



**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, 13 March 2024
<b>Member</b>	Councillor Frank Kelly, Audit Committee Chair

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

<b>Subject</b>	Audit Committee Annual Report 2023/24
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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 2024/25 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 provides a summary of the Committee's work during 2023/24. It also confirms the scope of the Committee's work programme for 2024/25.</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.</p> <p>It scrutinises the Council's governance, risk management and control frameworks and oversees the integrity of financial reporting and annual governance processes.</p>

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

During 2023/24 the Committee received 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 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 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 2023/24 sets out the work of the Audit Committee in 2023/24 and considers its forward work programme for 2024/25.

## **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 operate effectively 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. Five Council members were appointed to the Committee for 2023/24; Councillor Frank Kelly was elected as Chair and Councillor Green was elected as Vice-Chair.
7. Councillor Kelly also attended the LGA’s training event for Audit Committee Chairs at Warwick University this Municipal Year, showing commitment to ensure the Council is adopting good practice and learning from others.
8. Following the resignation of the Independent Member to the Committee in February 2023, Mr Tommy Hyun was appointed as the new Independent Member to the Committee at the Full Council meeting held on 30 November 2023. Mr Hyun attended and was welcomed to the Audit Committee meeting on 6 December 2023.
9. There have been four scheduled meetings during the 2023/24 Municipal year with an additional meeting programmed in on 19 July 2023. The first meeting on 14 June 2023, was dedicated to introducing members to the role of the Committee and its workplan.
10. Committee Members have been invited to attend training and briefings prior to each formal meeting, with the aim of providing additional background and context on the reports that were being presented. These sessions were well attended.

### **Programme of Work 2023/24**

11. The Audit Committee has considered the following during 2023/24:
  - Audit Committee Introduction and Overview
  - Quarterly updates from the Chief Internal Auditor
  - Internal Audit - Annual Report & Opinion 2022/23
  - Internal Audit - Plan and Charter 2024/25
  - Quarterly updates on Strategic Risks and red rated operational risks
  - Draft Annual Governance Statement 2022/23
  - Code of Corporate Governance

### **Draft Annual Governance Statement 2022/23**

12. At its meeting held on 19 July 2023 the Committee was informed that for compliance with the Accounts and Audit Regulations the Council was required to prepare and publish a statement on its internal control and governance arrangements as part of

the Annual Statement of Accounts. The Statement draws on a number of sources of information about how the Council is performing in order to give a well-rounded picture.

13. The Statement is also an opportunity to flag any areas for concern or improvement. Two matters of note were referenced:
  - The Statement of Accounts for 2020/21 and 2021/22 had not yet been audited or approved by Audit Committee. An extended timescale had been agreed with the external auditor to allow time for completion of agreed actions by the Finance team to address historic shortcomings stretching back over many years in the financial fixed asset register. These issues do not call into question the accuracy of asset values in the accounts, but they give rise to significant challenges for the Finance team when assembling supporting asset records and audit trail. It was therefore agreed with Deloitte that additional capacity and time would be dedicated to remedying these issues as part of 2020/21 end of year work. The audit is now in progress and Deloitte had at that point expected to complete this by September 2023. They would then commence work on auditing the 2021/22 accounts.
  - During the year the authority encountered continued issues relating to a commercial joint venture that has been addressed by the statutory officers under the direction of the Partner, Shareholder and Trustee Executive Sub-Committee and with support from external commercial and legal advisors. This matter is currently subject to legal privilege while the settlement terms are finalised.

### **Internal Audit Plan 2023/24 and Internal Audit Opinion 2022/23**

14. At its meeting on 6 September 2023, the Committee considered the internal audit Opinion for 2022/23. The Southern Internal Audit Partnership (SIAP) reported an overall opinion of “reasonable assurance” on the Council’s framework of risk management, governance and control. SIAP identified that, in giving the overall annual opinion, assurance can never be absolute and therefore, only reasonable assurance could be provided however there were no major weaknesses identified in the processes reviewed.
15. With regards to completion of management actions following audit reviews, SIAP reported that they continued to follow these through to completion. Additionally those audits that received either ‘limited’ or ‘no’ assurance opinions would be subject to future re-review, and would be considered as part of 2024/25 internal audit planning.
16. Throughout the year, the Committee received quarterly updates from SIAP on progress against the 2023/24 Audit Plan and Members requested further detail on overdue low and medium priority management actions and regular updates were provided by officers.
17. The Committee will consider the internal audit Opinion for 2023/24 at the first meeting of the Committee of 2024/25 (currently scheduled for 3 July 2024).

## **Risk Management**

18. The 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.
19. 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).
20. 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.
21. 2023/24 saw the implementation of the Council's new risk management strategy which had been agreed by Full Council in March 2023. This included an updated reporting structure, including in the controls and mitigations section of the risk register showing what action had been taken already to reduce the likelihood and impact of the risk, as well as the actions that were still ongoing to bring the risks, as far as possible, to an acceptable level.
22. This was complemented by the risk register now setting out the inherent, current and target risk scores. The target risk score defined where the Council aimed to manage the risk to, reflecting the Council's risk appetite.
23. A further improvement introduced by the new risk management strategy is preparation of an annual risk Assurance Framework, presented to Committee at their March 2024 meeting.

## **Code of Corporate Governance**

24. 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.
25. The Monitoring Officer has reviewed the Code to ensure it still reflected the current governance arrangements of the Council and considered that no updates were required to the current Code as it still reflected the current governance arrangements of the Council.
26. In addition, the Council was currently undertaking a review of its Constitution, which forms a fundamental part of the governance arrangements of the Council, and therefore directly affected the Code of Corporate Governance.

27. This Municipal year the Committee confirmed the current Code of Corporate Governance, and no amendments were recommended. An interim update would take place after the Constitution is reviewed to realign the Code with it. In addition, the Committee resolved that the next review give consideration to its observations recorded in the [minutes of the meeting held on 6 December 2023](#).

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

28. 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, 2021/22 and 2022/23. 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**

29. Once again it is acknowledged that 2023/24 has been a productive year and thanks were offered by the Chair to the SIAP, the Finance Team, the Policy & Performance Team and Democratic Services for their contributions in enabling the work of the Committee in 2023/24.

### **Future Work Programme 2024/25**

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

### **Conclusions**

31. The Committee provides independent assurance to the Council of the adequacy of the risk management framework, the internal control environment and financial reporting.
32. The Committee's work programme is dynamic to reflect emerging information and will continue to be reviewed to ensure the Committee maximises its contribution to governance and the control framework.
33. The work programme for 2023/24 has been delivered in line with the Committee's remit.
34. In accordance with its Terms of Reference, the Committee is requested to consider and recommend this Annual Report to Council.

### **Options**

35. The Committee has two options:
- Option 1:** To approve the Annual Report of the Audit Committee 2023/24 as written and recommend it to Council.
- Option 2:** To suggest amendments to the Annual Report of the Audit Committee 2023/24 prior to its recommendation to Council.

### **Legal Implications**

36. 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.
37. In approving the above recommendations, the Audit Committee is promoting sound robust risk management in accordance with its statutory responsibilities.

### **Financial Implications**

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

### **Equalities Implications**

39. 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.
40. 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.
41. 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**

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

### **Environmental Sustainability Implications**

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

**Risk Management Considerations**

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

**Human Resource Implications**

45. There are no Human Resource implications arising from this report.

**Consultation**

46. The Committee's Annual Report was drafted in consultation with the Chair and Vice-Chair of the Audit Committee.

**Policy Framework**

47. There are no policy framework implications.

**Annex**

Annex 1 – Audit Committee Forward Plan 2023/24.