

Signed off by	Head of Legal and Governance
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To	Audit Committee
Date	Tuesday, 15 March 2022
Member	Councillor James King, Audit Committee Chair

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Audit Committee Annual Report 2021/22
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Recommendations
<p>(i) That the Annual Report of the Audit Committee be noted and, subject to any changes agreed at this meeting, recommended to Council.</p> <p>(ii) That the Audit Committee's Forward Plan for 2022/23 be approved.</p>
Reasons for Recommendations
<p>The purpose of the Audit Committee is to provide independent assurance to the Council of the adequacy of the risk management framework and the internal control environment. The Annual Report of the Committee provides a summary of its work during 2021/22. It also confirms the scope of the Committee's work programme for 2022/23.</p>
Executive Summary
<p>The Audit Committee provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and strong public financial standards and management. It scrutinises the Council's governance, risk management and control frameworks and oversees the integrity of financial reporting and annual governance</p>

processes. It oversees the work of treasury management, internal audit and external audit, helping to ensure efficient and effective independent assurance arrangements are in place.

During 2021/22 strong risk management arrangements have remained in place and the Audit Committee received three reports on treasury management and quarterly reports on internal audit and risk management.

The roles and responsibilities of the Audit Committee are set out in its written terms of reference, which include the requirement to provide an annual report to the Council which presents a summary of work undertaken over the previous year and its plans for the coming year.

The above recommendations are subject to approval by the Committee.

Statutory Powers

1. The functions of the Audit Committee are set out in the Council's Constitution, in line with the Local Government Act 2000 as amended by the Localism Act 2011 and the Local Audit and Accountability Act 2014 and the Local Audit and Accounts Regulation 2015

Background

2. The Annual Report 2021/22 sets out the work of the Audit Committee in 2021/22 and considers its forward work programme for 2022/23.

Key Information

Introduction

3. The Accounts & Audit (England) Regulations 2015 require:

[The] authority must ensure that it has a sound system of internal control which –
(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(b) ensures that the financial and operational management of the authority is effective; and
(c) includes effective arrangements for the management of risk.
4. The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out further detail on the role of Audit Committees in their Practical Guidance for Local Authorities 2018. It states that “...the purpose of the Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes...”

Audit Committee Overview

5. The Audit Committee was established in the 2020/21 municipal year, having taken over the audit function from the Overview and Scrutiny Committee for 2020/21 onwards. These arrangements are in accordance with best practice guidance from CIPFA.
6. The Committee, which is now in its second year, has continued to work well and has an established forward work programme which is examined periodically by the Chair, Officers and the Committee as a whole. The programme is amended when new requirements and issues are identified which ensures the Committee remains dynamic and focussed on its functions.
7. There were nine Council members appointed to the Committee for 2021/22; Councillor James King was elected as Chair and Councillor Feeney was elected as Vice-Chair.
8. During the year, in line with CIPFA guidance, it was agreed by Council that an Independent Member be appointed to the Audit Committee to help provide increased expertise and confidence that the Audit Committee continued to follow best practice.
9. At the Full Council meeting held on 23 September 2021, Robert Coyle was formally appointed as the Committee's Independent Member and was welcomed to the Committee at its meeting on 28 September 2021, making him the tenth member of the Committee.
10. There have been four scheduled meetings this Municipal year.
11. Members of the Committee were invited to attend the training courses listed below. Seven of the ten current members that were appointed to the Committee attended at least one course.
 - Councillor's Guide to Understanding Your Council's Financial Reporting Requirements – 10 August 2021 – CIPFA
 - Introduction to The Knowledge and Skills of the Audit Committee – 8 September 2021 – CIPFA
 - Introduction to Internal Audit at RBBC training – 20 September 2021 – SIAP
 - The Effective Audit Committee – 23 September 2021 – SIAP & CIPFA

Programme of Work 2020/21

12. The Audit Committee has considered the following during 2020/21:
 - Internal Audit Plan and Charter and progress reports from the Southern Internal Audit Partnership (SIAP)
 - Strategic Risks
 - External Audit Plan
 - Risk Management
 - Code of Corporate Governance
 - Treasury Management

- External Audit Contract Arrangements 2023 – 2028
 - External Auditor's Report (ISA260) and audited Statement of Accounts 2020/21 (At the time of writing this report, a date to consider these items was yet to be confirmed).
13. This year the Audit Committee took over scrutiny of the Council's Treasury Management arrangements from the Overview and Scrutiny Committee.
14. The Committee considered three reports and was consulted on development of the Treasury Management Strategy for 2022/23.
15. At its meeting held on 28 September 2021, the Committee considered the Treasury Management Outturn report and the performance of the Council's treasury management activities for the previous financial year (2020/21). This was part of the formal reporting requirements under the CIPFA Code of Practice. It was confirmed that, with one with one exception, the Council complied with legislative and regulatory requirements and operated within the limits specified in the Treasury Management Strategy.

Internal Audit 2020/21 and Internal Audit Opinion

16. At its meeting held on 10 June 2021, the Committee considered the Council's internal audit opinion for 2020/21. The Southern Internal Audit Partnership (SIAP) was able to give an overall opinion of "reasonable" on the Council's framework of risk management, governance and control.
17. The Committee will consider the internal audit opinion given for 2021/22 at the first meeting of the Audit Committee of 2022/23 (currently scheduled for the 27 July 2022).
18. Throughout the audit cycle overdue management actions outstanding from previous audits were reported, along with revised target dates. SIAP continued to work with Officers on these overdue actions and followed all overdue management actions until completion.
19. At its meeting on 28 September 2021, the Committee requested the inclusion of more detail on overdue high priority management actions and this was provided. At the subsequent meeting held on 25 November 2021 the Committee also requested further detail on low and medium priority management actions. Where necessary this information can be provided to the Committee upon request.

Risk Management

20. The Audit Committee receives a quarterly update on risk management as part of its constitutional responsibility. As per the Council's risk management methodology, the risk management report provides an update on all strategic risks as well as any red rated operational risks. Through this, the Committee has oversight and ensures robustness of strategic risk setting and assessment of the adequacy of the risk management process. Furthermore, the Committee feeds back to the Executive in respect of the risk register.

21. 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). Part of the Committee's remit is to consider these risks as part of risk management.
22. Operational risks are risks that are encountered in the course of the day to day delivery of services. However, if an 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 by the Council's Corporate Governance Group. Heads of Service have responsibility for operational risks. The Council's Risk Management Strategy requires that operational risks are reported by exception to the Audit Committee (and Executive) when RAG rated 'red'.

Corporate Governance

23. The Code of Corporate Governance sets out the principles of good governance and the arrangements in place to ensure that the Council conducts its business in accordance with the law and proper standards. It provides assurance that the Council is meeting best practice in protecting its assets and serving the community.
24. This is reported to the Audit Committee on an annual basis. For 2021/22, the changes were relatively minor, with the addition of new sources of evidence and amending some of the titles of Council policies.

External Audit Opinion and Statement of Accounts

25. At the time of preparing this report the authority was still awaiting confirmation of the external auditor's ISA260 report on the Statement of Accounts for 2020/21. An additional meeting of the Committee will be arranged to consider the auditor's report and the statement of accounts as soon as the ISA260 is finalised.

Acknowledgement

26. Once again it is acknowledged that 2021/22 has been a productive year and thanks were offered to the SIAP, Deloitte LLP, the Finance Team and the Projects and Business Assurance Team for their contributions in enabling the work of the Committee in 2021/22.

Future Work Programme 2022/23

27. A Forward Plan for the Committee has been compiled and can be found at Appendix A. This is likely to be subject to change as required by the Committee during the year.

Conclusions

28. The Committee provides independent assurance to the Council of the adequacy of the risk management framework, the internal control environment and financial reporting.

29. The Committee's work programme continues to be dynamic to reflect emerging information and will continue to be reviewed to ensure the Committee maximises its contribution to governance and the control framework.
30. The work programme for 2021/22 has been delivered in line with the Committee's remit.
31. In accordance with the Audit Committee's Terms of Reference, the Committee is requested to consider and recommend this Annual Report to Council.

Options

32. The Committee has two options:
1. To approve the Annual Report of the Audit Committee 2020/21 as written and recommend it to Council; or
 2. To suggest amendments to the Annual Report of the Audit Committee 2020/21 prior to its recommendation to Council.

Legal Implications

33. Audit Committee terms of reference are based upon CIPFA Guidance and meet the requirements of the Accounts & Audit (England) Regulations 2015 which require the Audit Committee to consider the work of internal and external audit to give assurance to give assurance to elected members and the public about the governance, financial reporting and performance of the Council.
34. In approving the above recommendations, the Audit Committee is promoting sound robust risk management in accordance with its statutory responsibilities.

Financial Implications

35. There are no direct financial implications arising from the annual report.

Equalities Implications

36. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination harassment and victimisation and any other conduct prohibited under the Act.
 - Advance equality of opportunity between people who share those protected characteristics and people who do not;
 - Foster good relations between people who share those characteristics and people who do not.

37. The three parts of the duty applies to the following protected characteristics: age; disability; gender reassignment; pregnancy/maternity; race; religion/faith; sex and sexual orientation. In addition, marriage and civil partnership status applies to the first part of the duty.

38. The Committee should ensure that it has regard for these duties by considering them through the course of its work. This should include considering:

- How policy issues impact on different groups within the community,
- Particularly those that share the nine protected characteristics;
- Whether the impact on particular groups is fair and proportionate;
- Whether there is equality of access to service and fair representation of all groups within the Borough;
- Whether any positive opportunities to advance equality of opportunity and/or good relations between people, are being realised.

Communication Implications

39. There are no significant communications implications arising from this report.

Environmental Sustainability Implications

40. There are no direct environmental sustainability implications arising from this report.

Risk Management Considerations

41. Oversight of the Council's risk management arrangements is a key responsibility of this Committee and is considered throughout the wider audit process.

Consultation

42. In accordance with the Audit arrangements contained in the Council's Constitution, the Committee's Annual Report was drafted in consultation with the Chair and Vice-Chair of the Audit Committee.

Annex

43. Annex A – Audit Committee Forward Plan 2022/23.