 17<sup>th</sup> May.</p> <p>The Council has continued to utilise its robust plans to provide services under the lockdown restrictions. This has included providing support services to residents and businesses as well as maintaining business continuity and the delivery of core statutory services.</p> <p>Where paused or altered, Council services are restarting as appropriate and in full accordance with government guidance and the roadmap out of lockdown.</p> <p>It is important to note that operating within the confines of, and responding to, Covid-19 has now become 'normal' for the Council. Ongoing disruption is expected and is being planned for.</p> <p>The Council has utilised learning from partners in Surrey in order to make precautionary preparations to support surge testing in the</p>	

**ANNEX 1 – Q4 2020/21 STRATEGIC RISKS UPDATE**

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>borough, if this required alongside colleagues at Surrey Public Health and the Department for Health and Social Care.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as ‘SR1 – COVID-19 Pandemic’.</p>	
<p>94</p>	<p><b>SR13 Reform of the planning system</b></p> <p>Following the publication of the ‘Planning for the Future’ white paper, the government is consulting on changes to planning system.</p> <p>Whilst the proposals are at an early stage and are subject to later change and revision, the current White Paper proposes increasing the threshold at which affordable housing is required from developments from 10 units to 40 or 50.</p> <p>Given the large number of developments in the borough offering 11-40 homes, the increase in the threshold to 40 would reduce RBBC’s delivery of affordable housing by up to approximately 60%.</p> <p>This change could therefore negatively impact delivery of affordable housing in the borough.</p>	<p>Cllr Biggs</p>	<p><b>AMBER</b></p>	<p>In Q2 the Council responded to the consultation by central government and lodged its opposition to the white paper’s proposals as currently defined, principally in regard to the loss of affordable housing in the borough. The consultation closed on 29 October 2020. As of the end of Q4, the outcomes of the Central Government’s proposals for structural reform of the planning system are still unknown.</p> <p>A more immediate plan to reduce the threshold for affordable homes from developments of 11 homes to 40 or 50 has been abandoned meaning that medium sized developments between 11 and 40/50 homes will still be required to provide affordable housing.</p> <p>The Council continues to pursue the delivery of affordable housing within the borough as articulated in the Housing Delivery Strategy.</p> <p>This risk will transfer over to the 2021/22 strategic risk register as ‘SR11 – Reform of the Planning System’.</p>	<p>■</p>

**ANNEX 2 - STRATEGIC RISK RECOMMENDED FOR CLOSURE (Q4 2020/21)**

Ref.	Risk description	Owner	Mitigating actions/update
SR4	<p><b>Partner public sector funding decisions</b></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	<p>As noted in annex 1 of this agenda item, this risk is recommended for closure.</p> <p>The Council's funding reliance on the County Council has reduced which has therefore reduced the potential impact of any funding or budget decisions they make.</p> <p>This recommended closure aligns with the finalisation of the Council's and Surrey's 2021/22 budgets.</p> <p>Impacts resulting from partner public sector funding decisions going forward will be covered in 'SR2 – Financial Sustainability'; in the 2021/22 Strategic Risk Register.</p>

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# Reigate and Banstead Borough Council Audit Committee Work Programme

Published: 2 June 2021



Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>28 September 2021</b>								
<i>Pat Main, Interim Head of Finance and Assets, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance  Interim Head of Finance	<b>Treasury Management Outturn 2020/21</b>  To report to members the performance of the Treasury function in the financial year 2020/21		22 Jul 2021		Open	
<i>Pat Main, Interim Head of Finance and Assets</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Final Annual Governance Statement 2020/21</b>  To consider the Final Annual Governance Statement 2020/21				Open	
<i>Pat Main, Interim Head of Finance and Assets, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Statement of Accounts 2020/21</b>  To consider the Audited Statement of Accounts 2020/21.				Open	
<i>Pat Main, Interim Head of Finance and Assets, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and	Interim Head of Finance	<b>External Auditor Report (ISA 260) 2020/21</b>  This report, from the Council's				Open	

Agenda Item 11

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Accountant</i>	Governance		external auditors, summarises conclusions and significant issues arising from the audit of the 2020/21 Annual Financial Report.					
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit - Q1 2021/22 progress report</b>  To receive the Q1 internal audit progress report for 2021/22.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Risk management - Q1 2021/22</b>  To receive an update on risk management for Q1 2021/22.		16 Sep 2021		Open	
<b>25 November 2021</b>								
<i>Pat Main, Interim Head of Finance and Assets, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Treasury Management Mid-Year Report 2021/22</b>  To consider the Treasury Management Mid-Year Report 2021/22		16 Dec 2021	2 Dec 2021	Open	KEY
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit - Q2 2021/22 progress report</b>  To receive the Q2 2021/22 internal audit progress report.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Risk management - Q2 2021/22</b>  To receive an update on risk		16 Dec 2021		Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			management for Q2 2021/22					
<i>Alex Berry, Deputy Democratic Services Manager</i>	Portfolio Holder for Corporate Policy and Resources	Commercial and Investment Director	<b>Update of the Code of Corporate Governance</b>  To adopt the updated Code of Corporate Governance. al				Open	
<b>15 March 2022</b>								
<i>Pat Main, Interim Head of Finance and Assets, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Treasury Management Strategy 2022/23</b>  Treasury Management Strategy 2022/23		24 Mar 2022	7 Apr 2022	Open	KEY
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit - Q3 2021/22 progress report</b>  To receive the Q3 2021/22 internal audit progress report.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	<b>Internal audit plan 2022/23-2024/25 and Charter 2022/23</b>  To approve the internal audit plan for 2022/23-2024/25 and Charter for 2022/23.				Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Strategic risks - 2022/23</b>  To consider the strategic risks for 2022/23		24 Mar 2022		Open	
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	<b>Risk management - Q3 2021/22</b>  To receive an update on risk		24 Mar 2022		Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			management for Q3 2021/22.					
<i>Liane Dell, Democratic Services Officer</i>	Portfolio Holder for Corporate Policy and Resources	Head of Legal and Governance	<b>Audit Committee Annual Report 2021/22</b>  To consider and note the Audit Committee's Annual Report and forward work programme for 2022/23.				Open	

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