

## **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 15 March 2022 at 7.30 pm.

Present: Councillors R. J. Feeney (Vice-Chair), J. Baker, M. S. Blacker, J. Booton, S. A. Kulka and R. Michalowski.

Also present: Councillors Lewanski and Schofield.

#### **35. MINUTES**

The minutes from the meeting held on 25 November 2021 were **APPROVED**.

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

Apologies for absence had been received from Councillors J. King, Buttironi and Walsh. Councillor Feeney chaired the meeting in Councillor J. King's absence.

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

There were none.

#### **38. RISK MANAGEMENT - QUARTER 3 2021/22**

The Committee was apprised that the report provided an update on risk management in Quarter 3 2021/22. It was noted that there were no new strategic risks identified, there were no strategic risks recommended for closure and at the end of Q3 there was one red rated operational risk, the detail of which was provided in the part 2 exempt annex.

In reference to SR6, reliance on the welfare system, it was questioned why the direction of travel pointed downwards within the report when there was the likelihood of prolonged cost of living rises and inflation. It was explained that this was the position at the end of quarter 3. However, the authority was aware that there had been a number of changes since December 2021 and this position would continue to be monitored.

Members questioned the overall risk around inflation in respect of the Council's financial sustainability (SR2) and reliance on the welfare system (SR6). Additional information on the potential impacts of inflation had been circulated prior to the meeting in response to an advance question. These risks would continue to be monitored throughout the year in the quarterly budget monitoring reports which were considered by the Overview and Scrutiny Committee and Executive.

**RESOLVED** that:

The Committee note the Q3 update on risk management provided in the report and associated annexes.

### 39. STRATEGIC RISKS - 2022/23

The Head of Corporate Policy gave the definition of strategic risks as outlined in the report. The risk register had undergone a thorough review with suggested changes from the Committee being incorporated. The proposed draft strategic risks identified for the Council in 2022/23 were detailed within the report. The key differences from 2021/22 were the new risks on:

- Commercial investment – SR3 in 2022/23
- Cost pressures affecting the viability of Council development projects – SR6 in 2022/23
- Climate change – SR12 in 2022/23

This report would be considered by the Executive on 24 March 2022 and they had the authority to agree the strategic risks for the year ahead.

It was questioned when the Council would begin to receive income from current developments. For Marketfield Way, it was confirmed that key tenants had recently signed tenancy agreements and there was significant interest in the other lettings. The situation was kept under close review to ensure progress was maintained in the period prior to opening in 2023.

The situation was also very positive regarding the Council's other new commercial units at Wheatley Court. Overall, there were therefore no current areas of concern and the profiling of income would become clearer as tenancies were agreed.

Reliance on the welfare system (current risk reference SR6 in 2021/22) was recommended to be combined into the risk on economic prosperity (SR4) in 2022/23. If these changes were approved by the Executive, the current risk would be closed in quarter 4. Committee members commented that this potentially diluted the risk of reliance on the welfare system, for example, the number of Ukrainian refugees that may be come to live in the borough was unknown and this should be a consideration moving forward. It was confirmed that this would be considered in quarter 4.

In response to a question regarding SR10 (Gatwick Airport), officers agreed to enquire as to when Members would begin receiving regular updates again on Gatwick Airport as they had previously.

In terms of SR11, Planning System Reform in response to a Government White Paper, the main area of concern for Members was the loss of local democratic control over planning matters. This potentially meant that the Planning Committee would be unable to approve plans in certain zones as it did currently, however officers confirmed that the detail on this was not yet available.

Members also noted that the IT risks relating to cyber security were to be addressed through the IT Strategy that was scheduled to be considered by Overview and Scrutiny on 17 March. All Members of Audit Committee had been invited to participate in this discussion.

**RESOLVED** that:

- (i) The Committee note the identified strategic risks for 2022/23 as detailed in annex 1; and
- (ii) Comments from the Committee be made to the Executive.

#### **40. INTERNAL AUDIT - QUARTER 3 2021/22 PROGRESS REPORT**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), gave the Committee an overview of the quarter 3 progress report on the internal audit plan and an update on delivery of the 2021/22 plan. It was noted that all audits were currently on track for delivery to date, with 59% of the work currently complete.

Page 56 of the report provided an update on management actions, with 16 currently registered as overdue (of which 2 were low priority, 12 were medium priority and 2 were high priority); the detail of these were shown in annexes 1 and 2.

It was noted that in quarter 3 there were no reviews that that concluded with a 'limited' or 'no' assurance opinion.

Concern was raised by the Committee that there were several low/medium rated management actions that remained overdue for two years and that some revised dates showed as 'to be confirmed' while others had slipped by six months.

In response to Member questions SIAP confirmed that they monitored and followed up all management actions through to completion. The Interim Head of Finance also confirmed that senior management regularly reviewed progress and the reasons for delays.

The Committee requested a progress update on all overdue actions. A commitment was given to provide this before the next meeting including the background and context and where responsibility for progressing them lay.

#### **RESOLVED that:**

- (i) The Committee note the Q3 2021/22 internal audit progress report available at annex 1; and,
- (ii) that Committee's comments and/or observations on the report be fed back to the Council's Chief Finance Officer.

#### **41. INTERNAL AUDIT PLAN 2022/23 AND CHARTER 2022/23**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), introduced the Internal Audit Plan 2022/23, which had been developed in consultation with the Corporate Governance Group and Management Team, taking into consideration the authority's strategic risks.

Members were reminded that the plan remained fluid throughout the year; any proposals for revisions during the year would be reported to the Committee.

Neil Pittman, Head of SIAP, presented the Charter and explained that it had to be approved annually by the Committee. The Charter defined the purpose, authority and responsibility of internal audit and it demonstrated how the Council's statutory duty to maintain an independent and effective internal audit function was fulfilled.

He highlighted two changes this year:

- Page 82, Natalie Jerams' role had changed, and was taking on Chief Internal Auditor responsibilities for this authority from April; and
- Page 88, the list of partners had been updated.

Members requested that consideration be given to adding an additional audit to the 2022/23 Audit Plan to provide assurance on the half-year Treasury Management Monitoring report that the Committee was due to consider in November 2022.

The Interim Head of Finance and the Deputy Head of Audit from SIAP confirmed that SIAP already carried out regular end to end reviews of the Council's treasury management processes and controls as part of the core financial systems review; the most recent audit took place in 2021.

They undertook to look at options for adding the additional review to the audit plan for 2022/23 and report back to the next meeting.

**RESOLVED** that:

- (i) The Audit Committee approve the internal audit plan for 2022/23 as set out in annex 1;
- (ii) The Audit Committee approve the internal audit Charter for 2022/23 as set out in annex 2; and,
- (iii) That consideration be given to an additional audit to be added to the 2022/23 Audit Plan to provide assurance on the half-year Treasury Management Monitoring report.

#### **42. TREASURY MANAGEMENT STRATEGY 2022/23**

The Interim Head of Finance explained that the report sets out the Treasury Management Strategy for 2022/23.

The purpose of the Strategy was to guide all Treasury Management activity for the coming financial year.

Due to the technical nature of the subject and the requirements of the treasury regulations it was complicated and lengthy.

In summary, the Strategy comprised of four main sections plus supporting appendices.

The introduction of the strategy statement set the background in terms of the regulations and guidance, and the functions and definition of Treasury Management, including the requirement for the Council to receive and approve three main treasury reports each year, comprising:

- (i) Forward looking Treasury Management Strategy report (this report)
- (ii) Mid-year Treasury Management report; and
- (iii) The Annual Treasury outturn report.

Other requirements covered in section 1 was the scrutiny role of the Audit Committee; ensuring adequate training of members and officers with responsibility for treasury management; and the requirement to call on the services of independent advisors.

The Capital Prudential Indicators section confirmed the financial implications of the Council's capital expenditure plans. They were aligned with the Capital Programme for 2022/23 onwards that was approved by Executive and full Council the previous month.

They also confirmed the Capital Financing Requirement and anticipated Borrowing Profile.

Additionally, this section sets out the recommended Minimum Revenue Provision Policy for repayment of debt.

The borrowing section focussed on how the authority planned to fund capital projects that had already been approved and made recommendations on the required borrowing limits to manage these activities.

The Investment section focussed on counterparty security, keeping funds safe and ensuring the Council was taking advantage of appropriate investment opportunities in accordance with its risk profile.

In response to a member question, the Interim Head of Finance explained that table 4 in Annex 1 to the report summarised the funds that were forecast to be available to fund capital investment in the short-term. Calling on these funds allowed the Council to delay borrowing from external sources. This reflected the fact that the Council continued to maintain a healthy level of reserves. There would however be a requirement in the future to take out long-term borrowing so that the reserves could be made available for their intended purpose.

**RESOLVED** that The Committee notes:

- (i) The Treasury Management Strategy Statement for 2022/23 as set out in the report; and
- (ii) The Treasury Management Prudential Indicators for 2022/23 as set out in the report.

**43. AUDIT COMMITTEE ANNUAL REPORT 2021/22 AND WORK PROGRAMME 2022/23**

The Committee was apprised that the Annual Report 2021/22 set out the work of the Audit Committee in 2021/22 and considered its forward work programme for 2022/23. It was noted that the Committee's forward work programme was a live document and would be subject to change as required.

**RESOLVED** that:

- (i) The Annual Report of the Audit Committee be noted and be recommended to Council; and

- (ii) The Audit Committee's Forward Plan for 2022/23 be approved.

**44. ANY OTHER URGENT BUSINESS**

There was none. Councillor Feeney thanked Members and officers for their contributions as this was his final meeting of the Committee before stepping down and a councillor.

**45. EXEMPT BUSINESS**

**RESOLVED** that members of the Press and public be excluded from the meeting for part of agenda items 4 and 6 (Risk Management Quarter 3 - 2021/22 and Internal Audit – Quarter 3 2021/22 progress report) under Section 100A(4) of the Local Government Act 1972 on the grounds that:

It involves the likely disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act;

- (i) Information relating to the financial or business affairs of any person (including the authority holding that information).
- (ii) Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The Meeting closed at 8.50 pm