

# Minutes of a meeting of the **Audit Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Wednesday, 15 March 2023 at 7.30 pm.**

**Present:** Councillors J. P. King (Chair); J. Baker (Vice-Chair), G. Adamson, J. Booton, V. Chester, Z. Cooper, A. King and C. Thompson

**Also in attendance:** Councillors Lewanski (Executive Member for Corporate Policy and Resources) and Schofield (The Deputy Leader and Executive Member for Finance and Governance)

## **34 Minutes**

The minutes from the meeting held on 7 December 2022 were **APPROVED**.

## **35 Apologies for Absence and Substitutions**

There were no apologies for absence. Councillor Buttironi was not in attendance.

## **36 Declaration of Interest**

There were none.

## **37 Internal audit - Quarter 3 2022/23 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 delivery of the internal audit plan.

It was noted that 25% of the audits had been completed to date and three audits were at draft stage. Many audits were concluding and would be complete when reporting the quarter 4 update in June 2023.

Page 25 of the report showed that there were 15 overdue management actions, 11 of these were medium priority actions and 4 were high priority actions; these were reported in the exempt part of the meeting.

There had been an adjustment to the Plan, with the procurement audit being delayed until 2023/24 and emergency planning being brought forward into the 2022/23 plan.

Following a member question, the Committee was assured that revised due dates for the medium priority actions shown on page 30 of the report were steadfast. In respect of procurement, CIPFA had been consulted, leading to a procurement strategy and this would be delivered in quarter 1 (2023/24).

In respect of the council tax audit, it was explained that the Council had been in receipt of sums that were due to be paid back to taxpayers. In some instances, the Council had difficulty in locating some of the payees, however the Committee was



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assured that many of these credits had now been returned. Members requested a written response on the balance currently held and the action taken in cases where sums could not be returned.

It was confirmed that the recommendations for council tax debt write-off, to be considered at the Executive meeting on 23 March 2023, were not related to these accounts.

**RESOLVED** that:

- i. The Committee notes the quarter 3 internal audit progress report (annex 1); and
- ii. A written response would be sent to Members.

### **38 Internal audit plan and Charter - 2023/24**

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership, introduced the report which set out the internal audit plan and Charter for the 2023/24 financial year.

In respect of the plan, it was explained that this was a risk-based plan for the next 12 months. It considered the risks facing the organisation, as well as previous audit opinions. The plan remained flexible and adjustments may be made according to need.

Members noted that the audit on procurement had been moved from the 2022/23 plan to 2023/24 and that there would be a review of disaster recovery during the year. The audit on the Corporate Plan that had been removed from the audit plan for 2022/23 was not going to be undertaken in 2023/24. This audit was more likely to be undertaken in 2024/25 as the timing would be more appropriate and the reasons for this were explained; however, this remained subject to review. It was noted that several elements within the Corporate Plan were covered by other audits in the plan.

In terms of the Charter, it was explained that it was an annual requirement to have this in place. It set out the role of purpose, authority and responsibility of internal audit. There had been no changes to the wording within the Charter, there was a change in Annex 1 which was outlined.

**RESOLVED** that the internal audit plan and Charter 2023/24 be **APPROVED**.

### **39 Risk management - Quarter 3 2022/23**

Catherine Rose, Head of Corporate Policy, Projects and Performance, explained that the report provided an update on risk management at the close of quarter 3.

In quarter 3, one strategic risk was recommended for closure, SR1 'Coronavirus Pandemic'.

- Operating within the confines of, and responding to, Covid-19 has now become part of 'business as usual' for the Council, with disruption being proactively planned for and controls now in place. The impact of Covid-19 on the Council and wider society in general also continues to decline, therefore meriting the recommended closure of this risk in Q3 2022/23 reporting.

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One operational risk (IT disaster recovery) was red rated and was reported to the Audit Committee within the part 2 exempt annex.

In response to a member question regarding the direction of travel being denoted as neutral in SR2 and SR4, despite the challenging economic climate currently being faced, it was explained that despite evolving external circumstances, taking into account mitigation measures, the residual risk was considered stable. These were already risk rated as red and it was not possible to rate them higher than a red rated risk. The strategic risk definitions were regularly reviewed and updated where considered appropriate, to reflect the wider risk environment within the current scheme, the Council was confident the risk ratings shown were correct.

In terms of the Council's own financial stability, despite the environment becoming more challenging, the authority was in a strong position and its finances were under constant review in order to maintain strong controls.

In respect of a member question, the report in SR2 referenced "ambitious initiatives" and "delivering services differently", it was explained that this referred to the Council's Financial Sustainability Programme. There was a well-established quarterly reporting process of the Programme to the Overview and Scrutiny Committee. Regarding the "mitigating actions" referred to in SR2, this considered how to use resources more effectively.

In respect of SR8 (ICT network capacity and resilience) it was anticipated that implementation of the procured cyber security system would go live in May 2023. The impact of that risk would be reconsidered in the new risk register in the upcoming financial year.

With financial pressures facing the Council it was asked whether there were going to be any cuts to services provided. It was stated that the Council had not had to make any redundancies in recent years. Some vacant posts had been deleted and that would continue; however, the focus was about how services could be delivered differently, and this included the use of technology and creating capacity. In some instances, the Council was sharing officers with other local authorities and there were sharing opportunities currently being explored around procurement. All staff vacancies were considered by a Panel and delivery of the Council's frontline services remained important.

In terms of income generation, there were a number of services outlined that brought in revenue for the Council.

Following a member question relating to the impact on the Council regarding the relationship between SR2 (Financial Sustainability) and SR4 (Challenging economic conditions for residents and businesses), the Committee was apprised that demand on Council services from residents was a good indicator on the wider economic pressures being felt; homelessness was given as a good example. In this case the Council was investing in its own properties to house people in need, as this was more cost effective. Overall, understanding trends enabled the Council to put resources where they were needed and to be able to react quickly; this was a complex balance.

**RESOLVED** that:

- i. the Audit Committee notes the quarter 3 2022/23 update on risk management provided in the report and associated annexes; and

- ii. feedback from the Committee to be provided to the Executive for consideration at its meeting on 23 March 2023.

#### **40 Strategic risks - 2023/24**

The report identified the Council's strategic risks for the 2023/24 financial year and outlined the key changes as follows:

The risk on the Coronavirus pandemic has been recommended for closure in Q3.

2022/23 reporting and following approval for closure will not carry through into the 2023/24 risk register.

The risk on cost pressures affecting the viability of Council developments has received a contextual update. This update highlights concerns over higher capital investment requirements being sought by tenants and the importance of ensuring that the Council has appropriate funding/incentive to encourage commercial lettings.

The risk on Gatwick Airport has also received a contextual update with focus on the airports planned expansion and the uncertainty that this may bring.

The risk on Planning System reform has been updated. The key concerns regarding this risk have shifted away from potential restrictions on affordable housing delivery and now focus on concerns regarding uncertainty stemming from changes to the National Planning Policy Framework.

There is currently lack of clarity over what the revised National Planning Policy Framework will change. If radical changes are introduced this may create additional complexity for the Council which could lead to delays in implementation of the new local plan and/or impact on the Council's ability to achieve the objectives set out in the new Local Plan.

This would be reported to the Executive on 23 March 2023.

**RESOLVED** that the Committee notes the strategic risks for 2023/24 and makes no observations to the Executive.

#### **41 Audit Committee Annual Report 2022/23**

Following Mr Robert Coyle's (Independent Member) resignation from the Committee, the Chair expressed gratitude on behalf of members for his hard work and support while he was a member of the Committee.

The Committee was apprised that the Annual Report 2022/23 set out the work of the Audit Committee in 2022/23. Once approved, the Chair of the Committee would present the report at Full Council on 30 March 2023.

It was requested that the following areas within the report should be updated to show an expanded summary of the discussions held at Committee meetings:

- Internal Audit 2021/22 and Internal Audit Opinion
- Treasury Management

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Members considered the Committee's forward work programme for 2023/24. It was noted that responsibility for scrutiny of the Treasury Management reports was expected to move to Overview & Scrutiny in 2023/24 to ensure continued compliance with the CIPFA Code of Practice. An updated workplan would be published when the change was confirmed.

The Chief Finance Officer explained the reasons for the delays in the Committee receiving the audited statement of accounts for 2020/21 and 2021/22. The recent publication of the 2020/21 accounts and imminent publication of the 2021/22 accounts meant that there was likely to be a requirement for additional meetings of the Audit Committee during 2023/24 to consider the external auditor's reports on them, as well as the audited statement of accounts for 2022/23. It was stated that there was, however, a national delay in completion of external audits, and a consequent risk that these reports could be delayed as a result.

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 Audit Committee Report 2022/23 be updated to reflect the comments made at the meeting, prior to its consideration at Full Council on 30 March 2023; and
- ii. The Audit Committee's Forward Plan for 2023/24 be approved.

#### **42 Audit Committee - Action Tracker**

The action tracker gave members information relating to the status of actions that had been requested by the Committee. It was noted that the briefing relating to the Council's company investments would be arranged for Committee members prior to the conclusion of this municipal year.

**RESOLVED** that the Action Tracker be noted.

#### **43 Any Other Urgent Business**

There was none.

#### **44 Exempt Business**

**RESOLVED** that members of the press and public be excluded from the meeting for part of agenda items 4 (Internal Audit – Quarter 3 2022/23 progress report) and 6 (Risk Management Quarter 3 - 2022/23) under Section 100A(4) of the Local Government Act 1972 on the grounds that: It involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A of the Act;

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

The meeting finished at 8.49 pm