



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

<b>Signed off by</b>	Chief Finance Officer
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<b>To</b>	Audit Committee
<b>Date</b>	Tuesday, 15 March 2023
<b>Member</b>	Councillor James King, Audit Committee Chair

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

<b>Subject</b>	Audit Committee Annual Report 2022/23
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<b>Recommendations</b>
<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 2023/24 be approved.</p>
<b>Reasons for Recommendations</b>
<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 2022/23. It also confirms the scope of the Committee's work programme for 2023/24.</p>
<b>Executive Summary</b>
<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 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.</p>

During 2022/23 the Committee received three reports on treasury management and quarterly reports on internal audit and risk management. It also considered and provided feedback on the Annual Governance Statement and Code of Corporate Governance.

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 2022/23 sets out the work of the Audit Committee in 2022/23 and considers its forward work programme for 2023/24.

## **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 – facilitates the effective exercise of its functions and the achievement of its aims and objectives;*

- (a) ensures that the financial and operational management of the authority is effective; and*
- (b) 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 Committee 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.
6. There were nine Council members appointed to the Committee for 2022/23; Councillor James King was elected as Chair and Councillor Baker was elected as Vice-Chair.
7. On 27 February 2023, Robert Coyle's resignation was received in respect of his appointment as Independent Member to the Audit Committee. The Committee thanks Mr Coyle for his commitment and work with the Committee during his time as its Independent Member.
8. There have been four scheduled meetings during the 2022/23 Municipal year.
9. Members of the Committee were invited to attend the training courses and member briefings listed below. Seven of the ten current members that were appointed to the Committee attended at least one of these sessions.
  - Introduction to The Knowledge and Skills of the Audit Committee – 14 September 2022 – CIPFA
  - Risk Management Strategy update – 7 September 2022 – RBBC
  - Code of Corporate Governance update – 7 December 2022 – RBBC
  - Update for Local Authority Audit Committee Members – 9 February 2023 – CIPFA

## **Programme of Work 2022/23**

10. The Audit Committee has considered the following during 2022/23:
  - Annual Report & Opinion 2021/22, 2022/23 progress reports and the Internal Audit Plan and Charter 2023/24 from the Southern Internal Audit Partnership (SIAP)
  - Quarterly updates on Strategic Risks
  - Risk Management Strategy - 2023/24-2025/26
  - Treasury Management Strategy Monitoring 2022/23
  - Draft Annual Governance Statement 2021/22
  - Update of the Code of Corporate Governance
  - Audit Committee Introduction and Overview

## **Internal Audit 2021/22 and Internal Audit Opinion**

11. At its meeting held on 14 June 2022, the Committee considered the Council's internal audit opinion for 2021/22. The Southern Internal Audit Partnership (SIAP) gave an overall opinion of "reasonable assurance" on the Council's framework of risk management, governance and control.
12. At its meeting on 7 September 2022, the Committee was informed that two additional reviews had been added to the 2022/23 audit plan:
  - Test and Trace Contain Outbreak Management Fund (COMF)
  - Test and Trace Support Payment Scheme Funding (TTSP)

In order to accommodate these reviews within the 2022/23 plan, the audit on the Corporate Plan was deferred until 2023/24.

13. Throughout the year, the Committee requested further detail on overdue low and medium priority management actions and regular updates were provided by officers. This included monitoring three overdue high priority management actions regarding IT disaster recovery, which was audited in 2020/21, and continued to be a concern for the Committee throughout 2022/23.
14. The Committee will consider the internal audit opinion for 2022/23 at the first meeting of the Audit Committee of 2023/24 (currently scheduled for 14 June 2023).

## **Risk Management**

15. Audit Committee has responsibility for oversight and ensuring robustness of strategic risk-setting and assessing the adequacy of the risk management process. The Committee may raise any observations to the Executive where necessary. The Committee receives quarterly updates on all strategic risks and any red-rated operational risks.
16. 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).
17. 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 delegated responsibility for managing operational risks.
18. During the year the committee also considered the proposed update to the Council's risk management strategy.

## **Treasury Management**

19. The Committee has responsibility for oversight of the Council's treasury management activities. This is part of formal reporting requirements under the CIPFA Code of Practice on Treasury Management.
20. At its meeting held on 7 September 2022, the Committee considered the Treasury Management outturn report and the performance of the Council's treasury management activities for the previous financial year (2021/22).
21. At its meeting held on 7 December 2022, the Committee considered the Treasury Management mid-year report for 2022/23. Members requested further briefings on the current trading position of the Council's companies and the risks of having to write off investment losses. Following robust discussions in the public and exempt part of the meeting, the Committee also asked for assurance on the Executive's plans to mitigate any risks identified. The outcome was for the Committee to approve option 2, *"To note the report and ask Officers to provide more information and/or clarification on any specific points"*; however this decision was not unanimous as some Members remained dissatisfied with the scope of the information presented on the Council's company investments. The Committee's feedback was reported to Executive on 15 December 2022.

## **Corporate Governance**

22. 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.
23. This is reported to the Audit Committee on an annual basis. For 2022/23, the changes were relatively minor as follows:
  - Fix broken links to referenced documents under each principle.
  - To add references to the Council's financial sustainability programme under principles 2, 3, 4, 6, and 7.
  - To refer to the Council's Commercial Strategy under principle 2; and,
  - To refer to the Council's Asset Management Plan and IT Strategy under principle 3.

## **External Audit Opinion and Statement of Accounts**

24. 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 and 2021/22. Additional meetings of the Committee will be arranged to consider the auditor's reports and the statement of accounts when the audits are concluded.

## **Acknowledgement**

25. Once again it is acknowledged that 2022/23 has been a productive year and thanks were offered to the SIAP, the Finance Team, the Projects and Business Assurance Team and Democratic Services for their contributions in enabling the work of the Committee in 2022/23.

## **Future Work Programme 2023/24**

26. A Forward Plan for the Committee has been compiled and can be found at Annex 1. This is likely to be subject to change as required by the Committee during the year.

## **Conclusions**

27. The Committee provides independent assurance to the Council of the adequacy of the risk management framework, the internal control environment and financial reporting.
28. 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.
29. The work programme for 2022/23 has been delivered in line with the Committee's remit.
30. In accordance with the Audit Committee's Terms of Reference, the Committee is requested to consider and recommend this Annual Report to Council.

## **Options**

31. The Committee has two options:
  1. To approve the Annual Report of the Audit Committee 2022/23 as written and recommend it to Council; or
  2. To suggest amendments to the Annual Report of the Audit Committee 2022/23 prior to its recommendation to Council.

## **Legal Implications**

32. 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.
33. In approving the above recommendations, the Audit Committee is promoting sound robust risk management in accordance with its statutory responsibilities.

### **Financial Implications**

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

### **Equalities Implications**

35. 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.

36. 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.

37. 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**

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

### **Environmental Sustainability Implications**

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

### **Risk Management Considerations**

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

### **Consultation**

41. 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**

42. Annex 1 – Audit Committee Forward Plan 2023/24.