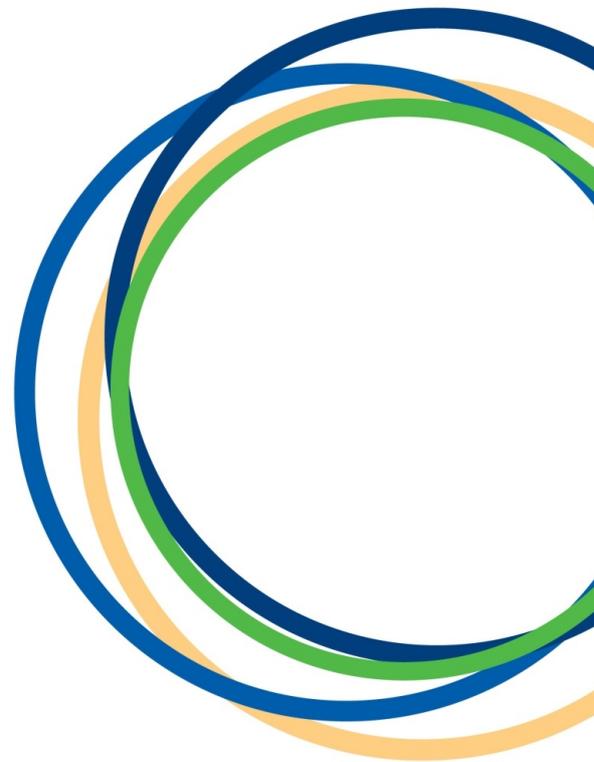


Minutes of a meeting of the **Audit Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Tuesday, 14 June 2022** at **7.30 pm**.

Present: Councillors G. Adamson, J. Baker, J. Booton, G. Buttironi, V. Chester, Z. Cooper, A. King and J. P. King

Also in attendance: Councillors V. Lewanski and T. Schofield



1 **Election of Chair**

RESOLVED that Councillor J King; having been proposed by Councillor Buttironi, and seconded by Councillor Baker, be elected as Chairman of the Audit Committee for the 2022-23 municipal year.

2 **Election of Vice-Chair**

RESOLVED that Councillor Baker; having been proposed by Councillor Cooper, and seconded by Councillor Buttironi, be elected as Vice-Chairman of the Audit Committee for the 2022-23 municipal year.

3 **Minutes**

The minutes from the meeting held on 15 March 2022 were **APPROVED**.

4 **Apologies for Absence and Substitutions**

An apology for absence had been received from Robert Coyle (Independent member).

5 **Declaration of Interest**

There were none.

6 **Risk management - Quarter 4 2021/22**

The Head of Corporate Policy, Projects & Performance introduced the report explaining that this provided Members with an update on Risk Management for quarter 4 for 2021/22. No new Strategic risks were identified and updates on the current strategic risks were provided.

A recommendation would be made to the Executive to close two strategic risks:

- SR6 – ‘Reliance on the welfare system’. As previously reported to the Audit Committee and Executive in March 2022, this risk is recommended for closure as the nature of the risk has evolved such that there is now close alignment with the current risk on ‘Economic prosperity’ (SR5).

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Following the Audit Committee's review of the proposed strategic risks for 2022/23 at its March 2022 meeting, and reflecting on the proposal to combine SR5 and SR6 for the year ahead into a single risk reflecting the resident as well as the business element, the Executive agreed to clarify the title of the economic prosperity risk for 2022/23 and amend it to 'Challenging economic conditions for residents and businesses'.

- SR9 – 'Marketfield Way'. This risk is recommended for closure due to good progress being made on site and in securing lettings, leaving the residual risk to be managed under business as usual arrangements.

As well as receiving an update on strategic risks, the Committee was also provided with updates on red rated operational risks.

The following observations by Members and responses to questions were made.

SR1 – Covid-19 Pandemic

It was questioned whether SR1 was more operational than strategic. The Head of Corporate Policy, Projects & Performance confirmed that the downward trajectory of the risk was reassuring and that it would continue to be reviewed to determine if it was appropriate to recommend closure of the strategic risk.

SR2 – Financial Sustainability

A Member of the Committee stated that he would provide some written questions following the meeting, including regarding this risk's structure. There was good content and context however it was felt that there could be several risks within SR2 and this could mean that it was less focussed.

Officers welcomed the offer of written feedback and would consider it once it had been received.

SR3 – Local Government Reorganisation

It was questioned as to what the statement that reorganisation would not be a condition of securing a devolution deal meant in practice.

The Head of Paid Service explained that a seminar had been conducted with Councillor Tim Oliver (Chair of the County Councils Network and leader of Surrey County Council) to understand the mechanics of the White Paper and its implications. It was understood that County would look to get further powers from central government, however this did not mean that either one or a series of unitary authorities would need to be formed. County had been bidding for more powers and they wanted the 11 local authorities in the county to support them.

SR4 – Organisational Capacity and Culture

In response to a member question, it was noted that the next Employment Committee would consider making the S151 officer a permanent position and consider other senior management roles.

SR5 – Economic Prosperity

Concern was raised about amalgamating SR5 and SR6 together next municipal year to become SR4.

It was explained that the rationale for closing SR6 was that it focussed on job losses due to the pandemic, however that did not come to pass. However, concerns that this Committee had about amalgamating the risks, would be passed on to the Executive at its next meeting. An update on unemployment in the borough was given.

SR6 – Reliance on the welfare system

In response to a member question regarding the different affordable housing types, it was explained that the Council used the definitions as set out in national planning policy. In general terms that distinguished between social rent; affordable rent; shared ownership and other types of affordable housing products and these definitions were used consistently across the board. A written response with further detail would be provided.

In terms of risk associated with the influx of Ukrainian refugees, it was explained that this made up part of the Council's operational risk as opposed to a strategic risk.

SR7 – Cyber Security

In relation to a member question, officers confirmed that the new strategy relating to cyber security had begun to be implemented in quarter 1 of 2022/23.

SR9 – Marketfield Way

In response to member questions it was noted that there had been some slippage in the project and completion was due in the autumn. The first tenant to open would be Tesco followed by other businesses, with the cinema due to open around Easter 2023. Offers had been made on all commercial units and heads of terms were with tenants. Tolerances for slippage had been built into the risk and therefore it was appropriate to close this risk.

RESOLVED that:

- I. The Q4 2021/22 update on risk management provided be noted;
- II. Observations to the Executive be made; and
- III. Written responses would be sent to Members.

7 Internal audit - Quarter 4 2021/22 progress report

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), gave the Committee an overview of the quarter 4 progress report on the delivery of the internal audit plan, highlighting any key observations and giving an update on live audit reports that currently had management actions pending.

It was noted that 94% of audits had been completed to date with the following two reviews outstanding:

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- Contract management – at draft report stage
- Parking enforcement – fieldwork yet to conclude

These remained in progress and would be carried over and form part of next year's annual report and opinion.

It was noted that there were no new audit reports with a limited or no assurance conclusion. Within the report there was a line by line breakdown of the individual audits that made up the 2021/22 plan.

In respect of the overdue management actions, a Member asked how the revised dates were signed off and was the Council prepared to accept the risks that delays could pose. It was noted that all overdue management actions were of a medium priority.

The Head of Paid Service explained that the Corporate Governance Group (comprised of the statutory and senior officers of the Council) met monthly and SIAP's progress updates were considered at this meeting while holding Heads of Service to account for any overdue actions or proposed changes to deadlines. As previously explained, the past two years have been particularly challenging due having to prioritise the response to the pandemic meaning that significant decisions needed to be made at times which impacted on operational plans and priorities. The Council was now returning to business as usual, but this had not yet concluded; therefore, it would be necessary to continue to take decisions to reprioritise management actions in some areas when required. The Head of Paid Service also confirmed that overall accountability was held by her. Target dates for management actions were set by the lead officers and SIAP have an opportunity to feedback on their reasonableness before being adopted.

It was also explained that, if decisions needed to be made due to another crisis (such as the requirement to set up new services as a result of the war in Ukraine), then the Council would continue to prioritise that.

It was noted that Members had received a briefing note prior to the meeting which gave context to the overdue management actions over the past two years during the pandemic.

Members concurred that they had been given reassurance around overdue management actions.

RESOLVED that:

- I. The Committee notes the progress in delivering the audit plan; and
- II. That Committee's comments and/or observations on the report be fed back to the Council's Chief Finance Officer;

8 Internal audit - 2021/22 annual report and opinion

Neil Pitman, Head of SIAP, presented the 2021/22 annual report and opinion. Section five of the report provided an overview and summary of the key observations arising from the audit reviews concluding in 2021/22.

The overall opinion was that of Reasonable Assurance on the Council's framework of governance risk and control based on the work that SIAP undertook during the year. A

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sound control environment was in place across a majority of the review areas, with the areas of challenge highlighted at pages 71 to 74 of the report. Members' attention was drawn to the section on financial resilience (at page 74); this review was not related to a control issue but instead looked to provide assurance on the arrangements that were in place to address the financial challenge faced by the Council. He advised that this was a challenge that was mirrored across nearly all local authorities in the country and was therefore an ongoing risk.

SIAP thanked officers and Members for their cooperation across the year; this had assisted them in arriving at their opinion.

A question was asked regarding the establishment control audit and the costs associated with temporary and contract staff and the risks that costs may exceed the cost of employing a member of staff on a permanent basis. In response it was stated that the audit identified scope for improvement in the way in which the Council coded expenditure for permanent staff and for temporary/contract staff and that new costing structures were now in place. A key control was the monthly and quarterly budget monitoring process whereby any excess costs of employing temporary resources compared to direct employment were highlighted along with an explanation of how they would be funded. Corporate Governance Group was also required to review and approve business cases before contract staff could be engaged.

In response to a question about how the authority's rating could be improved next time, Neil Pittman stated that this was difficult to answer as each year the Audit Plan would review different areas of the Council. Overall, SIAP viewed the Council in a very positive light. Although three audits were of a limited assurance, it was explained that this was not always a negative thing as it demonstrated that the audits were covering the most appropriate areas and adding value. The Council used the internal audit service to good effect and there were no areas of commonality flagged in the limited assurance audits that indicate any wider issues. Audit was clearly recognised as an important management tool for the Council.

A Member raised a question regarding the independent review of the Environmental Health and Licencing Service in October 2018 which reported that "there are few performance indicators in the business plans and can result in a lack of clear focus on priorities" and SIAP's subsequent audit report that stated that "No action plans are currently in place to address this."

In response it was stated that all management actions arising from the review were now complete, therefore mitigating the risks identified by the audit report. The Projects and Performance Team Leader agreed to seek a written response from the relevant manager and Head of Service.

RESOLVED that:

- I. The Committee notes the annual internal audit report and opinion;
- II. That Committee's comments and/or observations on the report be fed back to the Council's Chief Finance Officer; and
- III. A written response would be sent to Members.

9 Draft Annual Governance Statement 2021/22

The Interim Head of Finance gave an overview of the draft Annual Governance Statement 2021/22, explaining that it complied with Regulations, whereby the Council was required to prepare and publish a statement on its internal control and governance arrangements as part of annual end-of-year processes.

It was also good practice that the statement be endorsed by the member body that has responsibility for oversight of these arrangements; in this Council this was the Audit Committee. The covering report explained that the statement drew on several sources of information on how the Council was managed.

It was stated that the SIAP had carried out a review of the Council's arrangements for compiling the Annual Governance Statement and the outcome was a rating of substantial assurance, indicating that the Council followed good practice and guidance and the Statement was complete in terms of the breadth of the topics it covered and the scope of the information that was presented.

The final version of the Annual Governance Statement 2021/22 would be presented and published as part of the statement of accounts.

It was noted that this was also an important source of background and context for this Committee to consider because it provided an overview of the overall control assurance framework that was in place to ensure that the Council was well-run, and risks were managed effectively.

It was explained that two key elements were yet to be finalised, one of which was finalised at this meeting (SIAP's audit opinion 2021/22); the second would be the external Auditor's opinion for 2021/22 which would be available once they concluded their audit of the statement of accounts.

Two governance matters were highlighted relating to the statement of accounts for 2020/21 and a legal dispute relating to one of the Council's companies.

With regard to the statement of accounts, the Chief Finance Officer explained that proactive steps to address historic issues with underlying fixed asset records that supported the accounts had been undertaken to ensure compliance with the Code of Practice. It was noted that the auditors were scheduled to commence the audit shortly.

The second matter related to a joint venture that the Monitoring Officer and senior officers were acting on in consultation with Lead Members; it was not possible to provide more information at this stage as it was currently subject to legal privilege.

Following a member's question regarding the anticipated timing of the external auditor's 2020/21 and 2021/22 ISA 260 reports, it was explained that ordinarily the 2020/21 report would be considered at approximately this time of year. However, as explained, this had been delayed due to taking additional time to resolve historic fixed asset record issues. The 2020/21 report would therefore be presented later this year when the audit was complete; followed by the 2021/22 report as reporting returned to the usual timetable.

RESOLVED that the report be noted.

10 Audit Committee Overview

The Chair introduced this item encouraging all Audit Committee Members to note the important information in it to support them in carrying out their responsibilities.

The Interim Head of Finance gave an overview of the slides provided within the agenda pack, explaining that Members were advised to refer to this when preparing for future Audit Committee meetings. The slides set out how the Committee planned to approach its work during the year as well as the scope of the Committee's responsibilities.

In addition, Committee Members were encouraged to take advantage of the training opportunities and briefings that would be provided on specific topics; members were encouraged to attend these. Briefings would be arranged prior to considering Treasury Management reports and the Statement of Accounts for example.

The report also set out the lead officers for the key areas that came under the Committee's remit and Members were encouraged to contact them if they required any further information to support them in their role.

RESOLVED that the report be noted.

11 Work Programme 2022/23

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

12 Any Other Urgent Business

There was none.

13 Exempt Business

RESOLVED that members of the Press and public be excluded from the meeting for part of agenda item 6 (Risk Management Quarter 4 - 2021/22) 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 paragraph 7 of Part 1 of Schedule 12A of the Act;

- i. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The meeting finished at 8.56 pm