

Minutes of a meeting of the **Audit Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Wednesday, 6 September 2023** at **7.30 pm**.

Present: Councillors F. Kelly (Chair); B. Green (Vice-Chair), J. S. Bray and V. Chester

Attended remotely: Councillor G. Buttironi

Visiting Members present: J. C. S. Essex



20 Minutes

The minutes from the meeting held on 19 July 2023 were **APPROVED**.

21 Apologies for Absence and Substitutions

There were no apologies for absence. Councillor Buttironi attended the meeting virtually and would therefore be unable to vote.

22 Declaration of Interest

There were none.

23 Risk management - Quarter 1 2023/24

Councillor J King, Executive Member for Corporate Policy and Resources, provided a short update from his portfolio for Committee members, stating that the team had, in recent months, been implementing the Council's new risk management strategy, which was approved at Full Council in March 2023. He highlighted that the risk register template looked slightly different this quarter as a result of the new strategy.

It was explained that the controls and mitigations section showed the Committee what action had been taken already to reduce the likelihood and impact of the risk, as well as the actions that were still ongoing to bring the risks, as far as possible, to an acceptable level.

This was complemented by the risk register now setting out the inherent, current and target risk scores. The target risk score defined where the Council aimed to manage the risk to, reflecting the Council's risk appetite.

A new table showing overall risk scoring over time was also now included in the risk register.

Further developments were highlighted which were relevant to the Council's strategic risks that had taken place since the end of quarter 1:

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- **SR1 – financial sustainability.** The Medium-Term Financial Plan for 2024/25 to 2027/28 was reported to the Executive and Full Council in July. This sets out the background and context for the Council's budgeting for 2024/25 onwards. The report noted that the Council was facing a challenging financial future. While reserves remained buoyant there was an underlying budget gap that must be addressed, through reducing costs and/or generating new sustainable sources of income.
- **SR9 – Gatwick Airport.** The Airport had now applied for a Development Consent Order for the conversion of the emergency runway into a second runway. The Council was working closely with adjoining authorities and would engage fully in the examination process.

The Head of Corporate Policy, Projects and Performance introduced the report and provided members with an update on risk management in Quarter 1 2023/24.

In quarter 1 no new strategic risks were identified and no strategic risks were recommended for closure.

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

At the end of quarter 1 there was one red rated operational risk and this was provided in the part 2 exempt annex.

Following this meeting this report would be considered by the Executive on 14th September 2023.

In response to a member question, it was noted that the same risks were being reported as in the previous quarter.

In respect of SR1, Financial Sustainability, it was questioned how the Council planned to mitigate against the potential funding shortfall. The Chief Finance Officer made reference to the background reports that had been shared in advance of the meeting, including the latest Medium-Term Financial Strategy that was reported to Executive in July 2023. Without any mitigation measures there would be a potential £2 million revenue budget shortfall in 2024/25. However, options for reducing the expenditure base and/or increasing income streams were currently being explored as part of the annual budget setting process. The forecast shortfall was based on a number of assumptions that would be refined over time, and the outcome would be to present a balanced budget for approval by Council in February 2024.

A written response would be provided by the Head of Community Partnerships, following the meeting, to respond to the questions relating to SR3, Challenging economic conditions for residents and businesses:

- In respect of partner referrals, who was the Council taking referrals from?
- How did the Council know that funds were being allocated to the most appropriate bodies? and
- Who was monitoring the referrals?

RESOLVED that the Audit Committee notes the Q1 2023/24 update on risk management provided in the report and makes any observations to the Executive.

24 Internal audit - 2022/23 annual report and opinion

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), explained the internal audit process and approach to providing an assurance opinion. The overall assurance opinion was reasonable. They identified that in giving the overall annual opinion, assurance can never be absolute and therefore, only reasonable assurance could be provided and that there were no major weaknesses in the processes reviewed.

The annual report supported the preparation of the Council's annual governance statement and within the paper members could see how the plan was brought together for 2022/23 as a risk-based plan. The Committee had been kept up to date throughout the year via progress reports and on any adjustments to the original 2022/23 plan.

There were four full reports that SIAP highlighted in terms of areas for improvement, these related to three opinions with limited assurance and one with a no assurance opinion.

With regards to management actions, SIAP always followed these through to completion, additionally SIAP would be re-reviewing those audits that received either limited or no assurance opinions as part of its 2024/25 planning and beyond.

Annex 1 of the report provided the Committee with a breakdown of how the assurance opinions had been spread across the 15 reviews for the year.

SIAP had received an External Quality Assessment and it was noted that they had conformed with all relevant, associated elements.

Officers were thanked for their assistance and cooperation whilst undertaking the audit reviews.

In response to a member question, it was explained all volunteers that worked with the Intervention Service had valid DBS certificates. The vast majority of volunteers were associated with community centres, the Harlequin Theatre and Greenspaces. The Council was currently mapping where all the volunteers were and would consider which type of DBS each volunteer required. Those that were considered high priority would have their DBS checks undertaken straight away and the turnaround for DBS checks was currently 2 weeks. As part of current mitigation, volunteers without a DBS check for their role would not be left alone with vulnerable people. The timeline for this process was outlined.

It was explained that the introduction of additional formality into existing volunteer practices could deter some volunteers. This was accounted for within the risk register. The Council wanted to encourage volunteers and there was good network here, however safety was paramount and as part of this, requesting DBS checks was non-negotiable. It was noted that no incident led to the Council requesting this audit and that it had been requested.

The Head of Community Partnership confirmed that the lessons learnt from this audit could be passed on to outside bodies such as VARB, and, in response to a request from the Committee, agreed to share them with the voluntary and community sector.

In respect of the Health and Safety Governance audit, it was explained that this review solely considered governance such as record keeping for example and had looked at elements such as the Health and Safety working group disruption during Covid. There was no risk identified in terms of practical health and safety.

All audits that had received a limited or no assurance opinion had been noted for inclusion in the internal audit plan for 2024/25.

RESOLVED that:

- i) the Audit Committee notes the annual internal audit report and opinion available at annex 1, and the management responses available at annex 2;
- ii) That the Council's Chief Finance Office notes any comments and/or observations made by the Committee.

25 Internal audit - Quarter 1 2023/24 progress report

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), explained that the format of the quarter 1 report followed the same format as per reports presented at previous Audit Committee meetings.

The performance dashboard was shown on page 79 of the report, with 6% of audits completed to date and 18% were work in progress. Page 80 of the report showed that there were currently 9 outstanding medium priority management actions and 4 outstanding high priority management actions; details of revised management action dates were shown within Annex 2 of the report.

It was noted that two audits had received a limited assurance opinion, these were regarding Health and Safety Governance and Income Collection. There was also an audit regarding the Use of Volunteers which had received a no assurance opinion.

The quarter 1 2023/24 audits were well underway and two reviews from 2022/23 were now coming to a conclusion. There had been no adjustments to the plan to date, however a review regarding the Homes England Grant had been added to the plan.

RESOLVED that:

- i) The Audit Committee notes the quarter 1 2023/24 internal audit progress report available at Annex 1; and
- ii) That the Council's Chief Finance Office notes any comments and/or observations made by the Committee.

26 Audit Work Programme and Schedule 2023/24 and Action Tracker

The Clerk explained that the work programme set out the intended work to be carried out by the Committee over the coming municipal year. This was a live document and was subject to change according to requirements and availability of information. The action tracker gave an overview of the status of the actions that were requested at the previous meeting.

RESOLVED that the work programme be noted.

27 Any Other Urgent Business

There was none.

28 Exempt Business

RESOLVED that members of the press and public be excluded from the meeting for part of agenda items 4 (Risk Management - Quarter 1 2023/24) and 6 (Internal audit - Quarter 1 2023/24 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.

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.

The meeting finished at 8.17 pm