

Agenda

Audit Committee

Tuesday, 14 June 2022 at 7.30 pm

New Council Chamber, Town Hall, Reigate



This meeting will take place in the Town Hall, Castlefield Road, Reigate. Members of the public, Officers and Visiting Members may attend remotely or in person.

All attendees at the meeting have personal responsibility for adhering to any Covid control measures. Attendees are welcome to wear face coverings if they wish.



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

Members:

G. Adamson
J. Baker
J. Booton
G. Buttironi
V. Chester

Z. Cooper
A. King
J. P. King
C. Thompson
R. Coyle

Substitutes:

Conservatives: M. S. Blacker and R. S. Turner

Residents Group: J. S. Bray and N. D. Harrison

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

Green Party:

P. Chandler, J. C. S. Essex, S. McKenna, A. Proudfoot,
S. Sinden, R. Ritter and D. Torra

Liberal Democrats

S. A. Kulka

Mari Roberts-Wood
Head of Paid Service

1. Election of Chair

To elect a Chair of the Committee for this Municipal Year 2022/23.

2. Election of Vice-Chair

To elect a Vice-Chair of the Committee for this Municipal Year 2022/23.

3. Minutes

(Pages 7 - 14)

To confirm as a correct record the Minutes of the previous meeting.

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. Risk management - Quarter 4 2021/22

(Pages 15 - 38)

To note the Quarter 4 2021/22 update on risk management provided by the report and make any observations to the Executive.

7. Internal audit - Quarter 4 2021/22 progress report

(Pages 39 - 56)

To note the Quarter 4 2021/22 internal audit progress report available at Annex 1.

To make any comments and/or observations on the report to the Council's Chief Finance Officer.

8. Internal audit - 2021/22 annual report and opinion

(Pages 57 - 84)

To note the annual internal audit report and opinion available at annex 1.

To make any comments and/or observations on the report to the Council's Chief Finance Officer.

9. Draft Annual Governance Statement 2021/22

(Pages 85 - 98)

To consider and to provide feedback on the draft Annual Governance Statement for 2021/22 as set out in Annex 1.

10. Audit Committee Overview (Pages 99 - 106)

To give the Committee an overview of the role of the Audit Committee.

11. Work Programme 2022/23 (Pages 107 - 112)

To note the work programme for 2022/23.

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.

13. Exempt Business

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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



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.



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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.

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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.

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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.

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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

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- (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



Signed off by	Head of Corporate Policy
Author	Luke Harvey, Project & Performance Team Leader
Telephone	Tel: 01737 276519
Email	Luke.Harvey@reigate-banstead.gov.uk
To	Audit Committee Executive
Date	Audit Committee: Tuesday, 14 June 2022 Executive: Thursday, 23 June 2022
Executive Member	Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Risk management - Q4 2021/22
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Recommendations
<p>That the Audit Committee:</p> <p>(i) Note the Q4 2021/22 update on risk management provided by the report and make any observations to the Executive.</p> <p>That the Executive:</p> <p>(ii) Note the Q4 2021/22 update on risk management provided by the report.</p> <p>(iii) Approve the closure of the following strategic risks in accordance with the reasoning set out in the report and in annex 1:</p> <ul style="list-style-type: none"> • SR6 – ‘Reliance on the welfare system’ • SR9 – ‘Markefield Way’
Reasons for Recommendations
The Audit Committee and Executive’s constitutional responsibilities require the regular receipt of updates on risk management.

Agenda Item 6

Executive Summary

This report provides an update on risk management in Q4 2021/22. In Q4 no new strategic risks were identified. At the end of the year two strategic risks have been recommended for closure, consistent with the Executive's earlier approval of the 2022/23 strategic risks.

The Audit Committee and 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. The discharge of this responsibility includes arrangements for managing risk.
3. 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

4. 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.
5. 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.
6. Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and Medium-Term Financial Plan (MTFP).
7. Members of the Management Team and Executive Members have shared responsibility for strategic risks. Strategic risks are reported quarterly to senior officers via Corporate Governance Group, as well as to the Audit Committee and Executive. The Executive approves key changes to the strategic risk register, such as the identification of new risks as well as closing risks.
8. Operational risks are short term risks that are encountered in the course of the day-to-day delivery by services. However, if the 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. Heads of Service have responsibility for operational risks. Operational risks are reported to senior officers via Corporate Governance Group. The Audit Committee and Executive receive updates on any red rated operational risks as part of quarterly risk management reporting.
9. The Audit Committee has a constitutional responsibility to provide independent assurance to the Council of the adequacy of the risk management framework and

internal control environment. It provides independent review of Reigate and Banstead Borough Council's governance, risk management and control frameworks. A key component of fulfilling this responsibility is to regularly receive and review the Council's risks and make any observations to the Executive.

Key Information

Q4 2021/22 risk management update

10. The full strategic risk register is available at annex 1 of this report.
11. In Q4 there were no new strategic risks identified.
12. In Q4 reporting two strategic risks are recommended for closure as they are no longer regarded as being strategic risks. This also brings the risk register into line with the 2022/23 strategic risks approved by the Executive at its meeting on 24 March 2022.
13. The risks recommended for closure are:
 - SR6 – 'Reliance on the welfare system'. As previously approved by the 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).

Further to the Audit Committee's review of the proposed strategic risks for 2022/23 at its March 2022 meeting, the title of the economic prosperity risk for 2022/23 has been updated 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.
14. In Q4 there was one red rated operational risk, the detail of which is set out in the part 2 exempt annex.
15. The full risk registers, as well as the Council's risk management framework, are made available to all members via the ModernGov document library.

Options

16. The Audit Committee has two options:
 - Option 1: note this report and make any observations to the Executive.
 - Option 2: note this report and make no observations to the Executive.
17. The Executive has two options:
 - Option 1: note this report and approve the closure of SR6 – 'Reliance on the welfare system' and SR9 'Marketfield Way'. This is the recommended option.
 - Option 2: note this report and do not approve the closure of SR6 – 'Reliance on the welfare system' and SR9 'Marketfield Way'.

Legal Implications

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18. Any legal implications of particular risks are addressed as required as part of their control and mitigation.

19. There are no other legal implications arising from this report.

Financial Implications

20. Financial risks are taken into account when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget and Capital Programme each year.

Equalities Implications

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

Communication Implications

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

Environmental Sustainability Implications

23. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

24. The Council's risk registers inform the development of the annual risk based internal audit plan, progress against which is reported separately to the Audit Committee.

25. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

Other Implications

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

Consultation

27. The contents of this report have been considered by the Council's Corporate Governance Group.

Policy Framework

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

Background Papers

Risk management strategy:

https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management

Risk management

Strategic risk register

Quarter 4 – January to March 2022

Strategic Risks

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Corporate Plan and the Medium-Term Financial Strategy. The Management Team has shared responsibility for strategic risks.

The Council's strategic risks are detailed in below table:

<u>SR1</u>	<u>Covid-19 pandemic</u>
<u>SR2</u>	<u>Financial sustainability</u>
<u>SR3</u>	<u>Local government reorganisation</u>
<u>SR4</u>	<u>Organisational capacity and culture</u>
<u>SR5</u>	<u>Economic prosperity</u>
<u>SR6</u>	<u>Reliance on the welfare system</u>
<u>SR7</u>	<u>Cyber security</u>
<u>SR8</u>	<u>Fraud</u>
<u>SR9</u>	<u>Marketfield Way</u>
<u>SR10</u>	<u>Gatwick Airport</u>
<u>SR11</u>	<u>Reform of the planning system (closed in Q1 2021/22)</u>
<u>SR12</u>	<u>Planning system reform</u>

Risk rating

Each risk is scored using the potential impact of the risk and the likelihood of the risk happening. The risk score then determines the level of management action required:

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 if does not demand specific attention but should be kept under review.

Risk status

Tolerate	Decide to accept the risk and take no further measures. This should be a conscious and deliberate decision taken having decided that it is more cost effective to do so than attempt mitigating action.
Transfer	Transfer all or part of the risk. For example, to insurance or to other agencies/contractors.
Treat	Proactive action taken to reduce: <ul style="list-style-type: none">• The probability of the risk happening by Introducing control measures• The impact of the risk should it occur.
Close	This could involve changing an aspect of the activity or ceasing to provide the service/function/project and thus eliminate the risk.

RISK RATINGS

21

IMPACT						
Grave	5					
Significant	4		<u>SR7</u>	<u>SR3</u> <u>SR4</u> <u>SR9</u>	<u>SR2</u>	<u>SR5</u>
Moderate	3		<u>SR1</u>	<u>SR10</u> <u>SR12</u>	<u>SR6</u> <u>SR8</u>	
Minor	2					
Almost none	1					
		1	2	3	4	5
LIKELIHOOD		Rare	Unlikely	Possible	More than likely	Almost certain

SR1		Covid-19 pandemic		AMBER
Description		<p>The Council will continue to respond to the Covid-19 pandemic in supporting residents, businesses as well as other partner public sector organisations.</p> <p>The effects of the pandemic, coupled with the ongoing response, could result in significant disruption to the delivery of services and the achievement of corporate objectives.</p>		
Owner		Portfolio Holder	Cllr Brunt	
		Officers	Mari Roberts-Wood and Luci Mould	
Controls		<p>Ongoing planning for disruption caused by the pandemic, including maintaining organisational preparedness via emergency and business continuity planning as well as robust risk assessments.</p> <p>Resumption of Covid-19 command and control processes and procedures if required.</p> <p>Liaison with partners and the Surrey Local Resilience Forum.</p>		
Mitigating actions/progress		<p>Operating within the confines of, and responding to, Covid-19 has now become 'business as usual' for the Council. Ongoing disruption is expected and continues to be proactively planned for.</p> <p>Council services have continued to operate as usual throughout Q4.</p> <p>The Council's offices have now fully reopened to staff. Covid-19 control measures continue to be in place to mitigate against workplace transmission, thereby safeguarding staff welfare and business continuity.</p> <p>During 2021/22 several plans integral to the Council's preparedness and response to the pandemic have been updated, including the: Pandemic Plan; Emergency Plan and Surge Testing Plan. Service business continuity plans continue to be reviewed and kept up to date as appropriate.</p> <p>The Council continues to engage with partners in Surrey, including at the Local Resilience Forum and other districts and boroughs.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR1 'Coronavirus pandemic'.</p>		
Score	Likelihood	Unlikely	Direction of travel	↓
	Impact	Moderate		
Status		Treat		
Last update		4 May 2022		

SR2	Financial sustainability		RED
<p>Description</p>	<p>In the wake of the COVID-19 pandemic and resultant recession, the Council faces a period of unprecedented financial uncertainty.</p> <p>The 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.</p> <p>If this substantial financial burden is not mitigated through direct Government support, then these unplanned financial pressures will have an adverse impact on the Council’s capacity to deliver against its Corporate Plan ambitions. The delivery of corporate plan objectives will similarly be jeopardised if the Council is unable to secure additional income streams.</p> <p>The ongoing financial settlement with the Government also remains uncertain.</p> <p>The Council is therefore increasingly reliant on income derived, and to be derived and generated, from investments, fees and charges and commercial activities – the ability to do so, however, may be further restricted by changes in legislation, regulations, and codes of practice. Commercial activity and investments are similarly not without risk.</p>		
<p>Owner</p>	<p>Portfolio Holder</p>	<p>Cllr Schofield</p>	
	<p>Officers</p>	<p>Pat Main</p>	
<p>Controls</p>	<p>The Council will continue to ensure that strong financial management arrangements are in place and will continue to invest in skills and expertise to support the delivery of the Council’s financial and commercial objectives while managing risks.</p> <p>The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning. The Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risks are managed.</p> <p>Creation and implementation of the Council’s Financial Sustainability Plan which will address the identified MTFP budget pressures.</p> <p>The annual budget sets out the budget allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In-year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances.</p> <p>The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable.</p> <p>Creation and implementation of the Council’s commercial strategy.</p>		
<p>Mitigating actions/progress</p>	<p>The COVID-19 pandemic resulted in material new financial risks, both in the previous and current financial years and over the medium term.</p> <p>The main area of ongoing concern remains the failure of income receipts to return to pre-COVID levels, particularly in relation to parking fees. There is also a risk that increased costs for goods, materials and labour, coupled with supply chain disruption, may impact on our ability to deliver and thereby secure income from development projects.</p>		

SR2		Financial sustainability		RED
		<p>The specific outcomes of the government’s planned Fair Funding Review and Business Rates Reset remain unknown; however, they are expected to significantly reduce funding.</p> <p>The Council’s Medium-Term Financial Plan, approved by the Executive in July 2021, sets out the forecast budget challenge over the coming five years and forms the basis for service and financial planning for 2022/23 onwards. Budget setting for 2022/23 is now complete and budget proposals were approved in February 2022.</p> <p>Towards the end of Q4 the Council’s financial sustainability plan commenced. The programme is being overseen by a strategic officer steering group and will regularly report to the Overview and Scrutiny Committee and Executive on progress. The programme will: oversee a number of projects and initiatives to deliver efficiencies and additional income; be responsible for service and financial planning for 2023/24; and carry out a review of fees and charges to ensure that the policy is being best applied across the Council.</p> <p>The Council’s Capital Investment Strategy was approved by the Executive in July 2021. Capital Programme proposals for 2022/23 to 2026/27 were approved in February 2022.</p> <p>The Council has now adopted parts 1 and 2 of its Commercial Strategy. The strategy sets out the overarching direction and parameters for the Council’s commercial activity, including guiding principles and the categories of commercial activity that the Council will focus on.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR2 ‘Financial sustainability’, with contextual updates made to the description to reflect the position as of Q1 2022/23.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		12 April 2022		

SR3		Local government reorganisation		AMBER
Description		<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 the government's devolution agenda. A White Paper on English devolution and local recovery is expected in the latter part of 2021, delayed from autumn 2020.</p> <p>The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.</p>		
Owner		Portfolio Holder	Cllr Brunt	
		Officers	Mari Roberts-Wood	
Controls		<p>Close working with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey.</p> <p>Lobbying central government where appropriate and necessary.</p>		
Mitigating actions/progress		<p>A government White Paper on devolution and 'levelling up' was published in February 2022. The White Paper provides detail on the government's Levelling Up objectives as well as details and principles of a new devolution framework.</p> <p>Surrey County Council are developing a proposal to secure a 'county deal' for Surrey as described within the White Paper's devolution framework.</p> <p>The White Paper states that the government will not pursue a mandatory, top-down reorganisation of local government and reorganisation will not be a condition of securing a devolution deal.</p> <p>The Council will continue to seek to proactively influence the debate and proposals on potential devolution deals as well as the future structure of local government within Surrey.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR7 'Local government reorganisation, devolution and levelling up'.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		4 May 2022		

SR4		Organisational capacity and culture		AMBER
Description		<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 has changed the way the Council operates, the context within which it does so, and will similarly drastically change the organisational culture and ways of working.</p> <p>The Council will continue to be ambitious and new ways of working will need to be embraced by both members and officers for objectives to be achieved. Key to this is ensuring that staff welfare and wellbeing is maintained, particularly in the challenging circumstances caused by the pandemic.</p> <p>The failure to remain ambitious and adapt to the ongoing challenges of the pandemic will risk the delivery of corporate objectives.</p>		
Owner		Portfolio Holder	Cllr Lewanski	
		Officers	Mari Roberts-Wood and Kate Brown	
Controls		<p>The creation and implementation of an Organisational Development strategy.</p> <p>Development of an embedded Workforce Planning approach for the Council, with service and financial planning to appropriately resource the Council's staffing requirements.</p> <p>Recruitment, training and development.</p> <p>Ongoing consultation and engagement with staff.</p>		
Mitigating actions/progress		<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) which has formed the solid basis for post-pandemic planning. The Council has developed and implemented an embedded Workforce Planning Approach with service and financial planning. This is to ensure resource to meet the Council's staffing requirements.</p> <p>A proposal for the future structure of the Senior Management Team was presented to the Employment Committee in Q3. The Committee accepted the report's recommendations and implementation has now commenced.</p> <p>Projects related to future ways of working, including 'hybrid working', are being taken forward by the Organisation Board.</p> <p>HR continue to proactively address staff wellbeing issues, with initiatives for helping support staff and their wellbeing progressing. For instance, during Q3 a stress awareness campaign launched. Measures have also been implemented to support staff to come together and collaborate in a Covid secure way.</p> <p>A wider, strategic piece focusing on staff welfare is continuing to be developed. Staff are continuing to be encouraged to take annual leave and take suitable breaks away from work.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR5 'Organisational capacity and culture'.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		25 April 2022		

SR5	Economic prosperity		RED
Description	<p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses. The COVID-19 pandemic has resulted in significant negative impacts upon the economy, which will continue to be felt for some time.</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 fees and charges and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p>		
Owner	Portfolio Holder	Cllrs Humphreys and Schofield	
	Officers	Luci Mould, Mari Roberts-Wood, Pat Main and Simon Bland.	
Controls	<p>The UK economy is outside the control and influence of the Council. However, the Council is able to provide support to residents and businesses, both through direct service delivery and the disbursement of grants and other sources of funding.</p> <p>Our Business Engagement Team provides a range of support, advice and networking opportunities for local businesses, allowing the Council to receive feedback on economic performance and conditions.</p> <p>Controls relating to the Council's financial position are summarised in SR2.</p>		
Mitigating actions/progress	<p>The gradual easing of the government's Covid-19 restrictions resulted in a marked uptick in economic activity earlier in the financial year, with the UK economy growing beyond its pre-pandemic size at the end of 2021. Underlying wage growth picked up given tight labour market conditions.</p> <p>However, consumer price inflation has risen significantly across the world, including the UK where the consumer price index is forecast by the Bank of England's Monetary Policy Committee to reach 7.25% in April 2022. Consumer prices are rising due to sharp increases in global energy and commodity prices as well as tradable goods prices, the latter due to global supply chain disruption and bottlenecks.</p> <p>The UK's GDP growth has therefore slowed to subdued rates, attributed by the Bank of England to rising prices negatively impacting on income and spending. Inflationary pressures therefore threaten negative effects on the national and local economy which, in addition to affecting residents, will impact upon the Council's financial position.</p> <p>The latter notwithstanding, at the end of Q4 the local employment picture was healthy, with unemployment and youth unemployment falling. The Council's Economic Prosperity team will continue to closely monitor these trends into the new financial year. The 'R&B Works' project continues to highlight local employment opportunities for residents.</p> <p>On 3 February 2022 the Chancellor announced that council taxpayers who live in a band A to D property will receive a one-off payment of £150 to support them with rising energy costs. The Council has administered this scheme on behalf of the government, with payments beginning to be made in April 2022.</p> <p>The Council continues to administer the government's Household Support Fund. The first tranche of the scheme allocated the Council £382,000. This was used to support over 4,000 vulnerable households with accessing food and heating their homes. The Council also used the funds to support our voluntary sector partners and households to prevent homelessness. At the end of the quarter the</p>		

SR5		Economic prosperity		RED
		<p>government announced the continuation of the scheme, with a further £500 million made available to local authorities across the country.</p> <p>During the year the Council also administered a number of grants to businesses on behalf of the government, including: the Omicron Hospitality and Leisure Grant and the Additional Restrictions Grant.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR4 'Challenging economic conditions for residents and businesses'.</p>		
Score	Likelihood	Almost certain	Direction of travel	-
	Impact	Significant		
Status		Treat/Tolerate		
Last update		27 April 2022		

SR6	Reliance on the welfare system		AMBER
Description	<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. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p>		
Owner	Portfolio Holder	Cllr Neame	
	Officers	Mari Roberts-Wood, Duane Kirkland, Justine Chatfield and Richard Robinson	
Controls	<p>Increased staffing to manage legislative and welfare/benefit changes.</p> <p>Investing in IT packages, improving processes and staff training.</p> <p>The operation of council owned emergency accommodation.</p> <p>Applying for government grants to fund additional support services.</p> <p>Joint working and close collaboration with partners.</p> <p>Increased staff resource through redeployment if required.</p>		
Mitigating actions/progress	<p>Despite challenging economic circumstances, the Council has not seen a significant increase in residents approaching for support. Unemployment in the borough continues to decrease and the number of residents claiming Universal Credit has remained stable, although it remains higher than pre-pandemic levels.</p> <p>Earlier in the year the temporary uplift to Universal Credit ended. The impacts arising from this will continue to be closely monitored, particularly in the context of the wider cost of living increases as noted in SR5 above.</p> <p>The Council continues to apply for government grants to support homeless residents, or those at risk of homelessness. A further £140k has been provided by the Department for Levelling Up, Housing and Communities to support private renters and to accommodate and offer Covid-19 vaccinations for rough sleepers.</p> <p>As noted in SR5, the Council continues to administer the government's Household Support Fund. In addition to supporting residents with accessing food and energy, the Council used its share of the fund to help prevent homelessness via providing rent in advance and deposits to secure new tenancies, as well as paying rental arrears in some cases.</p> <p>Earlier in the year the Council was part of a successful cross-Surrey bid for an application to the government's Changing Futures Fund. The programme aims to improve outcomes for adults experiencing multiple disadvantage, including combinations of homelessness, substance misuse, mental health issues, domestic abuse and contact with the criminal justice system. The bid was awarded £2.8 million to be spent in Surrey over a three-year period.</p> <p>The trends of increased complex homelessness cases and larger households being placed into temporary emergency accommodation continues. The Council's Housing team continues to work successfully in preventing and relieving homelessness in the borough.</p> <p>Within the borough there is a lack of affordable move on homes for larger households, both in the social and private rented sector. To help combat this, in March 2022 the Executive agreed a £500,000 grant to Raven Housing Trust to support the delivery of 23 social rented homes in Tadworth. The Council's Wheatley Court development at Cromwell Road, Redhill will also be retained by the Council and let at affordable rent levels.</p>		

SR6		Reliance on the welfare system	AMBER	
		<p>Additionally, Council officers regularly negotiate with developers on all section 106 sites to help ensure affordable housing delivery.</p> <p>The Council has also secured grant funding from Homes England towards four one-bedroom properties in Lee St Horley, which are currently under development.</p> <p>Following an increase during the height of the Covid-19 pandemic, the Council's Money Support service has seen referrals return to more 'normal' pre-pandemic levels. It is possible, however, that the rising cost of living will result in increased referrals. Additional resourcing has been identified to support the service if necessary. The Council also facilitates closer collaboration between the various other money and debt advice services operating in the borough.</p> <p>The Council continues to provide a scaled back Covid-19 welfare offer to residents. Consideration is continuing to be given to the provision of a pilot scheme to support residents with ongoing welfare needs and who do not meet the threshold of adult social care. Over the 2021/22 year the Council has provided over £180,000 (grant money), in loans and grants to help nearly 100 households stay in their rented homes when at threat of homelessness or secure alternative affordable rented homes</p> <p>The Council continues to closely liaise with voluntary sector partners and to participate in the Surrey wide fuel poverty group, which will look to reduce incidents of and support residents at risk of fuel poverty. The Council administers grants to eligible householders to help them insulate their homes. The Council also provides grants to local voluntary sector organisations to provide utilities top-ups to residents living in fuel poverty.</p> <p>The Council is supporting those affected by food poverty in the borough by facilitating food club initiatives. Food clubs support residents experiencing financial hardship with access to food and basic supplies. They can help provide a sustainable solution to food poverty and reduce the need to use emergency food banks.</p> <p>Last year the Council launched the East Surrey Work Local Youth Hub. The Hub supports young residents in receipt of Universal Credit through providing access to a wide range of coaching, mentoring and soft skills development opportunities, tailored to meet their career aspirations. The Council was notified by the Department for Work and Pensions that funding for another twelve months of the scheme has been agreed in principle through to Q3 2022/23.</p> <p>Due to the close alignment of this risk with SR5 'Economic prosperity', it is recommended that this risk be closed in Q4 2021/22 and therefore not carry over to the 2022/23 strategic risk register. This approach was endorsed by the Executive in Q3 2021/22 reporting where the 2022/23 risks were agreed.</p> <p>As such, for Q1 2022/23 the risk description of SR5 'Economic prosperity' has been updated and approved by the Executive. As noted above, from Q1 2022/23 it will be covered under 'Challenging economic conditions for residents and businesses'.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Moderate		
Status		Close		
Last update		26 April 2022		

SR7		Cyber security		AMBER
Description		<p>Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases, particularly as home working has become the norm in response to the COVID-19 pandemic.</p> <p>More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised.</p> <p>The effects of a cyber-attack are wide and varied though at their worst could result in data destruction and theft, as well as significant disruption to the delivery of services.</p>		
Owner		Portfolio Holder	Cllr Lewanski	
		Officers	Ann Slavin and Darren Wray	
Controls		<p>ICT has in-place several layers of defences protecting core data and systems from Internet and locally introduced threats. Including email scanning, internet browsing controls; device and server based anti-virus software and disk encryption. Virus patterns are updated regularly. Firewalls are placed at points on the network where external connections join the local network.</p> <p>Implementation of a new ICT strategy to further enhance the Council's network resilience and cyber security capabilities.</p> <p>Contract with NCCGroup, a cyber security specialist organisation for the investigation and resolution of any cyber security incidents.</p> <p>Regular testing of Council staff as well as a programme of cyber security training.</p> <p>Internal audit – undertaking reviews into the Council's cyber security defences.</p>		
Mitigating actions/progress		<p>The ICT service has put in place a service level agreement (SLA) with the NCCGroup, who work on behalf of the Cabinet Office on heightening cyber security across local government. The SLA provides support and instant access to the NCCGroup's expertise in the event of a cyber security incident.</p> <p>A proposal for significant enhancements to the Council's cyber security capabilities was approved by the Executive and Full Council during the quarter as part of the Council's new ICT strategy. Implementation of the new strategy will begin in Q1 2022/23.</p> <p>In 2020/21 the Council's internal auditors reviewed the Council's cyber security capabilities. Implementation of the two actions arising from the review are now complete.</p> <p>Staff are continuing to be kept informed of any specific threats and are continually reminded to be vigilant when opening emails or browsing websites.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR8 'ICT network capacity and resilience'.</p>		
Score	Likelihood	Unlikely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		20 April 2022		

SR8		Fraud		AMBER
Description		Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The latter is exacerbated by the new areas of activity which the Council has launched following the COVID-19 pandemic.		
Owner		Portfolio Holder	Cllr Schofield	
		Officers	Mari Roberts-Wood and Simon Rosser	
Controls		<p>The Council maintains robust control measures to protect public funds from fraudulent activity. This includes the Counter Fraud, Corruption and Bribery Policy, Whistleblowing Policy and Prosecution Policies.</p> <p>The Council has a Fraud and Financial Investigations Team that are proactive and reactive. Investigations can be external and internal and cover all areas of corporate fraud.</p> <p>Staff induction also includes fraud awareness training, as well as awareness of established policies and procedures.</p> <p>Internal audit undertaking reviews into fraud risk areas.</p>		
Mitigating actions/progress		<p>The Council's in-house fraud team has detected elevated levels of fraudulent activity during 2021/22. This has arisen from new activity areas as part of the pandemic response – for instance, business grants and Test and Trace payments – as well as the effects of the pandemic giving rise to increased attempts to commit fraud, such as in attempting to fraudulently join the Council's housing register.</p> <p>The Council is making proactive fraud checks on all housing applications and action will be taken where appropriate.</p> <p>A staff wide fraud awareness programme has been implemented, with training of the relevant teams taking place.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR9 'Fraud'.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		19 April 2022		

SR9		Marketfield Way		AMBER
Description		<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. It will also generate income which can be reinvested in Council services.</p> <p>The ongoing economic fallout of the COVID-19 pandemic may have negative impacts on this development, particularly with regards to securing commercial tenants and its consequent financial viability.</p>		
Owner		Portfolio Holder	Cllr Biggs	
		Officers	Luci Mould and Peter Boarder	
Controls		<p>The terms within the building contract includes measures to minimise financial risks, including those related to Covid-19, to the Council. Similar protection provisions have been included in key contracts associated with the development to minimise risk.</p> <p>The main build contract with Vinci reduces financial risk by fixing outstanding costs.</p> <p>Regular meetings with the external development managers. The development managers provide a monthly report highlighting any risks and issues for management attention.</p> <p>Rigorous change management processes have been put into place.</p> <p>A flexibility-of-use methodology has been adopted for Marketfield Way's commercial units.</p> <p>Grant funding from the Local Enterprise Partnership.</p> <p>Advanced ordering of materials to prevent delays.</p>		
Mitigating actions/progress		<p>Good progress is continuing to be made in delivering the scheme at Marketfield Way with full completion now expected to take place in August 2022.</p> <p>A cinema operator for the scheme has now been selected, with an agreement for lease being entered into at the close of Q3. As of the end of Q4 the Council continues to make good progress in securing tenants for the commercial units with offers made on 7 out of 8 units.</p> <p>In response to a study into Marketfield Way's market catchment, the scheme has been rebranded and is now known as 'The Rise'. The new branding has been effective in securing tenants for the commercial units.</p> <p>As good progress is being made in completing and letting the scheme, it is recommended that this risk be closed in Q4 2021/22 reporting with the residual risk managed under business-as-usual arrangements in accordance with the Council's project and risk management frameworks. This approach was endorsed by the Executive in Q3 2021/22 reporting when the strategic risks for 2022/23 were approved.</p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Significant		
Status		Close		
Last update		7 April 2022		

SR10		Gatwick Airport		AMBER
Description		<p>The COVID-19 pandemic will continue to negatively impact on Gatwick airport. The outbreak has seen a large reduction in air travel which can be expected to continue for the foreseeable future due to the negative economic outlook and ongoing global travel restrictions.</p> <p>As a key local employer the financial position of the airport will affect local employment, which may result in an increased number of residents seeking support from the Council.</p> <p>Moreover, despite the negative economic outlook, Gatwick Airport have indicated that they will continue to pursue their previously announced expansion plans. An intensification or expansion of Gatwick has attendant local environmental and infrastructural risks.</p>		
Owner		Portfolio Holder	Cllr Humphreys	
		Officers	Luci Mould and Simon Bland	
Controls		<p>This risk is largely outside of the Council's control and is dependent on any possible support provided by the government to the aviation sector and the commercial decisions made by private companies.</p> <p>However, where possible the Council will regularly liaise with relevant parties to understand any possible upcoming impacts, both in relation to the ongoing impacts of Covid-19 and expansion.</p>		
Mitigating actions/progress		<p>The situation at Gatwick continues to be monitored. Flight levels have grown considerably as international travel restrictions have been lifted. As such, Gatwick Airport's operations have largely returned to normal, with further flight growth expected into the next financial year.</p> <p>Gatwick continues to pursue its plans for expansion. During Q3 the Council responded to a consultation in advance of the airport's application for a development consent order, which is expected to be made towards the end of 2022. The outcome of the consultation is not currently known, though is expected in Q1-Q2 2022/23.</p> <p>Given that Gatwick's operations have returned to near normal levels and with further growth expected, this element of the risk will not transfer over to the 2022/23 strategic risk register. As such, the 2022/23 strategic risk on Gatwick Airport (SR10) will focus on Gatwick's plans for expansion. This approach was endorsed by the Executive in Q3 2021/22 reporting.</p>		
Score	Likelihood	Possible	Direction of travel	—
	Impact	Moderate		
Status		Tolerate/Treat		
Last update		27 April 2022		

SR11		Reform of the planning system		CLOSED
Description		<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, 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>		
Owner		Portfolio Holder	Cllr Biggs	
		Officers	Luci Mould and Andrew Benson	
Controls		<p>Respond to the government's consultation as it develops and as additional rounds of consultation are issued.</p> <p>To continue to pursue the delivery of affordable housing as detailed in the Council's housing strategy.</p>		
Mitigating actions/progress		<p>In Q2 2020/21 the Council responded to the consultation by central government and lodged its opposition to the white paper's proposals, principally in regard to the potential loss of affordable housing in the borough. The consultation closed on 29 October 2020.</p> <p>In Q1 2021/22 the government confirmed that the plan to reduce the threshold for affordable homes from developments of 11 homes to 40 or 50 was being abandoned, meaning that medium sized developments will still be required to provide affordable housing.</p> <p>With the plan to reduce the threshold for the provision of affordable homes dropped by the government, the impact of this risk has changed. As such, in Q1 2021/22 reporting this risk was closed, with a new strategic risk raised to reflect the current implications of the risk (see SR12).</p>		
Score	Likelihood	N/A		N/A
	Impact	N/A		
Status		Risk closed		
Last update		16 July 2021		

SR12		Planning system reform		AMBER
Description		<p>Following the publication of the 'Planning for the Future' White Paper, the government is considering changes to the planning system in England.</p> <p>There is a risk that, if adopted in the form contained in the White Paper, these changes could result in a loss of local democratic control over planning matters.</p> <p>Moreover, whilst the government have confirmed that they will not be increasing the threshold at which affordable housing is required from developments (which was included in the original consultation document), there is also a risk that the proposed changes could result in a reduction in the delivery of affordable housing in the borough.</p>		
Owner		Portfolio Holder	Cllr Biggs	
		Officers	Luci Mould and Andrew Benson	
Controls		Respond to the government's consultation as it develops and as additional rounds of consultation are issued.		
Mitigating actions/progress		<p>On 6 August 2020, the government published a consultation document on proposed changes to the planning system under a White Paper named 'Planning for the Future'. The Council responded to this consultation and lodged its opposition to the proposals, principally regarding the potential loss of affordable housing in the borough. The government's response to the consultation was published in December 2020. This was followed up with a second response in April 2021 which confirmed that a more immediate plan to reduce the threshold for affordable homes from developments of 11 homes to 40 or 50 was being abandoned.</p> <p>The government's White Paper on devolution and 'Levelling Up' makes reference to changes to the planning system as part of the Levelling Up agenda. The Levelling Up white paper's section on future legislation confirms that the planning system will be reformed and more details will be published in due course. However, no date has yet been given for the planning bill and no further formal government announcement has been made.</p> <p>This risk will transfer over to the 2022/23 strategic risk register as SR11 'Planning system reform.'</p> <p><i>[Note: in May 2022 – and outside of the Q4 reporting period – the Queen's Speech announced new reforms to the planning system, as part of a Levelling Up and Regeneration Bill. The implications arising from the newly proposed bill will be considered and appropriate action taken as and when necessary.]</i></p>		
Score	Likelihood	Possible	Direction of travel	-
	Impact	Moderate		
Status		Treat		
Last update		25 May 2022		



Signed off by	Interim Head of Finance
Author	Luke Harvey, Project & Performance Team Leader
Telephone	Tel: 01737 276519
Email	Luke.Harvey@reigate-banstead.gov.uk
To	Audit Committee
Date	Tuesday, 14 June 2022

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - Q4 2021/22 progress report
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Recommendations
<p>(i) That the Audit Committee note the Q4 2021/22 internal audit progress report available at annex 1; and,</p> <p>(ii) That the Audit Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.</p>
Reasons for Recommendations
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.
Executive Summary
This report provides an update on the delivery of the 2021/22 internal audit plan as of the end of Q4. A separate report on the Audit Committee's agenda covers the Chief Internal Auditor's annual report and opinion for 2021/22.
The Audit 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] risk

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management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

2. These 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. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
5. 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’.
6. 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.
7. The Council’s response to internal audit activity should lead to the strengthening of the control environment and contribute to the achievement of the organisation’s objectives.
8. The Audit Committee endorsed the 2021/22 internal audit plan in March 2021. The plan details the audit activity that takes place during the year.
9. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council’s risk profile and to ensure an appropriate level of audit coverage throughout the year.
10. Under the Council’s Constitution the Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
11. 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

Assurance opinions

12. 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.
13. SIAP's assurance opinions are categorised as follows:

Assurance	Description
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.

Q4 2021/22 progress update

14. Section 3 of the progress report available at annex 1 details the overall progress in delivering the 2021/22 internal audit plan, whilst section 7 provides an overview of the work programme for the year.
15. The Parking and Enforcement and Contract Management audits are yet to conclude and reporting on the outcome of these reviews will therefore carry over to the next financial year.
16. The quarterly report also includes a summary of key findings from any reviews that conclude with a 'limited' or 'no' assurance opinion.
17. Full copies of internal audit reports are made available to all members via the ModGov document library.
18. At the end of Q4 the following reviews from the 2021/22 audit plan have concluded:

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Review	Opinion
Information Governance	Reasonable
Annual Governance Statement	Substantial
IT Governance	Reasonable
Virtualisation (networking and communications)	Reasonable
Accounts Receivable and Debt Management	Substantial
Accounts Payable	Reasonable
Harlequin Centre – Income, Banking and Reconciliation	Limited
Disabled Facilities Grant	Reasonable
Compliance and Enforcement Grant	Reasonable
Non-housing Property Maintenance	Reasonable
HR – Absence Management	Substantial
Capital Programme	Substantial
Financial resilience	Position statement
Local Government Compensation Scheme (Covid-19)	Grant certification
Local Government Compensation Scheme (Covid-19)	Grant certification
Cultural Recovery Fund (Covid-19)	Grant certification

Management actions

19. Section 4 of the report at annex 1 provides a summary of overdue management actions. Following feedback from the Audit Committee, additional information on overdue actions is also provided in SIAP's report available at annex 1.
20. Since the last progress report to the Audit Committee a number of overdue actions have been implemented. No further management actions have become overdue since the last update to the Committee.
21. In April the Committee was sent a detailed update on overdue management actions. The update may therefore be read alongside this quarterly progress report.

22. Outstanding management actions will continue to be reported to the Audit Committee until their full implementation.

Adjustments to the 2021/22 audit plan

23. Section 8 details the amendments made to the audit plan during 2021/22. No amendments to the plan were made in Q4.

Options

24. The Committee has two options:

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

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

Legal Implications

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

Financial Implications

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

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

Equalities Implications

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

Communication Implications

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

Environmental Sustainability Implications

32. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

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

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

35. There are no other risk management implications.

Other Implications

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

Consultation

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

Policy Framework

38. 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.

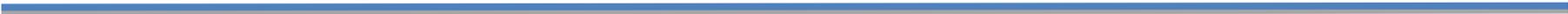
Background Papers

None.

Internal Audit Progress Report 2021/22

June 2022 (Q4)

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:

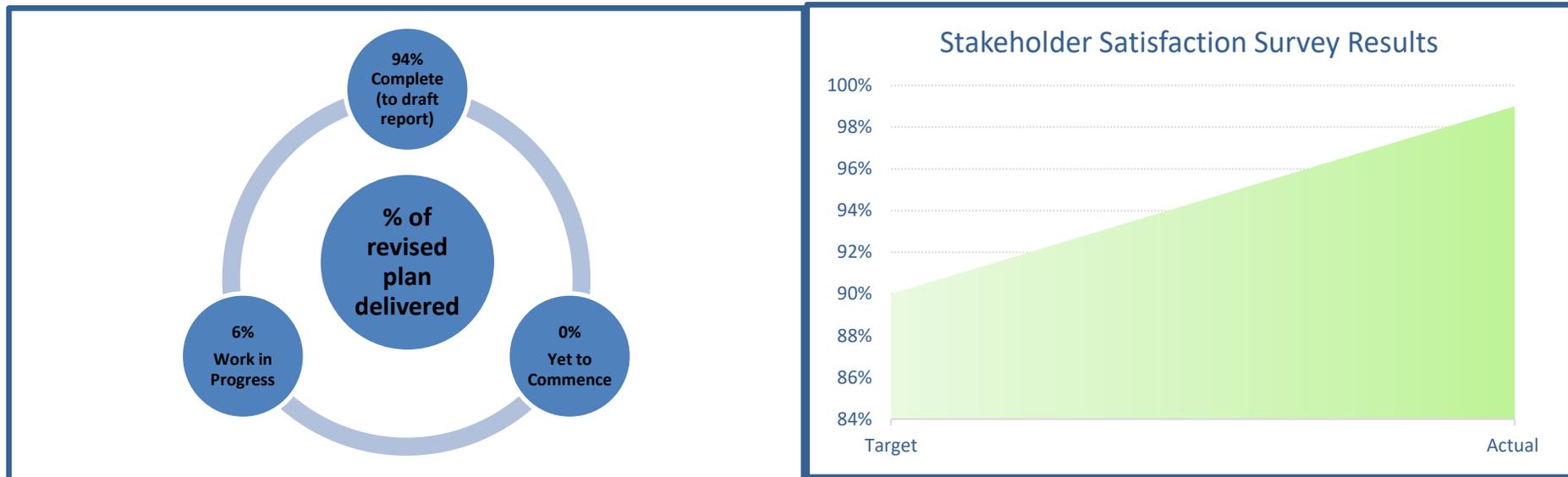
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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:

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.

** 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 3*

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 Actions*	Not Yet Due	Complete	Overdue		
							L	M	H
Council Tax	05.02.20	HofRB&F	Adequate	6(2)	0(0)	5(2)		1	
Risk Management	03.02.21	HofP&P	Reasonable	3(0)	2(0)	1(0)			
Fleet Management	06.04.21	HofNO	Limited	16(3)	0(0)	15(3)		1	
Procurement	05.05.21	HofF	Limited	8(0)	0(0)	1(0)		7	
Information Governance	06.12.21	HofIT	Reasonable	3(0)	2(0)	1(0)			
IT Governance – Software Licensing	16.02.22	HofIT	Reasonable	2(1)	2(1)	0(0)			
IT Virtualisation	16.02.22	HofIT	Reasonable	5(4)	3(3)	2(1)			
HR – Absence Management	17.05.22	HofOD	Substantial	2(0)	2(0)	0(0)			
Non Housing Property Management & Maintenance	06.06.22	HofF	Reasonable	6(1)	1(1)	5(0)			
Total				51(11)	12(5)	30(6)	0	9	0

*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 no new final reports published concluding a “Limited” or “No” assurance opinion since the last progress report in March 2022.

6. Planning & Resourcing

The internal audit plan for 2021-22 was presented to Corporate Governance Group and the Audit Committee in March 2021.

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.

7. Rolling Work Programme 2021/22

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2020/21 Reviews								
HR - Establishment Controls	HofF	✓	✓	✓	✓	✓	Limited	
Environmental Health & Licensing	HofNO	✓	✓	✓	✓	✓	Limited	
2021/22 Reviews								
Corporate								
Financial Resilience	HofF	✓	✓	✓	✓	✓	n/a	Position statement
Governance								
Contract Management	HofL&G	✓	✓	✓	✓			Draft report issued, response pending.
HR - Absence Management	HofOD	✓	✓	✓	✓	✓	Substantial	
Information Governance	HofIT	✓	✓	✓	✓	✓	Reasonable	
Annual Governance Statement	HofF	✓	✓	✓	✓	✓	Substantial	
Capital Programme	HofF	✓	✓	✓	✓	✓	Substantial	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
IT								
IT Governance	HofIT	✓	✓	✓	✓	✓	Reasonable	
Virtualisation (Networking & Communications)	HofIT	✓	✓	✓	✓	✓	Reasonable	
Core Financial Reviews								
Accounts Payable	HofF	✓	✓	✓	✓	✓	Reasonable	
Accounts Receivable & Debt Management	HofF	✓	✓	✓	✓	✓	Substantial	
Harlequin Centre – Income, Banking & Reconciliation	HofF	✓	✓	✓	✓	✓	Limited	
Compliance & Enforcement Grant	HofF	✓	✓	✓	n/a	✓	n/a	Grant certification
Local Government Compensation Scheme	HofF	✓	✓	✓	✓	✓	n/a	Grant certification
Cultural Recovery Fund	HofF	✓	✓	✓	n/a	✓	n/a	Grant certification
Organisation								
Non Housing Property Management & Maintenance	HofF	✓	✓	✓	✓	✓	Reasonable	
Place								
Parking & Enforcement	HofNO	✓	✓	✓				
Disabled Facility Grants	HofNO	✓	✓	✓	✓	✓	Reasonable	

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

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2021/22	
Added to the plan	Reason
Compliance & Enforcement Grant	A number of days are included in the Annual Plan to allow for work in relation to Covid. This area of work has now been confirmed and will make use of an element of the agreed allowance and has consequently been added into the plan.
Local Government Compensation Scheme	A number of days are included in the Annual Plan to allow for work in relation to Covid. This area of work has now been confirmed and will make use of an element of the agreed allowance and has consequently been added into the plan.
Cultural Recovery Fund	A number of days are included in the Annual Plan to allow for work in relation to Covid. This area of work has now been confirmed and will make use of an element of the agreed allowance and has consequently been added into the plan.
Removed from the plan	Reason
Transformation	To be incorporated in a wider review of Savings Realisation during 2022/23.
Payment Card Industry Data Security Standard	Defer until 2022/23 to take account of system changes due to be implemented and therefore look to provide assurance post implementation.

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Council Tax	05.02.2020	Adequate	Medium	01.04.2020	31.03.2023
Fleet Management	06.04.2021	Limited	Medium	31.12.2021	30.09.2022
Procurement	05.05.2021	Limited	Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023
			Medium	31.12.2021	30.06.2023

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

- Substantial** A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
- Adequate** 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.
- Limited** 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.
- No** 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.

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Signed off by	Interim Head of Finance
Author	Luke Harvey, Project & Performance Team Leader
Telephone	Tel: 01737 276519
Email	Luke.Harvey@reigate-banstead.gov.uk
To	Audit Committee
Date	Tuesday, 14 June 2022

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - 2021/22 annual report and opinion
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Recommendations
<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>
Reasons for Recommendations
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.
Executive Summary
<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 2022, 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 & 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 Audit 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. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
8. 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'.
9. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plans a vital role in advising the Council that these arrangements are in place and are operating effectively.

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10. 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.
11. 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.
12. The Audit Committee approved the 2021/22 internal audit plan at its meeting on 11 March 2021. The plan details the audit activity that takes place during the year.
13. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage throughout the year.
14. 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

2021/22 annual report and opinion

15. SIAP's annual report and opinion is available at annex 1.
16. Section 4 provides the annual internal audit opinion for 2021/22.
17. For the 12 months ending 31 March 2022, the annual internal audit opinion of the Council's Chief Internal Auditor 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 the internal control environment.

*In my opinion frameworks of governance, risk management and management control are **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.

18. A separate report on the Committee's agenda for this meeting provides an overview of the progress in delivering the 2021/22 internal audit plan, including the assurance opinions given for individual reviews.

2021/22 observations

19. Section 5 of SIAP's report provides an overview and summary of the key observations arising from the reviews concluding in 2021/22.
20. SIAP's report notes that 'in general, internal audit work found there to be a sound control environment in place across the majority of review areas ... we generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each

Agenda Item 8

review and monitored to completion to ensure that the identified risks and issues are addressed’.

21. The key observations noted by the auditors are detailed in SIAP’s report. A management response to observations arising from reviews that concluded with a ‘limited’ assurance opinion has been included for the Audit Committee’s awareness at annex 2. The management response should be read alongside these observations.
22. It should also be noted that two reviews from the 2020/21 internal audit plan (HR Establishment Controls and Environmental Health and Licensing) did not conclude in time to be reported in the 2020/21 annual report and opinion. They have therefore been included within the 2021/22 annual report and opinion.

Options

23. The Committee has two options:
24. Option 1: note the annual report and opinion and make any observations to the Council’s Chief Finance Officer.
25. Option 2: note the annual report and opinion and make no observations to the Council’s Chief Finance Officer.

Legal Implications

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

Financial Implications

27. Internal audit fees and funded through the Council’s annual revenue budget.
28. There are no other 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.

Environmental Sustainability Implications

31. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

32. An effective internal audit function is an important part of effectively managing risk.
33. The Council’s strategic and operational risk registers were utilised in the development of the annual internal audit plan.
34. There are no other risk management implications.

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Other Implications
35. There are no other implications arising from this report.
Consultation
36. This report has been considered by the Council's Corporate Governance Group as part of its governance role.
Policy Framework
37. 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 Papers
None.

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

REIGATE AND BANSTEAD BOROUGH COUNCIL
Annual Internal Audit Report & Opinion 2021-2022

Prepared by: Neil Pitman, Head of Partnership

June 2022

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

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

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 organisations’ 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.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- 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 Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2021-22 internal audit plan was considered by the Audit Committee in March 2021. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Chief Finance Officer and reported in detail to the Audit Committee in the internal audit progress reports which were reviewed at each meeting.

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:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' 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.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2021-22 financial year.

Annual Internal Audit Opinion 2021-22

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 the internal control environment.

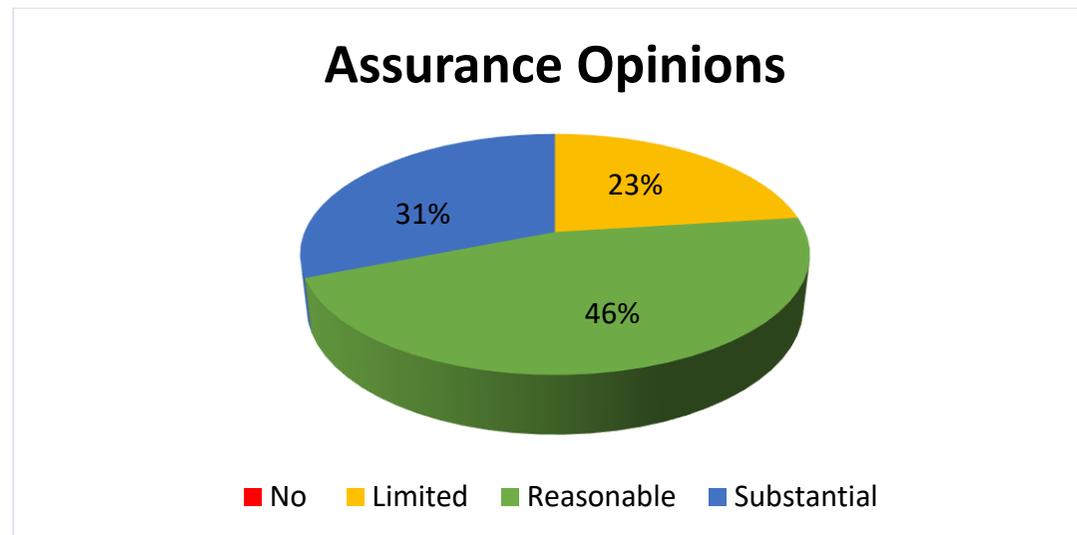
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

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

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2021-22 reviews

The findings from our reviews have been reported to the Audit Committee in full throughout the year and a summary of the assurance opinions is outlined below. None of the reviews carried out during 2021/22 resulted in a 'no assurance' rating.



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2021-22 we undertook reviews of the Annual Governance Statement, which concluded with a substantial assurance opinion and Information Governance which concluded with a reasonable assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit Committee to provide the opportunity for independent consideration and challenge including the in-year update and review of the Code of Corporate Governance and the Annual Governance Statement.

Risk management

We last reviewed risk management arrangements in the Council in 2020/21 which resulted in a reasonable assurance opinion. The evidence obtained during the review demonstrated that risk management arrangements were sound, documented and embedded within the Council.

In accordance with the constitution, the Audit Committee play a key role in '*monitoring the effective development and operation of risk management in the Council*'. This has been supported throughout the year through the Committees overview of the Risk Management Strategy and overview of the Risk Register which has features as a regular agenda item throughout the year.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan, with the planned reviews mapped to the risk register. The information in the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately focussed.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2021-22 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed.

The key areas of challenge identified or confirmed through our work are outlined below:

HR Establishment Controls

The audit reviewed the processes in place for agreeing the number of posts within service areas, and how the relevant senior managers ensure that the agreed establishment posts in their areas are adhered to. The review included the use of off payroll resources (agency workers) as increased reliance has been placed on this resource over recent years to support delivery of the Council's objectives and address skills gaps.

The Council carries out a comprehensive annual service planning and budget process that includes detailed discussions between Finance, HR and Heads of Service to identify areas of growth and/or savings for the forthcoming year. Additional posts or posts that can be deleted as no longer required are identified as part of this process and the associated budget growth and savings are then built into the budget proposals for approval by the Council. Detailed reports on staffing are presented to the Executive and Council as part of the budget planning and approval process. These reports are also subject to detailed review by the Overview and Scrutiny Committee (Budget Scrutiny Panel) prior to being presented to the Executive and Council for approval.

If a Head of Service requires an additional post to be created as part of their establishment, they are required to complete a formal request for this post, and this is considered by a panel of senior management. As part of the request, Finance are required to confirm that there is funding in place for the post requested, however, there is no similar process for hiring agency workers in situations where they are not covering a specific post on the establishment.

Our review found that there is no documented process / procedure for commissioning officers to follow in the appointment of agency workers.

Whilst reported as part of the overall budget monitoring for the Council, any monitoring of the total cost of agency workers is difficult due to the number of different expenditure headings under which payments for agency workers may be recorded and the inconsistency to which payments are attributed to these expenditure codes.

A fixed term contracts report is available from the iTrent HR system, discussions with three Heads of Service identified that 10 out of 19 staff selected from the report were permanent staff, therefore the report is unreliable.

Environmental Health & Licensing

This review focussed on the licensing process for premises to ensure annual fees had been issued in accordance with legislation, payment had been collected and reconciled. Debt Recovery is undertaken outside of Environmental Services and is completed centrally within the Revenues Team.

Testing confirmed that invoices were raised accurately and in a timely manner, however, of those sampled, payment for 33% were overdue at the time of testing. It was confirmed that licensing had not been notified and therefore they had not been suspended (in accordance with legislative requirements). Debt recovery was not actively carried out during Covid-19 and may have impacted this.

When there is a change of billing/correspondence address on a license, the licensing team are required to update their licensing system (Uniform) and inform finance to ensure invoices are sent to the correct address. Of the invoices sampled 33% found that the address within Uniform did not match the address within Agresso.

It was confirmed that access to BWO (Agresso) was available to the licensing team, however, they were unaware of reporting available within the system to determine the status of invoices that would enable them to build efficiencies into their processes.

There were no performance indicators in the Environmental Health Business Plan for licensing. An independent review of the Environmental Service in October 2018 highlighted that *‘there are few performance indicators in the business plans and can result in a lack of clear focus on priorities’*. No action plans are currently in place to address this.

The procedures for the licensing and debt recovery process, owned by the Revenues Team were found to be out of date.

Harlequin Centre – Income, Banking & Reconciliation

This review was completed at the request of the Head of Finance, due to regular anomalies between monies received at the bank and the daily reporting of income received at the Harlequin Centre. This review sought to establish an explanation for these variances.

Daily Return spreadsheets, which record the income received at the Harlequin Centre each day, are forwarded to the Finance team to record the income on the finance system. Five Daily Return spreadsheets were reviewed, together with the relevant documentation to support the card payment values being recorded and accounted for. As a result of COVID-19, the Harlequin Centre had a no cash policy during the period of this audit and therefore, the process for banking and recording cash was not included within this review.

Harlequin Centre

The Harlequin Centre’s procedure documentation, to support the processes followed by the Catering and Front of House staff, had not been updated to reflect the change in processes for the recording of income during COVID-19 restrictions.

The End of Day reports, which provide totals and a breakdown of sales for the Café, Bar and Kiosk showed the sales recorded did not always agree to the Z till reading totals. This had not been identified by either the quality assurance review by the Duty Manager or by the Admin and Finance Supervisor. The Centre staff were unable to identify why the totals were different, bearing in mind both the Z till reading and the End of Day Report were generated from the till system.

A review of the Daily Return spreadsheets, for the five days under review, showed several errors. This would suggest there is no consistent independent check of the Daily Return figures, prior to them being forwarded to the Finance team for processing. Values entered on the Daily Tills Control spreadsheet did not agree with the Z till reading and End of Day report for one of the days reviewed.

Finance

A review of the General Ledger transactions, for the Harlequin cost centre and account code combinations, confirmed the values being entered, for the five days under review, were recorded accurately within the finance system based on the data provided within the Daily Return.

However, when the Finance Officer is unable to match the card receipts bank statement lines, with the Daily Returns received from the Harlequin Centre, an additional adjustment line is added to the Daily Return and an additional General Ledger transaction line is created. This action is not reviewed, or quality assured by any other member of the Finance Team. Additional income, or refund, transactions are being generated within the General Ledger, with no supporting documentation. During this review, our testing found that none of the adjustment lines within our sample were necessary and had been added erroneously. These errors were compounded by inaccurate Daily Returns completed by the Duty Managers.

Financial Resilience

Uncertainty over future funding and the longer-term implications of COVID-19 remain a significant financial risk for local authorities and continue to present a major challenge. This is further compounded by the emerging implications of the Ukraine conflict and the ongoing cost of living crisis.

Reigate & Banstead BC have set and approved a balanced budget for 2022/23 which is supported by £1.777m from reserves. The Council acknowledge a continued reliance on reserves is not sustainable and future projections indicate a significantly reduced draw on reserves in future years. To help address this impact a Financial Sustainability Programme is being developed to consider future forecast budget gaps are addressed.

Whilst savings have been identified within the 2022/23 budget, there remains a predicted budget gap through to 2026/27 of £4.123m.

As with all local authorities across the country, there remains significant risk and challenge to financial resilience in the medium term.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is reported to the Audit Committee throughout the year through the quarterly internal audit progress reports.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (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 provision for 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 2021-22 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.
- 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 (to draft report)	95%	94%
Positive customer survey response		
Reigate & Banstead Borough Council	90%	91%
SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction 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 April 2022).

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

June 2022

Annex 1

Summary of Audit Reviews Completed 2021-22

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.

Review area	Summary
Accounts Receivable & Debt Management	This review looked at the accounts receivable and debt management activities carried out by the Council. Testing included raised invoices, payment collection, debtor maintenance, debt recovery and write-offs to ensure key controls are operating effectively and efficiently. A robust control framework was found to be operating and no significant issues were identified.
Annual Governance Statement	The scope of this audit was to review the Annual Governance Statement for the Council and how it complied with its code of governance, CIPFA guidance, and met Regulation 6 of the Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2021. A robust control framework was found to be operating and no issues were identified.
Capital Programme	The scope of this audit focused on the Capital Strategy and Capital Programme including the governance of each. It included the monitoring and reporting of progress to members and a review of a sample of individual capital projects along with the relative governance arrangements in place. A robust control framework was found to be operating and no issues were identified.
HR – Absence Management	The scope of this review focused on absence management activities, in order to confirm compliance with relevant policies. This included reviewing absence management processes covering reporting, recording and return to work procedures, as well as the management information available to support effective management of sickness absences. Testing covered records from the 2021/22 financial year, to ensure key controls have operated effectively and efficiently. A sound framework of governance and control was found. One observation was reported relating to the methods used by employees to notify line management of sickness absences and how this is not always in line with the Sickness Absence Policy.

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.

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Review area	Summary
Information Governance	This review found a sound system of controls in place relating to roles and responsibilities, FOI and SAR requests, data breaches and data sharing protocols. Observations were raised regarding the need for review and update of the information asset register and departmental schedules of data destruction.
IT Governance	This audit sought to obtain assurance that software licences acquired by IT to run IT infrastructure, applications and end user devices are managed to ensure they support the Council's business operations in a cost effective and compliant way. This review did not include line of business systems for which license management is devolved to service areas. Good controls were identified although observations relating to the lack of a documented software asset policy and also the inconsistent approach to reviewing allocated licences to ensure that they continue to be required were reported.
Virtualisation (Networking & Communications)	The audit reviewed IT's management of the Council's virtualised environments with regard to secure configuration, administration and capacity controls. Effective controls were identified for the secure configuration, network traffic security, access control and capacity monitoring. Areas for improvement of controls were identified in the administration, consistent application of anti-virus software to virtual servers and procedure documentation.
Accounts Payable	This review looked at the accounts payable activities carried out by the Council to ensure prompt and accurate payment of authorised supplier invoices and the maintenance of AP related ledger accounts and supplier records. A sound control framework was found to be operating and no significant issues were identified.
Disabled Facility Grants	This audit focused on processes in place to review and authorise DFG applications, prior to the works commencing. It also included a review of the process to approve the contractors used in completing these works and analysed the impact COVID may have had on an increase in the approved value of DFG's. In general, a sound framework of governance and control was found to be in place with observations highlighting areas of weak segregation of duties and some inconsistencies in the completion of required documentation.
Non Housing Property Management & Maintenance	This audit focussed on the controls and processes in place regarding property maintenance of the Council's non-housing assets. Tenanted, commercial and investment properties were outside of the scope of this audit. Although our sample testing confirmed that all statutory maintenance/health and safety assessments had been completed correctly, the Health and Safety Management spreadsheet was found not to be up to date. We also found that the Council does not have a current Asset Management Plan (AMP) in place to direct and control activities. A reactive (unplanned) repairs log record is also not maintained.

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.

Review area	Summary
HR – Establishment Controls	This audit reviewed the processes in place for agreeing the number of posts within service areas, and how the relevant senior managers ensure that the agreed establishment posts in their areas are adhered to. The review included the use of off payroll resources (agency workers) as increased reliance has been placed on this resource over recent years to support delivery of the Council’s objectives and address skills gaps. Whilst formal processes are in place for new posts to be created within the establishment there was no similar process for hiring agency workers where they are not covering a specific post within the establishment. Additionally, management information to monitor the cost of agency workers was not readily available and difficult to acquire.
Environmental Health & Licensing	This review focussed on the licensing process for premises to ensure annual fees had been issued in accordance with legislation, payment had been collected and reconciled. Debt Recovery action is undertaken outside of Environmental Services and is completed centrally within the Revenues Team. Testing found procedures to be out of date and actions from a prior independent review of Environmental Service had yet to be fully implemented. Additionally, invoice billing details retained in Uniform (licencing system) did not reconcile to Agresso (finance system) for one third of the invoices reviewed (billing addresses not financial values).
Harlequin Centre – Income, Banking & Reconciliation	This review was completed at the request of the Head of Finance, due to regular anomalies between monies received at the bank and the daily reporting of income received at the Harlequin Centre. This review sought to establish an explanation for these variances. Anomalies were found to emanate from poor cashing up processes and weak management oversight at the Harlequin Centre compounded by an inefficient reconciliation process within the Finance team.

ANNEX 2 – OVERVIEW & KEY OBSERVATIONS ARISING FROM REVIEWS CONCLUDING WITH A ‘LIMITED’ ASSURANCE OPINION INCLUDING MANAGEMENT RESPONSE

HR Establishment Controls (from the 2020/21 internal audit plan)

Audit observation

The audit reviewed the processes in place for agreeing the number of posts within service areas, and how the relevant senior managers ensure that the agreed establishment posts in their areas are adhered to. The review included the use of off payroll resources (agency workers) as increased reliance has been placed on this resource over recent years to support delivery of the Council’s objectives and address skills gaps.

The Council carries out a comprehensive annual service planning and budget process that includes detailed discussions between Finance, HR and Heads of Service to identify areas of growth and/or savings for the forthcoming year. Additional posts or posts that can be deleted as no longer required are identified as part of this process and the associated budget growth and savings are then built into the budget proposals for approval by the Council. Detailed reports on staffing are presented to the Executive and Council as part of the budget planning and approval process. These reports are also subject to detailed review by the Overview and Scrutiny Committee (Budget Scrutiny Panel) prior to being presented to the Executive and Council for approval.

If a Head of Service requires an additional post to be created as part of their establishment, they are required to complete a formal request for this post, and this is considered by a panel of senior management. As part of the request, Finance are required to confirm that there is funding in place for the post requested, however, there is no similar process for hiring agency workers in situations where they are not covering a specific post on the establishment.

Our review found that there is no documented process / procedure for commissioning officers to follow in the appointment of agency workers.

Whilst reported as part of the overall budget monitoring for the Council, any monitoring of the total cost of agency workers is difficult due to the number of different expenditure headings under which payments for agency workers may be recorded and the inconsistency to which payments are attributed to these expenditure codes.

A fixed term contracts report is available from the iTrent HR system, discussions with three Heads of Service identified that 10 out of 19 staff selected from the report were permanent staff, therefore the report is unreliable.

Management response

In addition to the Council’s permanent workforce and fixed term contracts of employment, the Council makes use of agency workers to build in flexibility to resourcing plans. For example: to cover planned absences such as maternity leave; to cover unplanned absences such as long-term sickness; to cover roles that are challenging to recruit on a permanent basis; also to help supplement the baseline establishment, for example where there are significant new service demands, backlogs or service development needs. In particular, a small number of services find it challenging at times to recruit suitably qualified and experienced local authority professionals (eg Finance, Planning) therefore use of an agency resource may be the only option while trying to attract permanent candidates. This is all permissible within the Council’s established procedures.

The Establishment Controls audit was part of the 2020/21 audit plan, though reported in 2021/22. 2020/21 was a particularly challenging year due to the additional demands on permanent staff capacity as a consequence of the COVID-19 pandemic. A number of staff were seconded from their substantive roles to assist with the Council’s pandemic response with inevitable impacts on ‘business as usual’ capacity as a consequence leading to the requirement to bring in agency workers as ‘backfill’ resources at times.

All expenditure on agency workers during the year was reported as part of the quarterly budget monitoring to Management, Overview & Scrutiny and Executive and the costs of these resources were funded within the approved Revenue Budget; use of agency workers did not therefore result in a budget overspend.

This audit highlighted areas for improvement in how the Council's procedures for procuring agency workers were applied in practice. Specifically, the lack of consolidated guidance and procedures for hiring managers and scope for mis-alignment with the Contract Procedures Rules in the Constitution with regard to how agency suppliers are appointed. The audit flagged a lack of guidance on how managers should maintain records to evidence that the procedures have been complied with. The audit has also highlighted that the guidance to managers on how to record those agency workers who are not covering a permanent role on the establishment was not clear and open to mis-interpretation, resulting in a risk of incomplete or inaccurate establishment reporting.

Following the conclusion of the audit, a clear and comprehensive process has been developed for service managers to follow when appointing agency workers. Processes have also been put in place to monitor ongoing compliance. This element of the risk flagged by the audit has therefore been addressed.

The audit also highlighted some important areas for improvement in how fixed term contracts are recorded in the iTrent HR system. Accordingly, a bespoke report has been created within the HR system to easily address fixed term contracts and the overall establishment at the Council. Quarterly HR and Finance meetings are taking place to review the establishment.

All management actions arising from the review have been completed.

Environmental Health & Licensing (from the 2020/21 internal audit plan)

Audit observation

This review focussed on the licensing process for premises to ensure annual fees had been issued in accordance with legislation, payment had been collected and reconciled. Debt Recovery is undertaken outside of Environmental Services and is completed centrally within the Revenues Team.

Testing confirmed that invoices were raised accurately and in a timely manner, however, of those sampled, payment for 33% were overdue at the time of testing. It was confirmed that licensing had not been notified and therefore they had not been suspended (in accordance with legislative requirements). Debt recovery was not actively carried out during Covid-19 and may have impacted this.

When there is a change of billing/correspondence address on a license, the licensing team are required to update their licensing system (Uniform) and inform finance to ensure invoices are sent to the correct address. Of the invoices sampled 33% found that the address within Uniform did not match the address within Agresso.

It was confirmed that access to BWO (Agresso) was available to the licensing team, however, they were unaware of reporting available within the system to determine the status of invoices that would enable them to build efficiencies into their processes.

Management response

This audit highlighted areas for improvement in how the Council's procedures for ensuring premises licence fees and subsequent actions are processed. The report's findings have resulted in the introduction of automated weekly reports and templates enabling cross checking of data and newly developed training to staff members.

This has been very useful in checking data prior to issuing of invoices and in making sure they are sent out in good time. The revised process has reduced the number of teams involved with increased time and efficiency results and introduced a monthly reconciliation process for outstanding licence fees leading to subsequent suspension.

This audit also highlighted some important areas for improvement in timing and updating systems both within licensing and in updating relevant teams which was addressed through revised procedure notes and a new suite of system generated templates. Data entry omissions and system generated errors have been corrected and continue to be cross checked prior to invoice issue.

All actions arising from the review have been completed.

Harlequin Centre – Income, Banking & Reconciliation (from the 2021/22 internal audit plan)

This review was completed at the request of the Head of Finance, due to regular anomalies between monies received at the bank and the daily reporting of income received at the Harlequin Centre. This review sought to establish an explanation for these variances.

Daily Return spreadsheets, which record the income received at the Harlequin Centre each day, are forwarded to the Finance team to record the income on the finance system. Five Daily Return spreadsheets were reviewed, together with the relevant documentation to support the card payment values being recorded and accounted for. As a result of COVID-19, the Harlequin Centre had a no cash policy during the period of this audit and therefore, the process for banking and recording cash was not included within this review.

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Harlequin Centre

The Harlequin Centre's procedure documentation, to support the processes followed by the Catering and Front of House staff, had not been updated to reflect the change in processes for the recording of income during COVID-19 restrictions.

The End of Day reports, which provide totals and a breakdown of sales for the Café, Bar and Kiosk showed the sales recorded did not always agree to the Z till reading totals. This had not been identified by either the quality assurance review by the Duty Manager or by the Admin and Finance Supervisor. The Centre staff were unable to identify why the totals were different, bearing in mind both the Z till reading and the End of Day Report were generated from the till system.

A review of the Daily Return spreadsheets, for the five days under review, showed several errors. This would suggest there is no consistent independent check of the Daily Return figures, prior to them being forwarded to the Finance team for processing.

Values entered on the Daily Tills Control spreadsheet did not agree with the Z till reading and End of Day report for one of the days reviewed.

Finance

A review of the General Ledger transactions, for the Harlequin cost centre and account code combinations, confirmed the values being entered, for the five days under review, were recorded accurately within the finance system based on the data provided within the Daily Return.

However, when the Finance Officer is unable to match the card receipts bank statement lines, with the Daily Returns received from the Harlequin Centre, an additional adjustment line is added to the Daily Return and an additional General Ledger transaction line is created. This action is not reviewed, or quality assured by any other member of the Finance Team. Additional income, or refund, transactions are being generated within the General Ledger, with no

supporting documentation. During this review, our testing found that none of the adjustment lines within our sample were necessary and had been added erroneously. These errors were compounded by inaccurate Daily Returns completed by the Duty Managers.

Management response

The Section 151 Officer requested a review of the income and financial processes at Harlequin following issues identified during the bank reconciliation process.

The audit found no evidence of any fraud or financial irregularity, but found incomplete documentation and procedures, which contributed to the issues that had been identified by Finance. The agreed management actions included drafting and agreeing a new end to end procedure, and a process for identifying and dealing with any discrepancies found in the banking.

All management actions are now complete. The outcome has been to significantly reduce the volume of errors identified and any errors that do arise are now corrected without delay.



SIGNED OFF BY	Interim Head of Finance
AUTHOR	Pat Main, Interim Head of Finance
TELEPHONE	01737 276063
EMAIL	pat.main@reigate-banstead.gov.uk
TO	Audit Committee
DATE	Thursday, 14 June 2022
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance

KEY DECISION REQUIRED	Y
WARDS AFFECTED	(All Wards);

SUBJECT	Draft Annual Governance Statement 2021/22
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RECOMMENDATIONS
Audit Committee is asked to consider and to provide feedback on the draft Annual Governance Statement for 2021/22 as set out in Annex 1.
REASONS FOR RECOMMENDATIONS
To enable the adoption of the Annual Governance Statement so that it can be included within the annual Statement of Accounts for 2021/22.
EXECUTIVE SUMMARY
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 with the audited Statement of Accounts.
Audit Committee has authority to review the Annual Governance Statement

Agenda Item 9

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 when the final version is prepared for inclusion with the Statement of Accounts.
KEY INFORMATION
5. The AGS is compiled from the following sources of evidence: <ul style="list-style-type: none">• 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 2022 has been compiled and is attached as Annex 1. 7. Audit Committee Members are invited to provide feedback on the draft.
OPTIONS
Option 1 – Approve the recommendations in this report 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 The AGS must be approved shortly after the end of the financial year to which it relates. Any delay in approving the 2021/22 AGS could leave the Council open to the same risks as identified in option 3 below.

<p>3. Option 3 – To not support the contents of this report</p> <p>This would mean there is a risk that Officers will not be able to finalise the AGS or Statement of Accounts for 2021/22.</p>
<p>LEGAL IMPLICATIONS</p>
<p>8. There are no further legal implications arising from this report.</p>
<p>FINANCIAL IMPLICATIONS</p>
<p>9. There are no direct financial implications arising from this report.</p>
<p>EQUALITIES IMPLICATIONS</p>
<p>10. There are no equalities implications arising from this report.</p>
<p>COMMUNICATION IMPLICATIONS</p>
<p>11. 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.</p>
<p>ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS</p>
<p>12. There are no environmental sustainability implications arising from this report.</p>
<p>RISK MANAGEMENT CONSIDERATIONS</p>
<p>13. Adoption of this Annual Governance Statement is evidence of the Council managing its risks by ensuring adequacy of its internal control and governance framework.</p>
<p>CONSULTATION</p>
<p>14. The Deputy Leader and Portfolio Holder for Finance & Governance was consulted during the preparation of this report.</p>
<p>POLICY FRAMEWORK</p>
<p>15. There are no policy issues to raise as part of this report.</p>
<p>BACKGROUND PAPERS</p>
<p><i>None</i></p>

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ANNUAL GOVERNANCE STATEMENT

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 residents and communities, significant reductions in resources and central government reforms present a challenge to all councils. In addressing these challenges, the Council 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:

- Focusing on the Council's purpose and community needs;
- Having clear responsibilities and arrangements for accountability;
- Requiring good conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity and capability of members and officers to be effective; and
- 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 (Amendment) Regulations 2021 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.

ANNUAL GOVERNANCE STATEMENT

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. It has adopted a Local Code of Corporate Governance which was refreshed during 2021-22 and is publicised 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, and subsequently approved by Council in July. 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 December 2019 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) and Part 2 (adopted December 2021);

- 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;
- The Commercial Ventures Executive Sub-Committee whose terms of reference include:
 - Consider and take decisions about the potential establishment of commercial ventures and the undertaking of other investment activities by the Council;
 - Exercise the function of the Council as a shareholder or partner, in relation to companies, partnerships or other commercial entities owned or part owned by the Council;
 - Monitor and review the performance of commercial ventures undertaken by the Council, and to take decisions on the management of those commercial ventures; and
 - Monitor and review the performance of investment activities undertaken by the Council, and to take decisions on the management of those investments.
- The Audit Committee whose terms of reference include:
 - Oversight of internal audit and governance, including risk management;
 - Oversight of treasury management performance; 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, by evaluating performance against the CIPFA/Solace framework (Delivering Good Governance in Local Government) and through independent audit reviews.

This includes considering decisions taken and matters considered by full Council, the Executive, the Management Team, the Overview & Scrutiny Committee, the Audit Committee, internal audits, work undertaken by the external auditor 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 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 identified management actions arising from this review have been completed.

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.

Each quarter Audit Committee and Executive Members review the Council's strategic risk register, as well as any 'red' rated operational risks.

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. 2021/22 was also the second year for application 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 continued impact of the COVID-19 pandemic has tested that financial resilience and will continue to do so in coming years. There are clear links between the Financial Management 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 Financial Management 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 2022/23 budget proposals in depth as part of the budget preparation process in late Autumn 2021.

The Committee concluded that the Council had a well-planned and effective budget for 2022/23, 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 and Finance Procedure Rules were reviewed and updated versions were approved by Council in December 2021.

The Audit 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) for four years 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 Directors, Heads of Service and by the Statutory Officers on risk management activities. Where operational risks were noted, action is being taken to address them.

SKILLS AND CAPACITY

Prior to the COVID-19 pandemic, Management Team and the Employment Committee developed and agreed an Organisational Development (OD) Strategy which sets out the approach required to help ensure officers are engaged and committed to deliver the Council's priorities and services. Planned implementation of the action plan was deferred due to the pandemic. The approach will be reviewed

during 2022/23 to assess any residual impacts of the pandemic. Staff development has nonetheless continued throughout, with personal development plans in place for staff and investment in 'talent management' continuing to help ensure effective succession planning. Continuing to ensure that our workforce has the skills, capability and capacity to meet the challenges facing the Council remains a priority and a review of the Workforce Plan will also take place in 2022/23.

We undertake regular staff engagement, including surveys, and action plans are put in place to address any themes emerging from staff engagement activities. A review of our internal communication and staff engagement methods was conducted during 2021/22, with the recommendations and associated action plan now being considered by senior managers.

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.

ENGAGEMENT

Consultation and engagement had 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 2021/22 included the following conclusion:

"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 the internal control environment.

In my opinion frameworks of governance, risk management and management control are 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”

Southern Internal Audit Partnership, June 2022

Internal audit reviews undertaken in 2021/22 that were assessed as providing ‘substantial’ assurance included: Accounts Receivable and Debt Management, the Annual Governance Statement; and Capital Programme.

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:

In our opinion the financial statements of Reigate and Banstead Borough Council (‘the Council’) and its subsidiaries (‘the group’):

- *give a true and fair view of the financial position of the group and of the Council as at 31 March 2020 and of the group’s and the Council’s expenditure and income for the year then ended; and*
- *have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.*

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

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. During 2021/22 internal audit audited the approach taken to preparing the AGS and concluded that there is ‘substantial assurance’ that it meets the required standard.

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 ongoing impacts of the COVID-19 pandemic have been taken into account when conducting the annual review for 2021/22, 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 continued disruption at the start of the year, meetings are now being held on a hybrid basis with no disruption to decision-making or accountability.

2021/22 was the second year of implementation of the CIPFA Financial Management Code. This annual review has taken into account the outcome of the self-assessment that has been undertaken during the year and which confirms that 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 assurance in respect of the Council's arrangements. They have identified no significant issues or areas for improvement.

Governance matters worthy of specific mention are:

- An extended timescale has been agreed with the external auditor for publication and audit of the Statement of Accounts for 2020/21 to allow time for completion of agreed actions to address historic shortcomings in the financial fixed asset register. These issues do not call into question the accuracy of asset values in the accounts but they do give rise to challenges when reporting supporting asset records and audit evidence. It was therefore agreed that additional capacity and time would be dedicated to remedying these issues as part of 2020/21 end of year closing.
- During the year the authority has encountered issues relating to a joint venture that are being addressed by the statutory officers under the direction of the Commercial Ventures Executive Sub-Committee and with support from external legal advisors. The outcome will be reported to Members when the related legal action is concluded.



SUMMARY

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 2022

.....

Mari Roberts-Wood
Acting Head of Paid Service
Date: dd/mm 2022

Audit Committee Overview

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June 2022

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

Agenda Item 10

Role of Audit Committee

To support:

- Raising awareness of the importance of risk management
- Ensuring high corporate governance standards
- Adopting an independent, objective perspective
- Implementation of internal audit findings and management actions
- Objective and fair financial reporting

By seeking assurance on:

- Internal Audit
- Risk Management and Mitigating Controls
- External Audit and Financial Reporting
- Governance arrangements – Annual Governance Statement and Code of Corporate Governance
- Treasury Management Strategy

Audit Committee compared to Overview & Scrutiny

Audit Committee

- Stands back from service operations
- Focus on risk management and governance
- Oversight of internal audit plan
- Oversight of treasury management strategy
- Forum for constructive challenge
- Independent of Executive and O&S
- Reports direct to Full Council
- Follows guidance from CIPFA
- Non-political

Overview & Scrutiny

- Support work of the Leader/Executive and the Council as a whole in order to improve services
- Monitor Budget and Performance
- Influence Policy development
- Review and scrutinise decisions and performance of the Leader, Executive, and Committees
- Part of the political process

Work programme

	Internal Audit	Risk Management	External Audit & Financial Reporting	Governance	Treasury Management
June	<ul style="list-style-type: none"> Annual Report & Opinion Quarterly Report – Q4 	<ul style="list-style-type: none"> Quarterly Report – Q4 		<ul style="list-style-type: none"> Draft Annual Governance Statement 	
September	<ul style="list-style-type: none"> Quarterly Report – Q1 	<ul style="list-style-type: none"> Quarterly Report – Q1 			<ul style="list-style-type: none"> Outturn Report
November	<ul style="list-style-type: none"> Quarterly Report – Q2 	<ul style="list-style-type: none"> Quarterly Report – Q2 		<ul style="list-style-type: none"> Code of Corporate Governance 	<ul style="list-style-type: none"> Mid-Year Report
March	<ul style="list-style-type: none"> Quarterly Report – Q3 Internal Audit Plan & Charter 	<ul style="list-style-type: none"> Quarterly Report – Q3 Strategic Risks Review (for the coming year) 		<ul style="list-style-type: none"> Audit Committee Annual Report Work Programme (for the coming year) 	<ul style="list-style-type: none"> Annual Strategy Report
TBC – when the annual audit is concluded			<ul style="list-style-type: none"> External Audit Plan Statement of Accounts and External Auditor's Report 		

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Committee Member Responsibilities

- Contribute to discussion and debate:
 - Read agenda papers
 - Submit advance questions
 - Use resources in ModGov
- Attend training
 - Role of the Audit Committee and CIPFA Guidance
 - Role of Internal Audit
 - The Council's approach to Risk Management
 - Treasury Management Reporting
 - Annual Statement of Accounts & External Auditor's Report
- Adhere to the Member Code of Conduct

Things to avoid / Things to do

Stay Out	Stay out of the detail – keep high level, risk-focussed
Stay On	Point – what is being reported? Anything missing?
Understand	Context of how we operate in this Council and why
Avoid	Digression and repetition Blame culture – provide constructive feedback Risk of reputational damage
Leave Out	Politics Irrelevant comparisons with other organisations
Prepare	Read agenda papers Ask advance questions Take up training opportunities
Ask	Ask if unsure – seek advice and information from the Lead Officers

Lead Officer Contacts

Pat Main, Interim Head of Finance (Section 151 Officer)

- All matters relating to the role of Committee and its members
- Agenda planning and arranging for other officers to attend
- Annual Governance Statement
- Treasury Management
- External Audit and Financial Statements

Cath Rose (Head of Corporate Policy, Projects & Performance); Luke Harvey (Projects & Performance Team Leader)

- Risk Management & Assurance

Natalie Jerams, (Chief Internal Auditor, Southern Internal Audit Partnership)

- Internal Audit

Joyce Hamilton (Head of Legal & Governance and Monitoring Officer)

- Code of Corporate Governance

Liane Dell (Democratic Services Officer)

- Meeting papers dispatch and minute taking
- Managing advance questions from Members
- Arranging Member training
- Drafting the Committee's Annual Report and Work Programme

Audit Committee Overview

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Reigate and Banstead Borough Council Audit Committee Work Programme



Published:

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
6 September 2022								
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Treasury Management Strategy Outturn 2021/22 To report to members the performance of the Treasury function in the financial year 2021/22.		15 Sep 2022	22 Sep 2022	Open	
<i>Luke Harvey, Project & Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Internal audit - Q1 2022/23 progress report To receive the Q1 2022/23 internal audit progress report.				Open	
<i>Luke Harvey, Project & Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	Risk management - Q1 2022/23 To receive an update on risk management in Q1 2022/23		15 Sep 2022		Open	
6 December 2022								
<i>Jacqueline Aboagye, Finance</i>	Deputy Leader and Portfolio	Interim Head of Finance	Treasury Management Strategy Mid-Year Report		17 Nov 2022	1 Dec 2022	Open	

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Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Manager, Pat Main, Interim Head of Finance</i>	Holder for Finance and Governance		2022/23 To consider the Treasury Management Mid-Year Report 2022/23.					
<i>Luke Harvey, Project & Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Internal audit - Q2 2022/23 progress report To receive the Q2 2022/23 internal audit progress report.				Open	
<i>Luke Harvey, Project & Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	Risk management - Q2 2022/23 To receive an update on Q2 2022/23 risk management.		15 Dec 2022		Open	
<i>Alex Vine, Democratic and Electoral Services Manager</i>	Portfolio Holder for Corporate Policy and Resources	Commercial and Investment Director	Update of the Code of Corporate Governance To adopt the updated Code of Corporate Governance				Open	
14 March 2023								
<i>Luke Harvey, Project & Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	Risk management - Q3 2022/23 To receive an update on Q3 2022/23 risk management		24 Mar 2022		Open	
<i>Luke Harvey, Project & Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	Strategic risks - 2023/24 To approve the strategic risks for 2023/24		24 Mar 2022		Open	
<i>Luke Harvey,</i>	Deputy Leader	Interim Head of	Internal audit - Q3 2022/23				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Project & Performance Team Leader</i>	and Portfolio Holder for Finance and Governance	Finance	progress report To receive the Q3 2022/23 internal audit progress report.					
<i>Luke Harvey, Project & Performance Team Leader</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Internal audit plan and Charter - 2023/24 To receive the internal audit plan and Charter for 2023/24				Open	
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Treasury Management Strategy 2023/24 To consider the Treasury Management Strategy 2023/24.		23 Mar 2023	30 Mar 2023	Open	
<i>Eiane Dell, Democratic Services Officer</i>	Portfolio Holder for Corporate Policy and Resources	Head of Legal and Governance	Audit Committee Annual Report 2022/23 To consider the Audit Committee's Annual Report and forward Work Programme for 2023/24.				Open	
June 2023 - note other items will be added to this meeting								
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Draft Annual Governance Statement 2022/23 To review the Draft Annual Governance Statement 2022/23.				Open	
<i>Luke Harvey, Project & Performance</i>	Deputy Leader and Portfolio Holder for	Interim Head of Finance	Internal audit - 2022/23 annual report and opinion				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Team Leader</i>	Finance and Governance		To receive the annual internal audit report and opinion.					
<i>Luke Harvey, Project & Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy	Risk management - Q4 2022/23 To receive an update on risk management in Q4 2022/23		22 Jun 2023		Open	
Meeting date TBC for 2020/21 reports								
<i>Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Final Annual Governance Statement 2020/21 To consider the Final Annual Governance Statement 2020/21				Open	
<i>Pat Main, Interim Head of Finance, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	External Auditor Report (ISA 260) 2020/21 This report, from the Council's external auditors, summarises conclusions and significant issues arising from the audit of the 2020/21 Annual Financial Report.				Open	
<i>Pat Main, Interim Head of Finance, Nicola Pettett, Group Accountant</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Statement of Accounts 2020/21 To consider the Audited Statement of Accounts 2020/21.				Open	
Meeting Date TBC for 2021/22 reports								
<i>Jacqueline Aboagye, Finance Manager, Pat</i>	Deputy Leader and Portfolio Holder for	Interim Head of Finance	Final Annual Governance Statement 2021/22				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Main, Interim Head of Finance</i>	Finance and Governance		To consider the Final Annual Governance Statement 2021/22.					
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	External Auditor Report (ISA 260) 2021/22 This report, from the Council's external auditors, summarises conclusions and significant issues arising from the audit of the 2021/22 Annual Financial Report.				Open	
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	Statement of Accounts 2021/22 To consider the audited Statement of Accounts 2021/22				Open	
<i>Jacqueline Aboagye, Finance Manager, Pat Main, Interim Head of Finance</i>	Deputy Leader and Portfolio Holder for Finance and Governance	Interim Head of Finance	External Audit plan 2021/22 To note the External Audit Plan for 2021/22				Open	

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