

# Agenda

## Audit Committee

Wednesday, 19 July 2023 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:

#### F. Kelly (Chair)

B. Green

J. S. Bray

G. Buttironi

V. Chester

Vacancy (Independent Member)

J. P. King

V. H. Lewanski

### Substitutes:

#### Conservatives:

K. Fairhurst and K. Sachdeva

#### Residents Group:

G. Adamson and N. D. Harrison

#### Green Party:

J. C. S. Essex and D. Torra

#### Liberal Democrats

**Mari Roberts-Wood**  
Managing Director

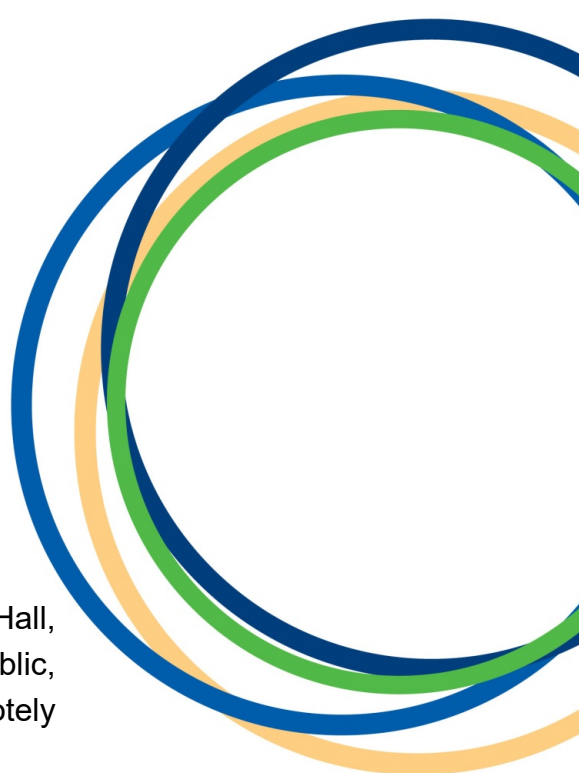
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Published 11 July 2023

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



- 1. Minutes** (Pages 5 - 6)

To confirm as a correct record the Minutes of the previous meeting.
- 2. Apologies for Absence and Substitutions**

To receive any apologies for absence and notification of substitutes in accordance with the Constitution.
- 3. Declaration of Interest**

To receive any declarations of interest.
- 4. Risk management - Quarter 4 2022/23** (Pages 7 - 32)

That the Committee notes the Quarter 4 2022/23 update on risk management provided in the report and associated annexes and make any observations to the Executive Meeting in September 2023.
- 5. Internal Audit - Quarter 4 2022/23 Progress Report** (Pages 33 - 54)

  - (i) That the Audit Committee note the Q4 2022/23 internal audit progress report available at Annex 1; and,
  - (ii) That the Audit Committee make any comments and/or observations on the reports to the Council's Chief Finance Officer.
- 6. Draft Annual Governance Statement 2022/23** (Pages 55 - 68)

To consider and to provide feedback on the draft Annual Governance Statement for 2022/23 as set out in Annex 1.
- 7. Statement of Accounts Progress Update** (Verbal Report)

To receive a verbal update on progress of the Statement of Accounts.
- 8. Independent Member Recruitment** (Verbal Report)

To receive a verbal update from the Chief Finance Officer regarding recruitment of an Independent Member onto the Audit Committee.
- 9. Audit Work Programme Schedule 2023/24** (Pages 69 - 74)

To discuss and agree any changes to the schedule for Audit Committee's Work Programme 2023/24.

## **10. 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.**

## **11. Exempt Business**

**RECOMMENDED** that members of the Press and public be excluded from the meeting for part of items 4 and 5 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.



### **Streaming of meetings**

Meetings are broadcast live on the internet and are available to view online for six months. A recording is retained for six years after the meeting. In attending any meeting, you are recognising that you may be filmed and consent to the live stream being broadcast online, and available for others to view.



### **Accessibility**

The Council's agenda and minutes are provided in English. However, the Council also embraces its duty to anticipate the need to provide documents in different formats, such as audio, large print or in other languages. The Council will provide such formats where a need is identified prior to publication or on request.



**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.

## Minutes of a meeting of the **Audit Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Wednesday, 14 June 2023** at **7.30 pm**.

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

**Visiting Member present:** Councillor Lewanski

### **1 Election of Chair**

**RESOLVED** that Councillor Kelly; having been proposed by Councillor Buttironi, and seconded by Councillor Green, be elected as Chairman of the Audit Committee for the 2023-24 municipal year.

### **2 Election of Vice-Chair**

**RESOLVED** that Councillor Green; having been proposed by Councillor Bray, and seconded by Councillor Buttironi, be elected as Vice-Chairman of the Audit Committee for the 2023-24 municipal year.

### **3 Minutes**

**RESOLVED** that the minutes of the previous meeting held on 15 March 2023 be approved as a correct record.

### **4 Apologies for Absence and Substitutions**

There were no apologies for absence.

### **5 Declaration of Interest**

There were none.

### **6 Audit Committee Overview**

The Chief Finance Officer gave an overview of the role of the Audit Committee, explaining that CIPFA issued guidance on how the Audit Committee was constituted and how its business was conducted.

Primarily the Audit Committee's role was to support the following:

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

# Agenda Item 1

Audit Committee, Wednesday, 14th June, 2023

Through 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

The Committee reported directly into Full Council and that it had access to all council activities. The council was a highly regulated organisation, therefore the framework in which it operated was highly regulated.

The difference between the Audit Committee and the Overview and Scrutiny Committee was outlined; and members were asked to constructively challenge at Committee.

The work programme of the Committee contained four main work streams (internal audit, risk management, external audit & financial reporting, and governance) as well as the statement of accounts.

Prior to each meeting of the Committee, the Clerk would request advance questions from members so that officers would have the opportunity to bring requested information to the meeting (time permitting).

The focus on training for Committee members would be with face-to-face sessions and would be tailored to this authority. If members felt that they needed training on a particular area, this should be raised with the Chief Finance Officer. Members were also encouraged to contact the Chief Finance Officer whenever they had questions about Committee business.

**RESOLVED** that the report be noted.

## 7 **Audit Committee Work Programme Schedule 2023/24**

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 members information relating to the status of actions that had been requested by the Committee.

**RESOLVED** that the report be noted.

## 8 **Any Other Urgent Business**

Following consultation with the Committee it was **RESOLVED** that an additional meeting of the Committee be convened on Wednesday 19 July 2023 at 7.30pm.

In respect of filling the vacancy for the Independent Member on the Committee, it was explained that the Chair of the Committee would be consulted on the person specification for the role and the timetable for recruitment.

The meeting finished at 7.54 pm

# Agenda Item 4



<b>Signed off by</b>	Head of Corporate Policy, Projects and Performance
<b>Author</b>	Luke Harvey, Project & Performance Team Leader Ross Tanner, Performance Officer
<b>Telephone</b>	Tel: 01737 276519, 01737 276 022
<b>Email</b>	Luke.Harvey@reigate-banstead.gov.uk, Ross.Tanner@reigate-banstead.gov.uk
<b>To</b>	Audit Committee
<b>Date</b>	Wednesday, 19 July 2023
<b>Executive Member</b>	Portfolio Holder for Corporate Policy and Resources

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Risk management - Q4 2022/23
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<b>Recommendations</b>
<b>That the Audit Committee:</b>
(i) <b>Notes the Q4 2022/23 update on risk management provided in the report and associated annexes and make any observations to the Executive Meeting in September 2023.</b>
<b>Reasons for Recommendations</b>
The Audit Committee's constitutional responsibilities require the regular receipt of updates on risk management.
<b>Executive Summary</b>
This report provides an update on risk management in Q4 2022/23. Additional detail is provided in the report as well as in the supporting annexes.
<b>The Audit Committee has the authority to approve the recommendations.</b>

# Agenda Item 4

## 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.
3. The discharge of this responsibility includes arrangements for managing risk.
4. 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

5. Reigate & 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.
6. 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.
7. 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).
8. Members of the Management Team and Executive Members have shared responsibility for strategic risks. It is the responsibility of the Executive to formally endorse the strategic risks for each financial year.
9. 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. The Audit Committee and Executive receive updates on any red rated operational risks as part of quarterly risk management reporting.
10. 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.
11. The new risk management strategy was agreed by Full Council in March 2023 and is planned to be implemented (and reflected in reporting) commencing from Q1 2023/24 onwards.

## Key Information

### Audit and Executive Meeting Timings:



# Agenda Item 4

12. Due to the timing of the start of the new municipal year and changes to the membership of the Audit Committee, the 14 June Audit Committee was dedicated to the induction of new members. With this change in normal timings, the Q4 risks have already been noted by the Executive on 22 June. Should the Audit Committee make any observations at this July meeting, these will be presented to the Executive meeting in September for members' consideration.

## **Q4 2022/23 risk management update**

13. The full strategic risk register is available at annex 1 of this report.
14. In Q4 there were no new strategic risks identified.
15. In Q4 there were no strategic risks recommended for closure.

## **Red rated operational risk**

16. In Q4 there was one RED rated operational risk, the detail of which is set out in the part 2 exempt annex.
17. The full risk registers, as well as the Council's risk management strategy, are made available to all members via the ModernGov document library.
18. Please note, that although the updates provided in this document and the associated annexes relate to Q4 2022/23, we have updated the Portfolio Holder responsibilities to align with the upcoming arrangements for the 2023/24 year.

## **Options**

19. 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.

## **Legal Implications**

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

## **Financial Implications**

21. Financial risks are considered when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget, and Capital Programme each year.
22. There are no additional financial implications arising from this report.

## **Equalities Implications**

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

## **Communication Implications**

24. The Council's risk registers inform the development of the annual risk based internal audit plan.
25. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

# Agenda Item 4

## **Environmental Sustainability Implications**

26. There are no Environmental Sustainability implications arising from this report.

## **Risk Management Considerations**

27. 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.

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

## **Other Implications**

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

## **Consultation**

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

## **Policy Framework**

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

## **Background Powers**

32. Risk Management Strategy: [https://www.reigate-banstead.gov.uk/info/20090/council\\_policy/929/risk\\_management](https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management)

## Risk management

### Strategic risk register

#### Quarter 4 – January to March 2023

#### 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:

<a href="#"><u>SR1</u></a>	<a href="#"><u>Coronavirus pandemic</u></a> (Risk Closed in Q3 2022/23)
<a href="#"><u>SR2</u></a>	<a href="#"><u>Financial sustainability</u></a>
<a href="#"><u>SR3</u></a>	<a href="#"><u>Commercial investment</u></a>
<a href="#"><u>SR4</u></a>	<a href="#"><u>Challenging economic conditions for residents and businesses</u></a>
<a href="#"><u>SR5</u></a>	<a href="#"><u>Organisational capacity and culture</u></a>
<a href="#"><u>SR6</u></a>	<a href="#"><u>Cost pressures affecting the viability of Council developments</u></a>
<a href="#"><u>SR7</u></a>	<a href="#"><u>Local government reorganisation, devolution and Levelling Up</u></a>
<a href="#"><u>SR8</u></a>	<a href="#"><u>ICT network capacity and resilience</u></a>
<a href="#"><u>SR9</u></a>	<a href="#"><u>Fraud</u></a>
<a href="#"><u>SR10</u></a>	<a href="#"><u>Gatwick Airport</u></a>
<a href="#"><u>SR11</u></a>	<a href="#"><u>Planning system reform</u></a>
<a href="#"><u>SR12</u></a>	<a href="#"><u>Climate change impact</u></a>

#### 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:

<b>RED</b>	Where management should focus attention. Immediate actions should be identified, and plans put in place to reduce risk as a priority.
<b>AMBER</b>	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
<b>YELLOW</b>	These should have basic mechanisms in place as part of the normal course of management.
<b>GREEN</b>	Where risk is minimal if does not demand specific attention but should be kept under review.

## Risk status

<b>Tolerate</b>	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.
<b>Transfer</b>	Transfer all or part of the risk. For example, to insurance or to other agencies/contractors.
<b>Treat</b>	Proactive action taken to reduce: <ul style="list-style-type: none"><li>• The probability of the risk happening by Introducing control measures</li><li>• The impact of the risk should it occur.</li></ul>
<b>Close</b>	This could involve changing an aspect of the activity or ceasing to provide the service/function/project and thus eliminate the risk.

# RISK RATINGS

13

IMPACT						
Grave	5					
Significant	4			SR5 SR6 SR7	SR2 SR4	
Moderate	3		SR3 SR8 ↓ SR11	SR10	SR9 SR12	
Minor	2					
Almost none	1					
		1	2	3	4	5
LIKELIHOOD		Rare	Unlikely	Possible	More than likely	Almost certain

SR1		Coronavirus pandemic		CLOSED
<b>Description</b>		The Council will continue to respond to the Covid-19 pandemic in supporting residents, businesses as well as partner voluntary and public sector organisations. However, the effects of, and the ongoing response to, the pandemic could result in significant disruption to the delivery of services and the wider achievement of corporate objectives.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Brunt	
		<b>Officers</b>	Mari Roberts-Wood and Luci Mould	
<b>Controls</b>		<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>The resumption of Covid-19 command and control processes and procedures if required.</p> <p>Liaison and engagement with partners and the Surrey Local Resilience Forum.</p>		
<b>Mitigating actions/progress</b>		<p>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 structural controls now in place.</p> <p>The impact of Covid-19 on the Council and wider society in general continues to decline, as such this risk was closed in Q3 2022/23 reporting.</p>		
<b>Score</b>	<b>Likelihood</b>	Unlikely	<b>Direction of travel</b>	-
	<b>Impact</b>	Minor		
<b>Status</b>		Risk Closed		
<b>Last update</b>		6 February 2023		

SR2	Financial sustainability		RED
<p><b>Description</b></p>	<p>The effects of the Covid-19 pandemic, coupled with current adverse macroeconomic conditions and the wider local government funding context, have created conditions of unprecedented financial uncertainty and challenge for the Council.</p> <p>The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.</p>		
<p><b>Owner</b></p>	<p><b>Portfolio Holder</b></p>	<p>Cllr Lewanski</p>	
	<p><b>Officers</b></p>	<p>Pat Main</p>	
<p><b>Controls</b></p>	<p>The Council will continue to ensure that strong financial management arrangements are in place and will continue investment 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, while 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 risk is managed.</p> <p>The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.</p> <p>The Commercial Strategy sets out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made.</p> <p>The Annual Revenue Budget sets out funding 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>Internal audit will be utilised to review the approach taken to secure financial sustainability.</p>		
<p><b>Mitigating actions/progress</b></p>	<p>In addressing its significant financial challenges, the Council has established a Financial Sustainability Programme. This programme will take the form of a series of ambitious initiatives that reduce costs and/or increase income, enabling the Council to set a balanced budget reducing need to draw on reserves. Key to this will be looking at delivering services differently to realise savings and/or increase income, as well as embedding lasting cultural change across the organisation.</p> <p>The programme is premised on the following:</p> <ol style="list-style-type: none"> <li>1. <b>Projects</b> – new ideas and opportunities for generating income and/or making savings.</li> <li>2. <b>Service and financial planning (2023/24 onwards)</b> – for all budget areas, reviewing the services delivered and the associated budgetary requirements. Ensuring that there is a clear justification for all services</li> </ol>		

SR2		Financial sustainability	RED	
		<p>delivered and that budgets are set accordingly. Opportunities for delivering services in a different way to unlock savings will also be explored.</p> <p>3. <b>Fees and charges</b> – carrying out a fundamental review to ensure the full application of the fees and charges policy across the Council.</p> <p>Updates to the programme will be reported to the Overview and Scrutiny Committee and Executive.</p> <p>An updated MTFP forecast was reported to the Overview and Scrutiny Committee and Executive in January 2023 along with the Revenue Budget 2023/24 and Capital Programme 2023-2028. This update confirmed that the risk of increasing costs, driven by inflationary pressures in the wider economy and disruption of the global supply chain, presents an increasing challenge to the Council’s financial sustainability. This is especially notable for the goods and services that the Council relies on to maintain service delivery. The Council continues to ensure the most financially advantageous/sustainable option is selected when procuring goods and services and, wherever possible, the Council will ensure that increased costs are reflected in the fees and charges levied or compensating budget savings will be sought.</p> <p>Energy costs have also escalated following the most recent contract renewals and the extent of Government financial support to offset the impacts remains uncertain.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR1 ‘Financial Sustainability’.</p>		
Score	Likelihood	More than likely	Direction of travel	-
	Impact	Significant		
Status		Treat		
Last update		2 May 2023		



SR3		Commercial investment		AMBER
<b>Description</b>		<p>The generation of income from commercial investment is a contributor to the Council's financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice.</p> <p>Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council's control.</p> <p>The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Lewanski and Cllr A King	
		<b>Officers</b>	Mari Roberts-Wood and Pat Main	
<b>Controls</b>		<p>Effective governance arrangements for investment decision making.</p> <p>Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions.</p> <p>Investments will be predicated on robust, stress-tested business cases and financial assessments which consider risks and benefits. Benefits will be monitored via established governance and reporting processes.</p> <p>Independent valuations will be commissioned as part of the decision-making process.</p> <p>Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.</p> <p>Exit strategy options will be considered at the time of decision-making.</p> <p>Commercial projects will be overseen by the Partnership, Trustee and Shareholder Sub-Committee.</p> <p>The performance of the Council's company investments is reporting bi-annually to the Overview &amp; Scrutiny Committee and the Sub-Committee.</p>		
<b>Mitigating actions/progress</b>		<p>The Council has now adopted parts 1 and 2 of the commercial strategy which sets out the agreed parameters for commercial activity, including an action plan which will be reported on annually.</p> <p>Work is underway to review the future plans and direction for the Council's company investments.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR2 'Commercial investment'.</p>		
<b>Score</b>	<b>Likelihood</b>	Unlikely	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat		
<b>Last update</b>		2 May 2023		

<b>SR4</b>	<b>Challenging economic conditions for residents and businesses</b>		<b>RED</b>
<b>Description</b>	<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 – including on sectors particularly impacted by restrictions – the effects of these 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.</p> <p>Challenging financial circumstances for residents may also increase their reliance on Council services which could result in cost pressures on the Council. The risk of the latter is exacerbated by household budgets being stretched by current high levels of inflation and rising consumer prices.</p>		
<b>Owner</b>	<b>Portfolio Holder</b>	Cllr Biggs, Cllr Neame and Cllr Ashford	
	<b>Officers</b>	Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland, and Justine Chatfield	
<b>Controls</b>	<p>The UK and Global Economies are outside of the control and influence of the council. However, the Council is able to provide support to residents and businesses; both via direct service delivery and also through the disbursement of grants and other sources of funding.</p> <p>The Council's Business Engagement Team provides a range of advice, support, and networking opportunities for local business, allowing the Council to receive feedback on general economic performance and conditions.</p> <p>Early and regular engagement by the Community Development and Intervention teams to support residents.</p> <p>The operation of Council owned and operated emergency accommodation to reduce spend on temporary emergency accommodation.</p> <p>Applying for government grants to fund additional support services.</p> <p>Joint working and close collaboration with partners.</p>		
<b>Mitigating actions/progress</b>	<p>Consumer price inflation has risen significantly across the world, including the UK where inflation was up to 10.1% as of the close of March 2023. Consumer prices are rising due to increased demand for global energy and commodities.</p> <p>The UK economic situation remains uncertain with the long-term economic environment for residents and businesses remaining challenging.</p> <p>To support local businesses, the Council launched a communications campaign encouraging residents to buy locally which will continue to run into the 2023/24 year.</p> <p>The Council is promoting the use of energy efficiency grants from Surrey County Council to support local businesses, highlighting energy saving and efficiency measures, such as solar panel installation and long-life lights to reduce the impact of rising energy costs. This programme will run through to the end of the 2022/23 financial year and will then be subject to review by Surrey County Council.</p> <p>The Council will continue to apply for business support grants to support local employment and businesses and distribute them should they become available.</p> <p>Central government's Energy Price Guarantee, which supports households with their energy bills, has now undergone a review, with the Energy Bill Support Scheme ending in March 2023.</p>		

<b>SR4</b>		<b>Challenging economic conditions for residents and businesses</b>		<b>RED</b>
<p>The additional energy price guarantee support that was provided to local businesses and non-domestic sectors has now ceased.</p> <p>The rising cost of living along with related factors have resulted in increased referrals to the Council's Money Support service, with referrals in Q4 now reaching levels not seen since the peak of the Covid-19 pandemic. This has chiefly been driven by inflationary pressures from increasing energy costs, impact of the move of increasing numbers of residents onto universal credit, and a general lack of disposable income for some local households.</p> <p>Additional resourcing has been identified to support the service if/when 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 closely liaise with voluntary sector partners and participate in the Surrey wide fuel poverty group, which looks to reduce incidents and support residents at risk of fuel poverty. The Council administers grants to eligible householders to help them insulate their homes as they arise. 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 and facilitating coordination between food banks in the borough. 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>The Council has provided 'Warm Hubs' as part of a county wide package to support residents. Warm hubs are intended to assist those in fuel poverty by providing warm spaces across the borough.</p> <p>The Council continues to receive government grants to support homeless residents, or those at risk of homelessness.</p> <p>The Council continues to administer the government's Household Support Fund. The first three tranches of the scheme have been completed, with use of the fourth expected imminently within the 2023/24 financial year. The scheme has been used to support vulnerable households with access to food and heating, with approximately £700k spent in the first three tranches.</p> <p>There is currently a shortage in affordable private-rented accommodation in the borough. This has placed additional challenges on residents and the homelessness service for those looking for accommodation in the borough. A new housing pilot scheme was approved by the Executive in January 2023. This scheme aims to offer social tenants in the borough that are currently under-occupying their tenancy the opportunity and assistance to downsize into a smaller property, creating space for those looking for accommodation in the borough.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR3 'Challenging economic conditions for residents and businesses.'</p>				
<b>Score</b>	<b>Likelihood</b>	More than likely	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat/tolerate		
<b>Last update</b>		2 May 2023		

SR5		Organisational capacity and culture		AMBER
<b>Description</b>		<p>The Covid-19 pandemic has had a significant impact on the Council, with additional demands and challenges arising alongside the need to continue to deliver on corporate objectives. The pandemic has also drastically changed the way the Council operates, the context within which it does so, with a resultant shift in the organisational culture and ways of working.</p> <p>As we increasingly move into recovery, these factors underscore the importance of the Council prioritising its activities and being sustainably and efficiently resourced to meet the challenges ahead. In this new context, the embedding of a robust and resilient organisational culture that successfully supports officers and members and makes the Council an attractive place to work is similarly key. The failure to do will risk the delivery of the Council's objectives.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Lewanski	
		<b>Officers</b>	Mari Roberts-Wood, Laura McCartney, Luci Mould and Kate Brown	
<b>Controls</b>		<p>Implementation of the Human Resources and Organisational Development strategy.</p> <p>Development of an embedded Workforce Planning approach for the Council, alongside service and financial planning.</p> <p>Recruitment, training, and development.</p> <p>Ongoing consultation and engagement with staff.</p> <p>Succession planning.</p>		
<b>Mitigating actions/progress</b>		<p>Before the COVID-19 pandemic significant work was undertaken on the Council's HR and OD Work Programme (previously the 'Organisational Development Strategy') which has formed the solid basis for post-pandemic action.</p> <p>The Council continues to face challenges in regard to recruitment and retention of staff. While turnover was low during the pandemic, it has steadily increased through the 2022/23 year. This has been driven by a combination of factors, most notably a buoyant UK labour market and built-up demand for a job move stemming from the pandemic period.</p> <p>Staff resourcing levels are being closely monitored and action taken as required. The Council has engaged with the Local Government Association (LGA) for support with identifying initiatives that will ensure that the Council continues to attract and retain staff.</p> <p>A Corporate Pay Board has also been established to oversee all aspects of employee pay costs, benefits mapping, pay modelling and negotiation with staff representatives for the annual cost of living award.</p> <p>An establishment management process is in place alongside service and financial planning to ensure resources meet the Council's requirements.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR4 'Organisational capacity and culture.'</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat		

<b>SR5</b>	<b>Organisational capacity and culture</b>	<b>AMBER</b>
<b>Last update</b>	17 April 2023	

<b>SR6</b>		<b>Cost pressures affecting the viability of Council developments</b>		<b>AMBER</b>
<b>Description</b>		<p>The UK construction sector has seen an increase in building material and labour costs arising from global supply chain disruption and inflationary pressures.</p> <p>This disruption and increase in costs may impact the Council's ability to deliver economically viable development projects. The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Lewanski and Cllr Michalowski	
		<b>Officers</b>	Mari Roberts-Wood, Luci Mould, Pat Main, and Peter Boarder	
<b>Controls</b>		<p>Robust, stress tested business cases for all development projects which are reported and monitored via established governance arrangements.</p> <p>The Council will collaborate and seek external advice from external professional teams (quantity surveyors, employers' agents, etc.) to attempt to resolve cost pressures.</p> <p>Rigorous change management processes will be put in place for all development projects.</p> <p>External grant funding opportunities will be pursued where available.</p>		
<b>Mitigating actions/progress</b>		<p>Cost pressures on Council development schemes are considered under the annual service and financial planning and budgeting monitoring processes. Such cost pressures are also considered as part of business case development and are closely monitored throughout a project's lifecycle.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR5 'Cost pressures affecting the viability of Council developments.'</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat		
<b>Last update</b>		2 May 2023		

<b>SR7</b>		<b>Local government reorganisation, devolution and Levelling Up</b>		<b>AMBER</b>
<b>Description</b>		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 and 'Levelling Up' agenda. The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Biggs	
		<b>Officers</b>	Mari Roberts-Wood	
<b>Controls</b>		Close working with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey. Lobbying central government where appropriate and necessary.		
<b>Mitigating actions/progress</b>		<p>In 2022 the government published its Levelling Up and Regeneration Bill. This Bill creates the statutory framework for the new forms of devolution articulated in the earlier White Paper. The Bill is currently at the committee stage in the House of Lords, and at the time of writing, is likely to receive royal assent in 2023/24.</p> <p>Surrey County Council have developed a 'level 2' proposal to secure a county deal. The current draft proposals concern: (i) the creation of a single Surrey wide growth and investment fund; (ii) the creation of a Surrey growth and enterprise hub which requires changes to current Local Enterprise Partnership functions and responsibilities; (iii) Surrey CC receiving devolved skills functions and budget from central government; (iv) Surrey CC being designated the lead climate change authority; and (v) the development of a Surrey infrastructure investment plan.</p> <p>The Council is engaged with Surrey CC as it progresses its proposal and will continue to seek to proactively influence the debate on devolution deals as well as the future structure of local government in Surrey.</p> <p>Under a Level 2 County Deal the Council is unlikely to be required to make significant changes to existing governance arrangements, as most powers and functions will be devolved to the upper-tier authority and can be incorporated into existing structures.</p> <p>Central government has indicated that for devolved powers that relate to lower-tier functions, a joint-committee (or similar statutory arrangement) between participating authorities may need to be established to exercise these powers. Depending on the nature of the powers and functions devolved through a County Deal there are a number of options the Council could explore for governance arrangements. There is also scope to explore opportunities for 'double devolution' whereby certain functions could be devolved to district and boroughs, as well as local town and parish councils in order to achieve greater engagement with the local community.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR6 'Local government reorganisation, devolution and Levelling Up.'</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Significant		
<b>Status</b>		Treat		
<b>Last update</b>		6 February 2023		



SR8		ICT network capacity and resilience		AMBER
<b>Description</b>		<p>The Covid-19 pandemic has sparked a significant shift in the way that the Council works, with increasing demands placed on technology and the underlying supporting ICT infrastructure.</p> <p>As the reliance and demands placed upon technology continues to increase, there is a risk of significant disruption to service delivery in the event of network disruption and/or outage, particularly following a cyber-attack.</p> <p>It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security and disaster recovery capabilities to manage this risk and maintain the delivery of services.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr J King	
		<b>Officers</b>	Darren Wray and Laura McCartney	
<b>Controls</b>		<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 whole disk encryption for laptops.</p> <p>Virus patterns are updated on a regular basis. Firewalls are placed at points on the network where external connections join the local network.</p> <p>Implementation of the new ICT strategy to further enhance the Council's network resilience and cyber security capabilities.</p> <p>Active contract with NCCGroup, a cyber security specialist organisation for the investigation of any incidents that may arise.</p> <p>A programme of cyber security training with all staff</p>		
<b>Mitigating actions/progress</b>		<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>In 2022 a proposal for significant enhancements to the Council's cyber security capabilities was approved by the Executive and Full Council as part of the Council's new ICT strategy. The implementation of these new capabilities is now close to conclusion, with the service expected to go live in Q1 of 2023/24. Given this, the impact of this risk has been mitigated significantly. As such, this risk has been recommended for downgrading in Q4 reporting.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR7 'ICT network capacity and culture.'</p>		
<b>Score</b>	<b>Likelihood</b>	Unlikely	<b>Direction of travel</b>	↓
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat		
<b>Last update</b>		25 April 2023		



<b>SR9</b>		<b>Fraud</b>		<b>AMBER</b>
<b>Description</b>		Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk of the latter is exacerbated by the new areas of activity as part of the Council's response to the Covid-19 pandemic.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Lewanski	
		<b>Officers</b>	Pat Main and Simon Rosser	
<b>Controls</b>		<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>		
<b>Mitigating actions/progress</b>		<p>The Council's in-house fraud team continues to detect elevated levels of fraudulent activity in certain areas, such as housing benefit and council tax. This had originally arisen from new activity areas as well as the effects of the Covid-19 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 continues 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 continuing to take place.</p> <p>The Council has engaged with Surrey County Council and other Surrey local authorities to review council tax single occupancy discounts as part of a wider drive to identify and decrease council tax fraud.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR8 'Fraud.'</p>		
<b>Score</b>	<b>Likelihood</b>	More than likely	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat		
<b>Last update</b>		5 May 2023		

<b>SR10</b>		<b>Gatwick airport</b>		<b>AMBER</b>
<b>Description</b>		Despite the impact of the Covid-19 pandemic on international travel, Gatwick Airport is continuing to pursue its plans for expansion. Whilst the airport is a key local employer and its operations and supply chains have a significant bearing on the borough's economy, its expansion risks local environmental and infrastructural issues if not appropriately planned and managed.		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Michalowski	
		<b>Officers</b>	Luci Mould and Andrew Benson	
<b>Controls</b>		<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>The council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits.</p> <p>Engagement with Gatwick via the formal planning process</p> <p>Cooperation with neighbouring Local Authority partners affected by the expansion</p>		
<b>Mitigating actions/progress</b>		<p>Gatwick continues to pursue its plans for expansion. 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 Q1 2023/24.</p> <p>A new phase of engagement commenced in Q1 of 2022/23, which the Council continues to participate in, and is preparing for the DCO submission in Q1 of 2023/24.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR9 'Gatwick Airport'.</p>		
<b>Score</b>	<b>Likelihood</b>	Possible	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat/tolerate		
<b>Last update</b>		25 April 2023		

<b>SR11</b>		<b>Planning system reform</b>		<b>AMBER</b>
<b>Description</b>		<p>The government is considering changes to the planning system in England. There is a risk that, if adopted in the form contained in the consultation White Paper, these changes could result in a loss of local democratic control over planning matters.</p> <p>Although the government have confirmed that they will not be increasing the threshold at which affordable housing is required from developments (which was included in a past consultation documents), there is a risk that the other proposed changes, if adopted into national policy, could result in a reduction in the delivery of affordable housing in the borough.</p>		
<b>Owner</b>		<b>Portfolio Holder</b>	Cllr Michalowski	
		<b>Officers</b>	Luci Mould and Andrew Benson	
<b>Controls</b>		<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>		
<b>Mitigating actions/progress</b>		<p>In May 2022 the Queen's Speech announced new proposed reforms to the planning system, as part of a Levelling Up and Regeneration Bill. The Bill has not taken forward a number of measures set out in the previous Planning for the Future White Paper.</p> <p>The implications arising from the Bill will be monitored and any action taken as necessary.</p> <p>A new National Planning Policy Framework consultation paper was published in Q3, with key updates outlining Central Government's amendments to the previous White Paper. The current proposals are now focusing on less radical changes to the planning system.</p> <p>This risk will transfer over to the 2023/24 strategic risk register as SR10 'Planning system reform'.</p>		
<b>Score</b>	<b>Likelihood</b>	Unlikely	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Treat		
<b>Last update</b>		25 April 2023		

SR12	Climate change impact		AMBER
<b>Description</b>	<p>It is widely recognised that the Earth’s climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted.</p> <p>In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.</p>		
<b>Owner</b>	<b>Portfolio Holder</b>	Cllr Moses and Cllr Michalowski	
	<b>Officers</b>	Cath Rose and Andrew Benson	
<b>Controls</b>	<p>The Council’s multi-agency adverse weather emergency plan as well as service level business continuity plans.</p> <p>Partnership work with Surrey County Council and the Environment Agency to mitigate flooding in local developments.</p> <p>The creation of an internal Sustainability Team and the associated implementation of the recommendations of the Environmental Sustainability Strategy.</p> <p>Supplementary planning document detailing climate change and sustainable construction for new developments in the borough. Consideration of climate change impacts requirements under both existing and new local plan.</p>		
<b>Mitigating actions/progress</b>	<p>The Council continues to actively implement measures to reduce the impact of extreme weather on local developments. For example, the installation of swales at Merstham Recreational Ground to improve drainage capacity. Further activity is taking place in the north of the borough to reduce the impact from flooding and other extreme weather events, with the Council actively engaging in local flood action groups.</p> <p>The Council has introduced a Household Emergency Plan, which details what activities households can take to minimise impact from flooding or other extreme weather events. The plan has been published on the Council’s website for residents to use.</p> <p>The Council’s Emergency Planning team continues to proactively engage at the Surrey Local Resilience Forum for preparing for and responding to extreme weather events.</p> <p>The 2022/23 edition of the annual Environmental Sustainability Strategy progress report was successfully delivered and considered by Overview &amp; Scrutiny committee in 2022.</p> <p>Surrey County Council (SCC) are in the process of creating a climate change adaptation strategy, which is due to be adopted in 2023/24. The Council will continue to engage and seek advice from SCC on the wording and outcomes of this strategy.</p> <p>The Council approved the publication of the Strategic Infrastructure Programme. Part of this programme commits a portion of CIL funding to a series of infrastructure sustainability projects that the council is now committed to undertake.</p>		

<b>SR12</b>		<b>Climate change impact</b>		<b>AMBER</b>
		This risk will transfer over to the 2023/24 strategic risk register as SR11 'Climate change impact.'		
<b>Score</b>	<b>Likelihood</b>	More than likely	<b>Direction of travel</b>	-
	<b>Impact</b>	Moderate		
<b>Status</b>		Tolerate/Treat		
<b>Last update</b>		25 April 2023		

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<b>Signed off by</b>	Chief Finance Officer
<b>Author</b>	Tom Borer, Senior Policy Officer
<b>Telephone</b>	Tel: 01737 276717
<b>Email</b>	Tom.Borer@reigate-banstead.gov.uk
<b>To</b>	Audit Committee
<b>Date</b>	Wednesday, 19 July 2023
<b>Executive Member</b>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation

<b>Key Decision Required</b>	N
<b>Wards Affected</b>	(All Wards);

<b>Subject</b>	Internal audit - Q4 2022/23 progress report
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<b>Recommendations</b>
<ul style="list-style-type: none"> <li>(i) That the Audit Committee note the Q4 2022/23 internal audit progress report available at Annex 1;</li> <li>(ii) That the Audit Committee make any comments and/or observations on the reports to the Council’s Chief Finance Officer.</li> </ul>
<b>Reasons for Recommendations</b>
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.
<b>Executive Summary</b>
This report provides an update on the delivery of the 2022/23 internal audit plan at the end of Q4.
<b>The Audit Committee has the authority to approve the above recommendations.</b>

# Agenda Item 5

## Statutory Powers

1. The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2022, 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. 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

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, objectives 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's internal auditors are the Southern Internal Audit Partnership (SIAP).
7. 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.
8. 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.
9. 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.
10. Under the Council's Constitution the Audit Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
11. Audit Committee approved the 2022/23 internal audit plan at its meeting on 15 March 2022. The plan details the activity to be undertaken during the year.
12. 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.
13. The Committee receives regular quarterly updates on the progress of delivery of the audit plan, including any agreed amendments to the audit plan.



## Management Actions

14. Internal audit's role is to identify potential weaknesses in systems, controls and procedures that may expose the authority to risk. Whilst internal audit highlights these weaknesses, it is the responsibility of management to propose, design and implement actions that address these and, in so doing, control and mitigate risk.
15. Heads of Service are responsible for acting on internal audit reviews in their service areas and, as senior officers and members of the management team of the Council, are ultimately responsible for overseeing the implementation of management actions. In so doing, they are able to amend the dates of implementing actions in response, for instance, to competing priorities.
16. The respective priority for individual actions (High, Medium or Low) is assigned by Heads of Service in consultation with SIAP.
17. SIAP's report – and the exempt Annex 2 – provides detail on overdue high priority management actions, as well as the latest management update. For additional context, an overview of the number of overdue low and medium priority actions and any revised implementation dates is provided.
18. Additional information on progress towards the management actions arising from the previous review of Procurement is attached as Annex 3.

## Audit Committee Responsibilities

19. In accordance with the Council's Constitution and Internal Audit Charter, the Committee is required to focus on matters of significance arising from internal audit reviews.

## Key Information

### Assurance Opinions

20. Internal audit reviews result in an opinion on the assurance that can be place 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.
21. SIAP's assurance opinions are categorised as follows:

Assurance	Description
<b>Substantial</b>	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.
<b>Reasonable</b>	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.

# Agenda Item 5

<b>Limited</b>	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.
<b>No</b>	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 2022/23 Progress Update

22. SIAP's attached progress report at Annex 1:
- Summarises the status of 'live' audit reports (an audit report 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
23. Section 3 of the progress report details the overall progress in delivering the 2022/23 internal audit plan and section 7 provides an overview of the work programme for the year.
24. Section 5 provides a summary of any key observations arising from reviews during the quarter that concludes with a 'limited' or 'no' assurance opinion. There were none
25. The following reviews were concluded during the year with an assurance opinion:

Review	Opinion
Business continuity	Reasonable
Council tax	Reasonable
Decision making and accountability	Reasonable
Economic prosperity	Reasonable
Emergency planning	Substantial
Environmental sustainability	Reasonable
Housing Delivery Strategy implementation	Reasonable
IT database management	Reasonable

26. Copies of all internal audit reports are available to Members via the Mod.Gov document library.

## Amendments to the 2022/23 Audit Plan

27. Since the previous progress report, the following amendment has been made to the 2022/23 audit plan:

- The Cyber Security – Managed Security Service Platform review has been postponed to Q3 2023/24, replacing Cyber Security – Staff Training, due to a delay in delivery of the security platform by the provider, making the audit impossible to complete within Q4 2022/23. The Cyber Security – Staff Training audit is anticipated to be included within the 2024/24 internal audit plan.

## Options

28. The Committee has two options:

**Option 1:** Note the Q4 2022/23 internal audit progress report and make any observations and comments on its contents to the Council's Chief Finance Officer.

**Option 2:** Note the Q4 2022/23 internal audit progress report and make no observations or comments on its contents to the Council's Chief Finance Officer.

## Legal Implications

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

30. If the internal audit process identifies any concerns regarding legal matters, these will be addressed through identified management actions.

## Financial Implications

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

32. If the internal audit process identifies any concerns regarding financial matters, these will be addressed through identified management actions.

## Equalities Implications

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

34. If the internal audit progress identifies any concerns regarding equalities matters, these will be addressed through identified management actions.

## Communication Implications

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

36. If the internal audit process identifies any concerns regarding communication matters, these will be addressed through identified management actions.

## Environmental Sustainability Implications

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

38. If the internal audit process identifies any concerns regarding environmental sustainability matters, these will be addressed through identified management actions.

## Risk Management Considerations

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

# Agenda Item 5

40. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.
41. There are no other risk management implications.

## **Consultation**

42. The internal audit reports have been considered by the Council's Corporate Governance Group as part of its governance role.

## **Policy Framework**

43. 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.

## **Annexes**

Annex 1: Q4 2022/23 internal audit progress report

Annex 2: Q4 2022/23 internal audit progress report (part 2 exempt annex)

Annex 3: Q4 2022/23 procurement management actions update

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# Southern Internal Audit Partnership

Assurance through excellence  
and innovation

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## REIGATE AND BANSTEAD BOROUGH COUNCIL

### Internal Audit Progress Report – 2022/23 (Q4)

**Prepared by: Natalie Jerams, Deputy Head of Partnership**

**June 2023**

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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:

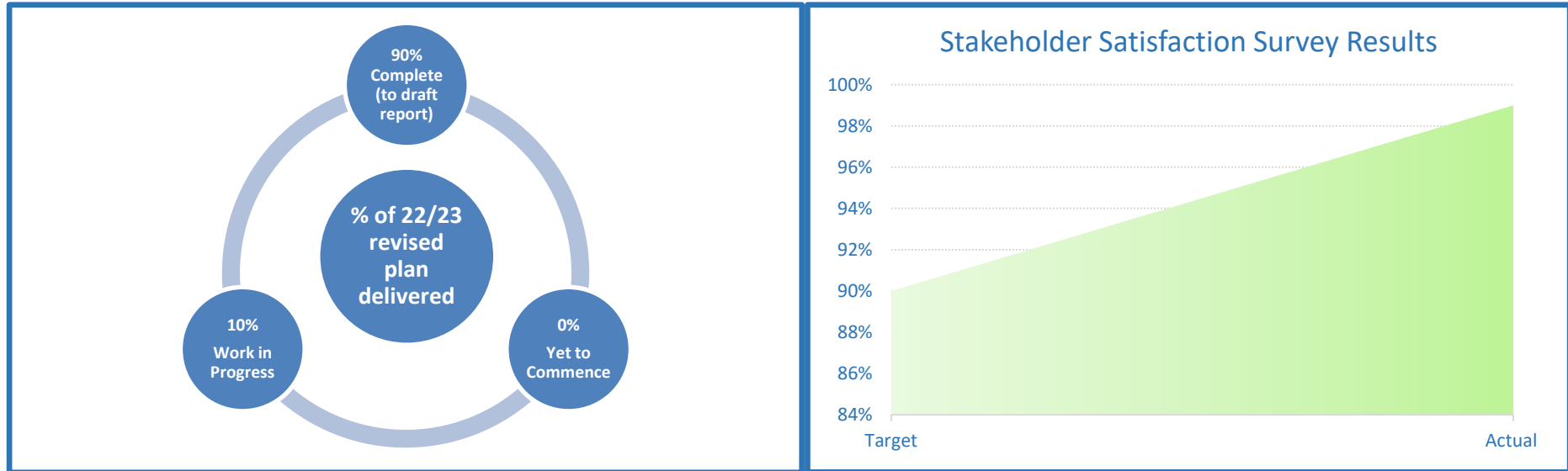
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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:

<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	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.



### 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
Fleet Management	06.04.21	HofNO	Limited	16(3)	0(0)	15(3)		1	
Procurement	05.05.21	SHofL&G	Limited	8(0)	0(0)	1(0)		7	
IT Disaster Recovery	27.05.21	HofIT	Limited	8(6)	0(0)	4(2)			4
Information Governance	06.12.21	HofIT	Reasonable	3(0)	0(0)	2(0)		1	
Contract Management	18.08.22	SHofL&G	Limited	4(0)	3(0)	1(0)			
Decision Making & Accountability	12.10.22	SHofL&G	Reasonable	2(0)	1(0)	1(0)			
IT Database Management	24.04.23	HofIT	Reasonable	5(0)	1(0)	4(0)			
Environmental Sustainability	26.05.23	HofCPP&P	Reasonable	4(0)	4(0)	0(0)			
Housing Delivery Strategy Implementation	13.06.23	HofH	Reasonable	2(0)	2(0)	0(0)			
Council Tax	10.07.23	HofRB&F	Reasonable	8(3)	5(1)	3(2)			
<b>Total</b>				<b>60(12)</b>	<b>16(1)</b>	<b>31(7)</b>	<b>0</b>	<b>9</b>	<b>4</b>

\*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 February 2023.

## 6. Planning & Resourcing

The internal audit plan for 2022-23 was presented to Corporate Governance Group and the Audit Committee in March 2022.

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 2022/23

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>2021/22 Reviews</b>								
Contract Management	SHofL&G	✓	✓	✓	✓	✓	<b>Limited</b>	
Parking & Enforcement	HofNO	✓	✓	✓	✓	✓	<b>Reasonable</b>	
<b>2022/23 Reviews</b>								
<b>Corporate</b>								
Financial Sustainability Programme Governance	CFO	✓	✓	✓	✓			
Payment Card Industry Data Security Standard	CFO	✓	✓	✓	✓			
<b>Governance</b>								
Decision Making & Accountability	SHofL&G	✓	✓	✓	✓	✓	<b>Reasonable</b>	
Human Resources & Organisational Development	SHofCR	✓	✓	✓	✓			
Emergency Planning	SHofNS	✓	✓	✓	✓	✓	<b>Substantial</b>	

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Health & Safety - Governance	HofNO	✓	✓	✓	✓			
Business Continuity	HofNO	✓	✓	✓	✓	✓	<b>Reasonable</b>	
<b>IT</b>								
IT Database Management	HofIT	✓	✓	✓	✓	✓	<b>Reasonable</b>	
IT Follow Up	HofIT	✓	✓	✓	✓	✓	<b>n/a</b>	
<b>Core Financial Reviews</b>								
Council Tax	HofRB&F	✓	✓	✓	✓	✓	<b>Reasonable</b>	
Income Collection	CFO	✓	✓	✓	✓			
NNDR	HofRB&F	✓	✓	✓				
<b>People</b>								
Housing Delivery Strategy Implementation	HofH	✓	✓	✓	✓	✓	<b>Reasonable</b>	
<b>Place</b>								
Parks & Countryside	HofNO	✓	✓	✓				
Economic Prosperity	HofEP	✓	✓	✓	✓	✓	<b>Reasonable</b>	
Environmental Sustainability	HofCPP&P	✓	✓	✓	✓	✓	<b>Reasonable</b>	
Fleet Management – Follow Up	HofNO	✓	✓	✓	✓			
<b>Other (Non-Assurance Work)</b>								
Test And Trace Contain Outbreak Management Fund (COMF)	CFO	✓	n/a	✓	n/a	✓	<b>n/a</b>	Grant certification
Test and Trace Support Payment Scheme Funding (TTSP)	CFO	✓	n/a	✓	n/a	✓	<b>n/a</b>	Grant certification
Biodiversity Net Gain Grant	CFO	✓	n/a	✓	n/a	✓	<b>n/a</b>	Grant certification

Audit Sponsors			
SHofCR	Strategic Head of Corporate Resources	CFO	Chief Finance Officer (S151 Officer)
SHofL&G	Strategic Head of Legal and Governance	SHofNS	Strategic Head of Neighbourhood Services
HofCPP&P	Head of Corporate Policy, Projects & Performance	HofL&I	Head of Leisure and Intervention
HofOD	Head of Organisational Development & HR	HofCP	Head of Community Partnerships
HofIT	Head of IT	HofCCCD&I	Head of Communications, Customer Contact, Data & Insight
HofP	Head of Planning	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. Adjustments to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2022/23	
Added to the plan	Reason
Test And Trace Contain Outbreak Management Fund (COMF)	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor. Please see below for the adjustment made to the plan to accommodate this review.
Test and Trace Support Payment Scheme Funding (TTSP)	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor. Please see below for the adjustment made to the plan to accommodate this review.
Emergency Planning	Included in the plan in place of Procurement. Assurance over planning for extreme events.
Biodiversity Net Gain Grant	The grant conditions required an internal audit review and sign off by the Chief Internal Auditor.
Removed from the plan	Reason
Corporate Plan	Deferred to accommodate the reviews of the COMF and TTSP grants.
Procurement and Commissioning	Deferred to 2023/24 to allow for the previous audit management actions to be addressed prior to re-review.
Cyber Security – Managed Service Security Platform	Deferred to 2023/24 due to a delay in the completion of the managed service security platform project.

Overdue 'High Priority' Management Actions

IT Disaster Recovery – Limited Assurance			
<b>Observation:</b>  Please see separate report.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Please see separate report.			

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## Overdue 'Low &amp; Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Fleet Management	06.04.2021	Limited	Medium	31.12.2021	01.10.2023
Procurement	05.05.2021	Limited	Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
Information Governance	06.12.2021	Reasonable	Medium	30.09.2022	30.07.2023



## Internal audit

### Management Actions – Procurement Audit

#### Quarter 4 2022/23 - Update

#### Internal audit

An internal audit of the Council's procurement was conducted in Quarter 4 of 2020/21, which provided 'Limited' assurance. It was identified that there was scope for the framework of governance, risk management and control to be improved, including regarding procurement strategy, compliance sampling, reporting and recording of central registers.

To address the matters raised and improve the Council's procurement governance, a number of management actions were agreed. These actions were all identified as medium priority.

#### Progress and current actions

Due to capacity constraints and prioritisation of the response to the COVID-19 (coronavirus) pandemic, agreed management actions have not yet been completed. A revised end date of 31 December 2023 was agreed to reflect operational capacity.

Although this end date has not been reached, this report provides an update on their progress and activity currently underway, for the assurance of Audit Committee members.

#### Management actions

The management actions, progress to date, and current and forthcoming actions are set out below.

Area	Action	Progress and Status
<b>Contract Procedure Rules - Exemptions</b>	To develop a register of timebound waivers.	A task and finish group has been established to review current procurement and contract management arrangements.  This includes the management of the contract register and associated documents, including the establishment of a waiver register.
<b>Compliance to Contract Procedure Rules</b>	To implement a mechanism to monitor, report and sample CPR compliance. A closer alignment between procurement and finance officers for spend analysis and regular challenge on spend and CPRs	The monitoring and sampling mechanism for contract procedure rule compliance is currently being developed.  The process is anticipated to include random sampling of the contract register at regular intervals to assess compliance levels.  Recruitment to a vacant procurement role is being expedited, with interim support being secured.
<b>Performance Indicators</b>	To develop performance indicators, monitor and report.	The Projects and Performance team are currently reviewing potential performance indicators for inclusion in quarterly performance reporting.

Area	Action	Progress and Status
		The team will consult with relevant lead Members and officers prior to confirming these indicators.
<b>Scrutiny and Governance</b>	To report to Corporate Governance Group.	<p>Significant contract management and procurement matters are now reported directly to the Corporate Governance Group on an emerging basis.</p> <p>It is intended to establish a Procurement Board, which will oversee more detailed monitoring of procurement and contract management activities and provide regular highlight reports to the Corporate Governance Group.</p>
<b>Supporting Contract Documentation - InTend</b>	To develop a mechanism to dip sample contract documentation within InTend system.	<p>Processing of procurement documentation has moved to being supported by Orbis since the completion of the audit. This support is anticipated to be extended whilst future arrangements are confirmed.</p> <p>Future arrangements for contract documentation and associated sampling are being reviewed.</p>
<b>Strategy</b>	To review, update and further embed the Council's procurement strategy.	<p>The Council's procurement strategy has been flagged for review and substantive updates. This process is being considered by the task and finish group.</p> <p>The revised strategy is anticipated to incorporate a strengthened and updated process, along with expanded elements regarding the Council's social responsibilities, including support for small businesses, social enterprises, and subsidy control.</p> <p>The new strategy will also be designed to be compliant with anticipated emerging national guidance and legislation, including the Transforming Public Procurement programme and the Procurement Bill expected in 2024.</p> <p>The Council's contract procedure rules will also be reviewed, with it anticipated that an update to the constitutional elements will be brought forward for Full Council approval.</p>
<b>Contract Register – Forward Planning</b>	To develop a mechanism to proactively review contracts register.	<p>The contract register will form a key part of the updated contract procedure and procurement process, being reviewed by the task and finish group.</p> <p>As identified above, it is intended to establish a Procurement Board which will oversee effective forward planning for proactive review and management of contracts and the contract register.</p>



<b>SIGNED OFF BY</b>	Chief Finance Officer
<b>AUTHOR</b>	Pat Main, Chief Finance Officer
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<b>EMAIL</b>	<a href="mailto:pat.main@reigate-banstead.gov.uk">pat.main@reigate-banstead.gov.uk</a>
<b>TO</b>	Audit Committee
<b>DATE</b>	Wednesday, 19 July 2023
<b>EXECUTIVE MEMBER</b>	Deputy Leader and Portfolio Holder for Finance, Governance & Organisation

<b>KEY DECISION REQUIRED</b>	Y
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Draft Annual Governance Statement 2022/23
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<b>RECOMMENDATIONS</b>
<b>Audit Committee is asked to consider and to provide feedback on the draft Annual Governance Statement for 2022/23 as set out in Annex 1.</b>
<b>REASONS FOR RECOMMENDATIONS</b>
To enable completion of the Annual Governance Statement so that it can be included within the annual Statement of Accounts for 2022/23.
<b>EXECUTIVE SUMMARY</b>
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 final version is prepared.  The final Statement will be presented to Audit Committee for approval with the audited Statement of Accounts for 2022/23.
<b>Audit Committee has authority to review the draft Annual Governance Statement</b>

# Agenda Item 6

## **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 the 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 requires that the AGS is signed by the Leader of the Council and the Head of Paid Service (Managing Director). This will take place when the final version is prepared for inclusion with the 2022/23 Statement of Accounts.

## **KEY INFORMATION**

5. The AGS is based on a specification issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and calls on the following sources of evidence:
  - Council Strategies, Policies and Codes of Practice;
  - Internal and External Audit Opinions;
  - Any issues identified from the Council's Risk Registers; and
  - Information about any significant governance issues identified.

It is supported by annual assurance statements from Directors and Heads of Service that confirm, to the best of their knowledge, that the Council has complied with relevant legislation, regulations and codes of practice.
6. The draft AGS for the year ended 31 March 2023 is attached as Annex 1.
7. Audit Committee is asked to note
  - that the Southern Internal Audit Partnership carried out an audit of the Council's approach to preparing the AGS as part of the 2021/22 Audit Plan. The outcome was to conclude that there is 'substantial assurance' that the process is robust and meets the required standard;
  - that the Internal Audit Opinion for 2022/23 is scheduled to be presented to Audit Committee in September 2023 and will be added to the final draft AGS when it has been approved by the Committee; and
  - That the External Auditors' opinion for 2022/23 will be inserted to the final draft AGS when the audit of the statement of accounts for the year is complete.
8. Audit Committee Members are invited to provide feedback on the draft Annual Governance Statement.

<b>OPTIONS</b>
<p><b>Option 1 – Approve the recommendations in this report</b></p> <p>This will allow the Audit Committee to provide feedback before the final AGS is reported. This is the recommended option.</p> <p><b>Option 2 – To defer the report and ask Officers to provide more information and/or clarification on any specific points</b></p>
<b>LEGAL IMPLICATIONS</b>
9. There are no further legal implications arising from this report.
<b>FINANCIAL IMPLICATIONS</b>
10. There are no direct financial implications arising from this report.
<b>EQUALITIES IMPLICATIONS</b>
11. There are no equalities implications arising from this report.
<b>COMMUNICATION IMPLICATIONS</b>
12. There are no communications implications arising from this report; the AGS will be published on the Council’s website as part of the annual Statement of Accounts.
<b>ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS</b>
13. There are no environmental sustainability implications arising from this report.
<b>RISK MANAGEMENT CONSIDERATIONS</b>
14. Adoption of this Annual Governance Statement is evidence of the Council managing its risks by ensuring adequacy of its internal control and governance framework.
<b>CONSULTATION</b>
15. The Deputy Leader and Portfolio Holder for Finance, Governance & Organisation was consulted during the preparation of this report.
<b>POLICY FRAMEWORK</b>
16. The AGS sets out the arrangements that are in place to help support delivery of Corporate Plan objectives.
<b>BACKGROUND PAPERS</b>
None

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## DRAFT 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 2022 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.

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 2022/23 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:
  - Housing Delivery Strategy (adopted December 2019);
  - Environmental Sustainability Strategy (adopted August 2020);
  - Commercial Strategy Part 1 (adopted November 2020) and Part 2 (adopted December 2021); and



- 
- IT Strategy (adopted March 2022);
  - 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 Partner, Shareholder and Trustee Executive Sub-Committee whose terms of reference include:
    - To ensure compliance with and further each of the Charities' charitable objects, trust deeds and associated public benefit; including an annual review
    - To ensure the completion and submission of Charity Annual Account returns and the Charity Annual Trustee Report to the Charity Commission
    - To arrange a Trustee meeting to agree the accounts and Trustee's Annual Report within two months of the financial year ending
    - To comply with best practice (Statement of Recommended Practice, SORP) to produce annual accounts and a report that includes an explanation of what the charity has done for the public benefit during the year
    - To make strategic decisions including approving annual business plans, management agreements and leases
    - To annually review the purposes of the Charities and make any required applications to amend the Charities' governing documents to support effective management of the Charities
    - To approve and adopt a conflict of interest policy
    - To approve disposals (leases, licences) in accordance with S117 of the 2011 Charities Act 2011 including:
      - To consult the public on the disposal of charity property where required to do so
      - Issue public notices regarding proposed disposal of charity property where required to do so.
    - To approve the formation of management companies where considered to be a suitable mechanism for managing a charity. This could include the charity becoming a member of a management company where suitable to do so.
    - 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;
  - The Audit Committee whose terms of reference during the year included:

- Oversight of internal audit and governance, including risk management;
- Oversight of treasury management performance;
- Approval of the audited statement of accounts and external auditor's report; and
- To report annually on Audit Committee activities to the Council.
- 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 and Social Care Ombudsman, Housing Ombudsman; and
- Procedures and internal management processes for:
  - Financial management;
  - Procurement and contract management;
  - 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 and Social Care Ombudsman and Housing 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, Audit Committee and Executive with information to check and challenge attainment of our priorities.

An internal audit review of our approach to Decision Making & Accountability was undertaken in 2019/20 and 2022/23. The latter review concluded with 'reasonable' assurance, with two management actions arising. One action has been completed, whilst another concerning the creation of a detailed employee code of conduct is in progress. In 2021/22 the Council's approach to compiling the Annual Governance Statement was also audited, with 'substantial' assurance received. Furthermore, the actions identified when the Council's approach to risk management was audited in 2020/21 were completed as part of the update to the risk management strategy, which was approved by Full Council in March 2023.

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

The Audit Committee also annually reviews the Council's Code of Corporate Governance, which sets out how the Council adheres to the seven principles of good governance within CIPFA and SOLACE's framework for delivering good governance in local government.

### **FINANCIAL PLANNING AND MANAGEMENT**

The Medium-Term Financial Plan (MTFP) and Capital Investment Strategy were updated during the year and provide a framework within which budget and investment decisions can be assessed. The MTFP also includes a summary section that demonstrates compliance with the CIPFA FM Code. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. 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 2023/24 budget proposals in depth as part of the budget preparation process in late Autumn 2022.

The Committee concluded that the Council had a well-planned and effective budget for 2023/24.

### **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 and further minor changes were made to the Scheme of Delegation in December 2022.

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.

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 Strategy action plan was deferred due to the pandemic.

The OD approach has been reviewed during 2022/23 which included an assessment of the organisational impacts of the pandemic on how we work and our organisation vision.

In the latter part of 2022/23, a now-combined OD & HR Strategy was drafted, with senior officer and Portfolio Holder / Member engagement commencing at the start of the 2023/24 municipal year.

The strategy is focused on five themes:

- 1) Financial sustainability & workforce planning
- 2) Performance & reward
- 3) Operational excellence
- 4) Culture, engagement, equality, diversity & inclusion
- 5) Effective use of data

Ensuring that our workforce has the skills, capability and capacity to meet the challenges facing the Council remains a priority and is captured under theme 1 above.

A combination of staff feedback methods are used (e.g. pulse surveys, detailed employee surveys and data gathering through team meetings) to provide quantitative and qualitative data to help inform how we develop, target and refresh the Council's approach to organisational development (theme 4 above). Feedback from staff will be sought in the first half of 2023/24 to help determine a baseline of views on the organisation and ultimately how engaged staff currently feel at work.

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 Data Protection, communications protocol 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**

Statutory and non-statutory 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 regularly review our approach to engagement, to broaden the types of engagement undertaken and to improve use of digital channels. This is balanced with the needs of non-digital audience, to maximise our reach. .

### **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 2022/23 included the following conclusion:

*[2022/23 Opinion to be inserted when received.*

*Scheduled to be reported to Audit Committee in September 2023]*

Internal audit reviews undertaken in 2022/23 that were assessed as providing 'reasonable' or better assurance included: Decision Making & Accountability, Business Continuity, IT Database Management, Economic Prosperity, and Environmental Sustainability.

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year.

*[2022/23 opinion to be inserted when received].*

## **ANNUAL REVIEW OF THE SYSTEM OF INTERNAL CONTROL**

An annual review has been conducted in compliance with the Regulations that govern preparation of the Annual Governance Statement. 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 Annual Governance Statement and concluded that there was '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.

## **SIGNIFICANT GOVERNANCE ISSUES**

As reported above, the independent opinions of our internal and external auditors provide considerable assurance in respect of the Council's arrangements. They have identified no significant issues or areas for improvement.

The governance matters worthy of specific mention are:

- The Statement of Accounts for 2020/21 was published in March 2022 the external audit is in progress but has not yet been finalised for approval by Audit Committee;
- The Statement of Accounts for 2021/22 was scheduled to be published in July 2023 and the audit is expected to commence by late summer 2023; and
- The Statement of Accounts for 2022/23 is scheduled to be published in autumn 2023.

An extended timescale was agreed with the external auditor for publication and auditing of these accounts to allow time for completion of agreed actions by the Finance team 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 significant challenges for the Finance team when assembling the supporting asset records and audit trail. It was therefore agreed that additional capacity and time would be dedicated to remedying these issues as part of end of year work.

- During the year the authority has resolved the issues that were raised in the 2021/22 Annual Governance Statement relating to a commercial joint venture.
- During the year work has commenced to address issues that have arisen with regard to the authority's investment in a second commercial entity. This activity is overseen by the statutory officers under the direction of the Partner, Shareholder and Trustee Committee and with support from external legal, financial and commercial advisors.

## 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.

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**Councillor Richard Biggs**

Leader of the Council

Date: dd/mm 2023

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**Mari Roberts-Wood**

Managing Director

Date: dd/mm 2023



# Reigate and Banstead Borough Council Audit Committee Work Programme

Published: 11/07/23



Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>6 September 2023</b>								
<i>Luke Harvey, Project &amp; Performance Team Leader,</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	<b>Risk management - Q1 2023/24</b>  Risk management update for Quarter 1 of the 2023/24 financial year		14 Sep 2023		Part exempt	
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Internal audit - 2022/23 annual report and opinion</b>  To note the annual internal audit report and opinion.				Open	
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Internal audit - Quarter 1 2023/24 progress report</b>  To receive the Q1 2023/24 internal audit progress report.				Open	

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Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>6 December 2023</b>								
<i>Luke Harvey, Project &amp; Performance Team Leader,</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	<b>Risk management - Q2 2023/24</b>  Risk management update for Quarter 2 of the 2023/24 financial year.		14 Dec 2023		Part exempt	
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Internal audit - Quarter 2 2023/24 progress report</b>  To receive the Q2 2023/24 internal audit progress report.				Open	
<i>Alex Vine, Democratic and Electoral Services Manager</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	<b>Update of the Code of Corporate Governance</b>  To adopt the updated Code of Corporate Governance.				Open	
<b>13 March 2024</b>								
<i>Luke Harvey, Project &amp; Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	<b>Risk management - Q3 2023/24</b>  Risk management update for Quarter 3 of the 2023/24 financial year.		21 Mar 2024		Open	
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance	Chief Finance Officer	<b>Internal audit - Quarter 3 2023/24 progress report</b>  To receive the Q3 2023/24 internal audit progress report.				Part exempt	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
	and Organisation							
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Internal audit plan and charter - 2024/25</b>  To receive the internal audit plan and Charter for 2023/24.				Open	
<i>Liane Dell, Democratic Services Officer</i>  71	Portfolio Holder for Corporate Policy and Resources	Strategic Head of Legal and Governance	<b>Audit Committee Annual Report 2023/24 and Forward Work Programme 2024/25</b>  To consider the Audit Committee's Annual Report and forward work programme for 2024/25.				Open	
<b>Meeting date TBC for 2020/21 reports</b>								
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Final Annual Governance Statement 2020/21</b>  To consider the Final Annual Governance Statement 2020/21				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>External Auditor Report (ISA 260) 2020/21</b>  To consider the external auditor's conclusions and any significant issues arising from the audit of the Statement of				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
			Accounts 2020/21.					
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p><b>Statement of Accounts 2020/21</b></p> <p>To consider the Audited Statement of Accounts 2020/21.</p>				Open	
<b>Meeting Date TBC for 2021/22 reports</b>								
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p><b>Final Annual Governance Statement 2021/22</b></p> <p>To consider the Final Annual Governance Statement 2021/22.</p>				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p><b>External Auditor Report (ISA 260) 2021/22</b></p> <p>To consider the external auditor's conclusions and any significant issues arising from the audit of the Statement of Accounts 2021/22.</p>				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p><b>Statement of Accounts 2021/22</b></p> <p>To consider the audited Statement of Accounts 2021/22</p>				Open	

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Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<b>Meeting Date TBC for 2022/23 reports</b>								
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Final Annual Governance Statement 2022/23</b>  To consider the Final Annual Governance Statement 2022/23.				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>External Auditor Report (ISA 260) 2022/23</b>  To consider the external auditor's conclusions and any significant issues arising from the audit of the Statement of Accounts 2022/23.				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<b>Audited Statement of Accounts 2022/23</b>  To consider the Audited Statement of Accounts 2022/23.				Open	

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