

BOROUGH OF REIGATE AND BANSTEAD

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee held at the Remote - Virtual Meeting on 9 September 2020 at 7.00 pm.

Present: Councillors J. S. Bray (Chair), G. Buttironi, K. Foreman (Vice-Chair), J. P. King, S. A. Kulka, C. M. Neame and S. J. G. Rickman

Also present: Councillors T. Schofield and V. Lewanski

9. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absence were received from Cllr H. Brown.

Chair, Cllr J. Bray paid tribute to Cllr D. Allcard, a Member of the Committee, who had sadly passed away on 7 September 2020 and offered the Committee's condolences to his family.

10. MINUTES

The Minutes of the previous meeting on 16 July 2020 were approved.

11. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

12. EXTERNAL AUDIT PLAN 2020

Members received the External Audit planning report to the Committee from the Council's External Auditors Deloitte. This set out the External Audit Plan for the 2020 financial audit of the Council.

Interim Head of Finance, Pat Main, updated the Committee on timing changes for preparing the Draft Statement of Accounts this year. There is a delay in publishing the Draft Statement of Accounts 2019/20 on the Council's website as required by the Accounts and Audit Regulations 2020 as 31 August 2020. This delay will ensure that all matters raised in the 2018/19 audit were addressed, primarily in relation to fixed asset record-keeping and accounting. This was due to the competing demands on Finance team resources due to the COVID-19 pandemic, and the additional work carried out to enhance the quality of the accounts that was being carried out during this closedown.

Ben Sheriff and Maltiti Al-Hassan from Deloitte attended the meeting to present the report. The most significant change to the External Audit Plan this year related to the potential effects of the COVID-19 global pandemic. These include impacts on the publication of the annual report and financial statements, on asset valuations, on pension fund investment measurement, on expected credit losses and the requirement to report in more depth on events after the reporting period. It was noted that CIPFA had issued relevance guidance on the topic.

Other areas of external audit focus were on pensions liability valuation and accounting estimates, consideration of governance arrangements particularly on investments and wider pressures on local government finance and disclosures around financial sustainability.

In response to Member questions, it was confirmed by Deloitte that the delay in publishing the Draft Statement of Accounts 2019/20 had been discussed and considered during the resource planning and updated timetable of the audit and the delay was not a concern currently.

Members made the following observations and comments:

Internal Audit reports – Members asked if delays to internal audit reports due to the Council’s emergency response would have an impact on the external audit work. Deloitte confirmed that there were ongoing discussions with the Internal Auditors as work was reprioritised and at present there were no concerns.

Property valuation – Members asked for more information on property valuation which was identified as a significant risk due to the impact of the pandemic. Deloitte updated the Committee. Due to the uncertainty around year-end as the pandemic emerged, it was difficult for valuers to give precise values for property. This was a common position across all property valuations. Deloitte expected valuers to use their professional judgement and follow guidance on valuation standards from the Royal Institute of Chartered Surveyors as well as conducting research into current local market information.

Pension liability valuation – it was noted that the Council’s actuary, Hymans Robertson, produced a report each year that outlined the liability of each council’s pension fund. The Council was part of the Local Government Pension Scheme administered by Surrey County Council. Deloitte’s focus was on a risk assessment of this calculation and consideration of the make-up of the pension assets.

RESOLVED that the External Audit Plan for the 2020 audit of the 2019/20 financial accounts and the Committee’s observations be noted.

13. INTERNAL AUDIT 2020/21 - Q1 PROGRESS REPORT

Members received the Internal Audit Progress Report Quarter 1 2020/21 and an update from Internal Auditors, Southern Internal Audit Partnership (SIAP).

Natalie Jerams, from Internal Auditors, SIAP, introduced the report which summarised the status of live audit reviews (where there were outstanding management actions due) and provided an update on the delivery and any changes to the annual audit plan.

As set out in the plan, no audits were concluded in Quarter 1 2020/21. The scale of COVID-19 response and the wide-ranging challenges from the pandemic had been set out in the revised internal audit plan for 2020/21 which was presented to July’s Corporate Governance Group and the Audit Committee on 16 July 2020. The audit plan remained fluid to provide a responsive service that could react to the changing needs of the Council.

However, it was reported that scoping work on the majority of audits which were due to take place in Q2 were making good progress. Planned Q2 audits were: Programme and Project Management, Commissioning & Procurement – Procurement Cards, Health & Safety, three COVID-19 audits (on decision-making and governance, small business grants and emergency response and recovery), Cyber Security, Fleet Management and Core Financial Review of Housing Benefits. There were no further amendments to the audit plan that had been presented to the Audit Committee on 16 July 2020.

An audit review on ethical governance undertaken during the 2019/20 Internal Audit round was given an 'Adequate assurance' rating with four low priority actions to complete and one not yet due.

A number of management actions were overdue as the Council had been required to focus efforts on the emergency response to the COVID-19 pandemic. Outstanding management actions would be addressed in the next six months where practicable. All actions were highlighted until implemented.

Members asked if there were high priority actions on any of the audits. It was confirmed that there were none at the present time. Auditors also confirmed that there were no reports published that concluded a 'limited assurance' or 'no assurance' opinion (the lower two internal audit opinions).

Members noted that progress on carrying out the planned audits was now in a much healthier position than earlier in the year with some fieldwork taking place.

RESOLVED that the Internal Audit Progress Report Q1 2020/21 set out in Annex 1 and the observations of the Committee be noted.

14. RISK MANAGEMENT - Q1 2020/21

Members received an update on Quarter 1 2020/21 risk management reporting which set out the strategic and operational risks in the three months from 1 April to 30 June 2020.

Cllr V. Lewanski, Portfolio Holder for Corporate Direction and Governance, outlined the reports before the Committee. During Quarter 1 there were no red rated operational risks to consider. At the end of Quarter 1, no strategic risks were closed.

One new Strategic Risk was identified on the Council's emergency response to a second wave or local lockdown due to COVID-19. In this event, the Council will be required to stand up its response to support residents and businesses. This will result in members of staff being redeployed and could result in significant disruption to the delivery of services. Members noted the newly identified Strategic Risk on COVID-19. This would be reported to the Executive at their meeting on 17 September 2020.

It was noted that in Strategic Risk 2 (SR2), Financial Sustainability, mitigating action included the importance of (i) adopting and implementing strategies that support sustainable income generation and (ii) taking forward income generating projects such as Horley Business Park, remains a priority.

Members made the following observations and comments for consideration by the Executive :

- Strategic Risk 3 – Local Government Reorganisation. Members expressed concern that this Strategic Risk on Surrey County Council's proposals for a unitary authority was rated amber. Due to the potential impact on this Borough Council, Members questioned whether this level of risk should be rated higher.
- Strategic Risk 5 – Organisational capacity and culture – Members noted the impact of the COVID-19 pandemic and the need for the organisation to work differently at a time when the Council was recruiting a new Chief Executive Officer, had an Interim Head of Finance, and the Director of Investment and Commercial was also the Monitoring Officer. This Strategic Risk was rated amber. Members questioned whether this level of risk should be rated higher.

Cllr V. Lewanski, Portfolio Holder for Corporate Direction and Governance, said that the senior management team were working well to cover this role and felt the amber risk rating was suitable currently. He undertook to consider these observations as part of the end of the Quarter 2 review of the risk registers on behalf of the Executive.

Committee Chair, Cllr J. Bray thanked the Head of Projects and Performance, Doula Pont, who was leaving the Council at the end of September for her work and support for the Committee.

RESOLVED that:

- (i) the Quarter 1 2020/21 update on risk management and the Committee's observations for Executive on Strategic Risk 3 (Local government reorganisation) and Strategic Risk 5 (Organisational capacity and culture) as set out in the Minutes be noted;
- (ii) the newly identified Strategic Risk on COVID-19 second wave response detailed in the report and in annex 2 be noted for consideration by the Executive.

15. ANY OTHER URGENT BUSINESS

There were no items of urgent business.

The Meeting closed at 8.02 pm