

## **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 25 November 2021 at 7.30 pm.

Present: Councillors J. P. King (Chairman), J. Baker, J. Booton, G. Buttironi, S. A. Kulka, R. Coyle (Co-Opted Member) and A. King (Substitute).

Also present: Councillor Schofield.

#### **24. MINUTES**

The minutes from the meeting held on 28 September 2021 were **APPROVED**.

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

Apologies for absence had been received from Councillors Blacker, Feeney and Walsh. An apology for absence had also been received from Councillor Michalowski, Councillor A King attended as his substitute.

#### **26. DECLARATION OF INTEREST**

There were none.

#### **27. TREASURY MANAGEMENT MID-YEAR REPORT 2021/22**

The Interim Head of Finance explained that this was the Half-Year Treasury Management Report which updated Members on the current borrowing and investment position, whilst amending prudential indicators and revising policies where necessary.

As requested by Members at the September Committee meeting, Annex 2 to the report included an updated version of the Treasury Management Outturn Report for 2020/21 with a completed version of table 10 at section 6 now that the required information has been received.

This report would be presented to the Executive in December 2021 and to Full Council in February 2022.

A member observed that when considering investment opportunities, the Council could seek out green investments. Members concurred that green investments should be considered alongside balancing the priority to secure a financial return for the benefit of residents.

Table 4 in the report (Total Treasury Investments) reported a forecast balance of £16,478,000 in March 2022, a reduction compared to the actual position in September 2021 of £50,553,000. The Interim Head of Finance explained that this reflected planned capital expenditure over coming months.

The Interim Head of Finance also explained that the forecast movement in company loan values (Table 5) between September 2021 and March 2022 was due to accrued interest.

With regard to Table 4 at pages 21 and Table 10 at page 48, the Interim Head of Finance agreed to provide a further analysis in a written response to explain how they reconciled. The accuracy of the text at paragraph 38 would also be confirmed. The authority's accounts were still being concluded and once the outturn figures were available the figures would align.

It was noted that the Council's investment in Pathway for Care was currently under review.

**RESOLVED** that:

- (i) The Audit Committee notes the report;
- (ii) The comments made would be fed back to the Executive; and
- (iii) A written response would be sent to Members.

## **28. EXTERNAL AUDIT CONTRACT AGREEMENTS 2023 - 2023**

Members were informed of the recommended approach for appointing the external auditor to the Council for the period from 1 April 2023 to 31 March 2028. The recommendation was to accept the invitation from Public Sector Audit Appointments (PSAA) Limited to participate in their nationwide tendering exercise. It was explained that if the Council was to attempt a bespoke procurement, the costs would be greater than using PSAA's services and there would be a high risk of not being able to appoint a suitable auditor ready for April 2023.

**RESOLVED to RECOMMEND** to Council that Council accepts the Public Sectors Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to local government and police bodies for five financial years from 1 April 2023.

## **29. INTERNAL AUDIT - Q2 2021/22 PROGRESS REPORT**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), gave the Committee an overview of the quarter 2 progress report on the internal audit plan, management actions and areas of concern. It was noted that all audits were currently on track for delivery to date.

The report contained two additional tables (Pg. 76-77) setting out some background to overdue high priority management actions. SIAP confirmed that they monitored and followed up all management actions through to completion.

It was confirmed that all actions relating to the review of income management at the Harlequin Theatre were now complete.

Two reviews that were concluded during the quarter that had received a 'limited' assurance opinion (Establishment Control and Environmental Health and Licencing); SIAP's report provided additional information and management's response.

Since the last committee meeting, two further reviews were concluded:

- Annual governance statement – substantial assurance
- Disabled facilities grant – reasonable assurance

One additional review had been added to the audit plan with regard to the 'Cultural Recovery Fund' Covid-19 grant assurance. The audit plan included provision for reviews relating to Covid-19; this review would be resourced from this allocation.

The Committee thanked SIAP for the inclusion of more detail on overdue high priority management actions and observed that it would be useful to also have this detail regarding low and medium rated actions as some had been overdue for some time. The Committee also wanted to be assured regarding with their ranking as low or medium management actions that have been outstanding for some time may warrant a higher priority. It was agreed that this would be considered.

**RESOLVED** that:

- (i) The Audit Committee notes the Q2 2021/22 internal audit progress report available at annex 1; and
- (ii) That the Council's Chief Finance Officer notes the comments made.

### **30. RISK MANAGEMENT - Q2 2021/22**

The Committee was apprised that the report provided an update on risk management in Quarter 2 2021/22. No strategic risks were proposed for closure and no new risks were being recommended.

It was explained that only summary risk information had previously been provided to the Committee as the full risk registers were always available to members in the Modern.Gov library. However, having considered comments made at the previous meeting, the full risk registers were now appended to the papers, and some presentational changes had been made.

The suggestion of a stand-alone 'commercial activity' risk had been reflected upon and it was felt that financial sustainability (SR2) covered this risk. Commercial risks would be addressed in the Commercial Strategy Part 2 currently in development. In the quarter 3, all risks would be reviewed and updated for 2022/23, and as part of this consideration would be given as to whether it would be more appropriate to open a specific strategic risk regarding commercial investment and commercial projects (rather than incorporating within the broader 'financial sustainability' risk).

Members questioned the risk around parking receipts over the next couple of years. It was explained that the position shown was that at the end of quarter 2. The draft budget covered parking receipts in detail and the trajectory was smoothing. The current position reflected a £1.3 million loss next year; however, this may be revised within the final budget. There had been a change in behaviour, and this needed to be accounted for. There would be a strategy to consider alternative uses for some car parks and plans would be made accordingly.

Following a comment from a member, it was noted that climate change was a live issue that the Council was actively addressing but that inclusion of climate change as a strategic risk could be considered for 2022/23.

It was confirmed that the scoring (likelihood and impact) related to the residual risk –for example in relation to cyber security (SR7), it was confirmed to the Committee that taking into account the mitigation actions, negative impacts to the organisation from a cyber security attack was considered unlikely, but if they were to occur could be significant.

The Committee considered planning system reform (SR12) and it was noted that the downward trajectory of the scoring reflected the likelihood of impact within the short term (2021/22) and agreed that planning system reform would not be resolved in the short term.

A member felt that some of the terminology within the report could be enhanced and this would be considered by officers. The Risk Management Framework would be shared with the Committee.

**RESOLVED** that:

- (i) The Committee note the Quarter 2 update on risk management provided in the report and associated annexes: and
- (ii) The comments made would be fed back to the Executive.

### **31. UPDATE OF THE CODE OF CORPORATE GOVERNANCE**

The Committee was informed that the report recommended updates to the Council's Code of Corporate Governance. Annex 1 to the report was the revised version. Annex 2 listed the proposed changes.

The updates were drafted in consultation with the Monitoring Officer, the Head of Finance and the Head of Legal and Governance and had been considered at meetings of the officer Corporate Governance Group and the Member Governance Task Group.

Overall, the changes were relatively minor, with the addition of new sources of evidence and amending some of the titles of Council policies.

The Audit Committee was responsible for approving any updates each year.

**RESOLVED** that:

- (i) The Code of Corporate Governance be amended to reflect minor updates to the evidence for all six principles and;
- (ii) The Committee to reviews the Code annually.

### **32. WORK PROGRAMME**

The Clerk explained that the work programme set out the intended work to be carried out by the Committee over the coming municipal year. This was a live document and was subject to change according to requirements and availability of information.

**RESOLVED** that the report be noted.

### **33. ANY OTHER URGENT BUSINESS**

There was none.

**34. EXEMPT BUSINESS**

**RESOLVED** that members of the Press and public be excluded from the meeting for part of agenda items 6 and 7 (Internal Audit Quarter 2 - 2021/22 progress report and Risk Management – Quarter 2 2021/22) under Section 100A(4) of the Local Government Act 1972 on the grounds that:

- (i) It involves the likely disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act;
- (ii) Information relating to the financial or business affairs of any particular person (including the authority holding that information).
- (iii) Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The Meeting closed at 8.36 pm