

Agenda

Audit Committee

Thursday, 26 November 2020 at 7.00 pm

Remote meeting via video link



This meeting will be held **remotely**. Committee Members will be provided with the details of how to connect to the meeting one day before the meeting.



Members of the public may observe the proceedings live on the Council's [website](#).

Members:

J. S. Bray (Chair)

H. Brown

G. Buttironi

K. Foreman

J. P. King

S. A. Kulka

C. M. Neame

S. J. G. Rickman

Vacant

Substitutes:

Conservatives: M. S. Blacker, R. S. Turner and S. T. Walsh

Residents Group: R. J. Feeney, N. D. Harrison and C. T. H. Whinney

Green Party: J. C. S. Essex and S. Sinden

Liberal Democrats J. E. Philpott

Mari Roberts-Wood
Interim Head of Paid Service

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Published 26 November 2020

1. Apologies for Absence and Substitutions

To receive any apologies for absence and notification of substitutes in accordance with the Constitution.

2. Minutes (Pages 5 - 8)

To confirm as a correct record the Minutes of the previous meeting.

3. Declaration of Interest

To receive any declarations of interest.

4. Statement of Accounts 2019-20 - Audit Progress Update (Pages 9 - 12)

To note the current position regarding completion of the audit of the Statement of Accounts for 2019/20.

5. Update of the Code of Corporate Governance (Pages 13 - 32)

To adopt the Code of Corporate Governance so that the Code can be reported publicly in the Council's Annual Governance Statement.

6. Risk Management - Quarter 2 2020/21 (Pages 33 - 48)

- i. To note the Quarter 2 2020/21 update on risk management provided by the report and associated annexes and make any observations to the Executive.
- ii. To note the newly identified strategic risk detailed in the report and in annex 3 and make any observations to the Executive.

7. Internal Audit 2020/21 - Quarter 2 Progress Report

(Pages 49 - 82)

- i. That the Committee note the Internal Audit Progress report. That the Committee note the Internal Audit Progress report attached at annex 1;
- ii. That the Committee note the Southern Internal Audit Partnership's External Quality Assessment (EQA) report available at annex 2;
- iii. That the Committee make any comments and/or observations on the report to the Council's Chief Financial Officer attached at annex 1;
- iv. That the Committee note the Southern Internal Audit Partnership's External Quality Assessment (EQA) report available at annex 2.

8. 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.

9. Exempt Business

RECOMMENDED that members of the Press and public be excluded from the meeting for the following item of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

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.



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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.

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.

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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.

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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



SIGNED OFF BY	Interim Head of Finance
AUTHOR	Pat Main Interim Head of Finance
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TO	Audit Committee
DATE	Thursday, 26 November 2020
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance

KEY DECISION REQUIRED:	No
WARD (S) AFFECTED:	ALL

SUBJECT:	Statement of Accounts 2019/20 – Audit Progress Update
RECOMMENDATIONS	
That the current position regarding completion of the audit of the Statement of Accounts for 2019/20 be noted.	
REASONS FOR RECOMMENDATIONS:	
The Audit Committee has delegated responsibility for approving the Council’s annual Statement of Accounts and for receiving the external auditor’s report on them.	
EXECUTIVE SUMMARY:	
The draft Statement of Accounts was published on the Council’s website on 5 October 2020 and the audit by Deloitte LLP commenced on that day.	
The original intention was for the external audit lead to attend this meeting to present their (ISA260) report with the outcome of the audit. At the time of preparing this report, the audit work had not yet concluded therefore the audited Statement of Accounts and the external auditor’s report are not yet available for approval by this Committee.	
A verbal update will be provided by officers to this meeting of Audit Committee regarding the anticipated date for receipt of the auditor’s report.	

The Audit Committee has authority to approve the above recommendations.

STATUTORY POWERS

Agenda Item 4

1. The Council is required to produce a Statement of Accounts by the *Local Government and Housing Act 1989* and the *Accounts and Audit Regulations 2015*.
2. In accordance with the *Local Authorities (Functions and Responsibilities) (England) Regulations 2000* and the Council's Constitution approval of the Statement of Accounts is an Audit Committee responsibility.

BACKGROUND

3. For the 2019/20 Accounts the publication and audit deadlines in the Accounts & Audit Regulations have been amended due to the COVID-19 pandemic.

KEY INFORMATION

4. The main provisions in the Accounts & Audit Regulations for the 2019/20 Statement of Accounts and progress against them are set out below.
5. *The responsible financial officer must, by 31 August 2020, sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Council at the end of the financial year and of the Council's income and expenditure for that year.*
 - The Interim Head of Finance & Assets (as the Council's Chief Finance Officer) signed and published the draft Statement of Accounts on 5 October.
 - As previously reported to Audit Committee, the primary reasons for the delay in publication were competing demands on the Finance team's capacity due to the COVID-19 pandemic and the requirement to undertake additional work as part of this year's closedown to ensure that all recommendations arising from the 2018/19 audit were addressed. Specifically, this required a significant volume of additional work to update the council's asset register records to ensure compliance with the Code of Practice for local government accounting.
6. *The Audit Committee [on behalf of the Council] must, by 31 November 2020, consider and approve the Statement of Accounts by way of resolution. Following approval by Audit Committee, the Committee Chair must sign and date the Statement of Accounts. The Council must the publish its Statement of Accounts, including the Annual Governance Statement together with any certificate or opinion entered by the auditor.*
 - The external audit of the Accounts by Deloitte LLP began, as planned, on 5 October.
 - At the time of preparing this report the audit had not yet concluded. A verbal update will be provided by officers to this meeting of Audit Committee on the revised anticipated completion date.

OPTIONS

- i. To consider and approve the progress update provided in this report.
- ii. To consider and request additional information about the update provided in this report.
- iii. To reject the update.

LEGAL IMPLICATIONS

7. There are no legal implications arising from this report. There are no specific consequences arising from failure to publish the Statement of Accounts by the dates specified in the Accounts & Audit Regulations.

FINANCIAL IMPLICATIONS

8. There are none.

EQUALITIES IMPLICATIONS

9. There are none.

COMMUNICATION IMPLICATIONS

10. There are no communications implications arising from this report. The auditor's report and audited Statement of Accounts 2019/20 will be published on the Council's website when approved by Audit Committee.
11. The Accounts & Audit Regulations include provision for public inspection of the Accounts and supporting documents whereby interested parties may submit requests during the audit period for more detail on the information included in the Accounts. To date one request has been received relating to the 2019/20 Accounts.

RISK MANAGEMENT CONSIDERATIONS

12. There are none.

HUMAN RESOURCE IMPLICATIONS

13. There are none.

CONSULTATION

14. There are no specific consultation requirements

POLICY FRAMEWORK

- 15.

Background Papers:

Draft Statement of Accounts 2019/20 [website link](#)

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SIGNED OFF BY	Caroline Waterworth, Commercial and Investment Director
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TO	Audit Committee
DATE	Thursday 26 November 2020
EXECUTIVE MEMBER	Portfolio Holder for Corporate Direction and Governance

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Update of the Code of Corporate Governance
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RECOMMENDATIONS

<p>That the draft Code of Corporate Governance be adopted, and that compliance with the Code is reported publicly in the Council's Annual Governance Statement.</p>

REASONS FOR RECOMMENDATIONS

<p>Each local authority is required to develop and maintain an up to date Code of Corporate Governance. 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. The updated Code, which is attached at annex 1, has been reviewed by the Governance Task Group and is recommended for adoption by the Committee. Once adopted, the Code will apply to all members and officers in the discharge of their duties.</p>

EXECUTIVE SUMMARY

<p>The updated Code of Corporate Governance has been drafted in accordance with the principles set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) guidance entitled</p>

Agenda Item 5

‘Delivering Good Governance in Local Government’. In this guidance, seven core principles that should underpin the governance framework of a local authority are defined.

The Audit Committee has authority to approve the above recommendations.

STATUTORY POWERS

1. The Council has statutory duties under section 5 of the Local Government and Housing Act 1989 ensuring lawfulness and fairness of decision making (the responsibility of the Monitoring Officer). Also, the proper administration of the Council’s affairs under section 151 of the Local Government Act 1972 (the responsibility of the Section 151 officer).

BACKGROUND

2. Each local authority is required to adopt a Code of Corporate Governance. The draft Code of Corporate Governance, as attached at annex 1, has been produced using the latest guidance by CIPFA and SOLACE.
3. The seven core principles that should underpin the governance framework of a local authority as outlined in the CIPFA/SOLACE guidance are:
 - i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
 - ii. Ensuring openness and comprehensive stakeholder engagement.
 - iii. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - iv. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - v. Developing the Council’s capacity, including the capability of its leadership and the individuals within it.
 - vi. Managing risks and performance through robust internal control and strong public financial management
 - vii. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.
4. The Council is required to prepare an Annual Governance Statement each year in order to report publicly on compliance with the Code and how the Council has met the requirements of the Accounts and Audit Regulations 2015. The annual review of governance will assess the level of compliance with the code’s governance principles.

KEY INFORMATION

5. A review of the Council’s Code of Corporate Governance has been undertaken to ensure that it is underpinned by the latest CIPFA and SOLACE guidance.
6. The new draft Code of Corporate Governance has been drawn up in consultation with the Monitoring Officer, the Head of Finance and the Head of Organisational Development.

Agenda Item 5

7. The Governance Task Group considered the draft Code at its meeting on 10 September 2020. The Group recommended several changes and updates to ensure all the evidence had been captured and the Code supported long-term service improvements. The Group considered the amended draft Code at its meeting on 22 October 2020, where it agreed to recommend the updated Code for adoption to the Audit Committee.
8. The information set out in the framework within the Code demonstrates that the Council continually seeks to ensure it remains well governed. The Code confirms the Council's recognition that to deliver good governance it must always seek to achieve its objectives whilst acting in the public interest.

OPTIONS

9. To consider and approve the adoption of the updated Code of Corporate Governance as attached in annex 1. Once adopted, the Code will apply to all Members and Officers in the discharge of their duties. The Council will be required to report publicly on its compliance with the Code in the Annual Governance Statement.
10. To consider the updated Code of Corporate Governance and suggest changes prior to approving the Code for adoption. There may be a delay in the adoption of the Code if the suggested changes are such that the Committee needs to consider the adoption of a newly drafted Code at a future meeting.
11. To reject the adoption of the updated Code of Corporate Governance. This is not recommended as the Code would not be in line with current guidance and would not properly reflect the work the Council does to ensure good governance.

LEGAL IMPLICATIONS

12. Corporate governance is the way in which the council directs and controls its arrangements to ensure that the intended outcomes for stakeholders are defined and achieved. A robust governance code provides assurance that the Council is meeting best practice in protecting its assets and serving the community.
13. Corporate governance is how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
14. The Council has statutory duties to ensure proper governance of its members, officers, assets, services and decision making. Failure of the Council's corporate governance framework could result in unlawful decisions and conduct.

FINANCIAL IMPLICATIONS

15. There are none.

EQUALITIES IMPLICATIONS

16. There are none.

Agenda Item 5

COMMUNICATION IMPLICATIONS
17. There are none.
RISK MANAGEMENT CONSIDERATIONS
18. The Council has statutory duties to ensure proper governance. A breakdown in governance creates a range of serious risks, including legal, financial and reputational.
OTHER IMPLICATIONS
19. There are none.
CONSULTATION
20. The Code of Corporate Governance has been drawn up in consultation with the Monitoring Officer, the Head of Finance and the Head of Organisational Development, and considered at a meeting of the Corporate Governance Group.
21. The Governance Task Group has reviewed the draft updated Code and suggested changes which have been incorporated into the attached Code.
BACKGROUND PAPERS
There are none.

Reigate and Banstead Borough Council Code of Corporate Governance

Document History

Version	Date	Author	Change Description	Reviewed and approved by
1	17/03/20	Alex Berry	First draft	Corporate Governance Group
2	07/09/20	Alex Berry	Confirming updates	
3	11/09/20	Alex Berry	Updates following GTG on 10/09/20	Governance Task Group

Next review date: September 2021

Introduction

Corporate Governance is about how the Council ensures that it is doing things right, in the right way, for the right people. It enables the Council to define and pursue its visions effectively in a timely, inclusive, open, honest and accountable manner.

Each local authority is required to develop and maintain an up to date Code of Corporate Governance and to prepare an Annual Governance Statement in order to report publicly on its compliance with the Code.

The council's Code of Corporate Governance has been developed in accordance with the seven core principles that should underpin the governance framework of a local authority, as outlined in the CIPFA/SOLACE guidance "Delivering Good Governance in Local Government: Framework 2016 Edition."

The seven principles of good governance are:

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of the intended outcomes.
5. Developing the Council's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Code of Corporation Governance

The information set out in the framework within this code demonstrates that the Council continually seeks to ensure it remains well governed and that to deliver good governance the Council must always seek to achieve its objectives whilst acting in the public interest.

Monitoring

The Code of Corporate Governance is reviewed annually by:

- Corporate Governance Group (Officer group)
- Governance Task Group (Member group)
- Audit Committee (if changes are required)

as part of the preparation of the Annual Governance Statement.

Principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rules of law.	
Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.	
Supporting Principles	To achieve this, the Council will:
Behaving with integrity	<ul style="list-style-type: none"> • Ensure Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • Ensure members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. Meetings of Standard Committee to promote and maintain high standards of conduct within the Council and monitor effectiveness of the Code of Conduct. The operating principles and values should build on the Seven Principles of Public Life (the Nolan Principles): Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership. • Lead by example and use the above standard operating principles or values as a framework for decision making and other actions • Demonstrate, communicate and embed the standard operating principles or values through appropriate policies and processes which are to be reviewed on a regular basis to ensure that they are operating effectively
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • Seek to establish, monitor and maintain the organisation's ethical standards and performance • Underpin personal behaviour with ethical values and ensure they permeate all aspects of the organisation's culture and operation • Develop and maintain robust policies and procedures which place emphasis on agreed ethical values • Ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation
Respecting the rule of law	<ul style="list-style-type: none"> • Ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations

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| | <ul style="list-style-type: none"> • Create the conditions to ensure that the statutory officers, other key postholders, and Members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements • Strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Deal with breaches of legal and regulatory provisions effectively • Ensure corruption and misuse of power are dealt with effectively |
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Principle 1 is evidenced by:

- [Constitution](#)
- [Corporate Plan](#)
- [Member Code of Conduct](#)
- Member Learning and Development Plan (Internal)
- Employee Code of Conduct (Internal)
- [Annual Governance Statement](#)
- Governance Task Group
- [Register of Interests](#)
- [Schemes of delegation / decision making protocols](#)
- Statutory officers' roles:- Chief Executive, Chief Financial Officer, Monitoring Officer
- [Internal Audit Plan](#)
- [Complaints Procedure](#)
- [Working in Partnership](#)
- [Commercial Governance Framework \(Internal\)](#)
- Whistle Blowing Policy (Internal)
- Anti-bribery Policy (Internal)
- Anti-Money Laundering Policy (internal)
- Equality Policy (Internal)
- Grievance Policy (Internal)
- Hospitality Protocol (Internal)
- ICT Policies (Internal)
- Financial Procedure Rules – Procedure Rule 7 of the [Constitution](#)
- Contract Procedure Rules – Procedure Rule 8 of the [Constitution](#)

Principle 2 - Ensuring openness and comprehensive stakeholder engagement.	
Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.	
Supporting Principles	To achieve this, the Council will:
Openness	<ul style="list-style-type: none"> • Ensure an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided • Provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear • Use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action
Engaging comprehensively with institutional stakeholders (for example, commercial partners and suppliers, other public or third sector organisations)	<ul style="list-style-type: none"> • Effective engagement with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably • Develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • Ensure that partnerships are based on, trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit
Engaging stakeholders effectively, including citizens and service users	<ul style="list-style-type: none"> • Establish a clear policy on the type of issues that the Council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes • Ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement

- Encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs
- Implement effective feedback mechanisms in order to demonstrate how views have been taken into account
- Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Take account of the impact of decisions on future generations of taxpayers and service users

Principle 2 is evidenced by:

- [Constitution](#)
- [Corporate Plan](#)
- [Public attendance at Council meetings/Webcasting of Council meetings](#)
- [Publication of Committee Reports and Papers](#)
- [Freedom of Information](#)
- LGA Workshop for Members: Chairing Skills (internal)
- [Reigate and Banstead Borough Council Website](#)
- [Medium Term Financial Plan, Annual Budget and Capital Investment Strategy](#)
- Treasury Management Strategy
- [Annual Statement of Accounts](#)
- [Working in Partnership](#)
- Social media channels (Facebook, Twitter, LinkedIn, Instagram)
- [Borough News residents' magazine](#)
- [Monthly newsletter to local businesses](#)
- Media engagement
- Events (Community Development, Harlequin Theatre, Leisure, Mayoral, Economic Prosperity)
- Consultation and Engagement activities
- Targeted Communications (where appropriate)

Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.	
The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.	
Supporting Principles	To achieve this, the Council will:
Defining outcomes	<ul style="list-style-type: none"> • Have a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions • Specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer • Deliver defined outcomes on a sustainable basis within the resources that will be available • Identify and manage risks to the achievement of outcomes • Manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • Take a longer-term view with regard to decision making, take account of risk and act transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints • Determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs • Ensure fair access to services
Principle 3 is evidenced by:	
<ul style="list-style-type: none"> • Corporate Plan • Medium Term Financial Plan, Annual Budget and Capital Investment Strategy • Annual Statement of Accounts • Treasury Management Strategy 	

- [Monitoring of Performance Indicators](#)
- [Risk Management Strategy](#)

Principle 4 - Determining the interventions necessary to optimise the achievement of the intended outcomes.

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Supporting Principles	To achieve this, the Council will:
Determining interventions	<ul style="list-style-type: none"> • Ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended long-term outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided • Consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts
Planning interventions	<ul style="list-style-type: none"> • Establishing and implementing robust planning and control cycles that cover long-term strategic and operational plans, priorities and targets • Engage with internal and external stakeholders in determining how services, service improvements and other courses of action should be planned and delivered • Consider and monitor risks facing each partner when working collaboratively, including shared risks • Ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances • Establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured • Ensure capacity exists to generate the information required to review service quality regularly • Prepare budgets in accordance with objectives, strategies and the medium-term financial plan

	<ul style="list-style-type: none"> • Inform medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • Ensure the medium-term financial plan integrates and balances service priorities, affordability and other resource constraints • Ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term • Ensure the medium-term financial plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage • Ensure the achievement of 'social value' through service planning and commissioning
Principle 4 is evidenced by:	
<ul style="list-style-type: none"> • Corporate Plan • Overview and Scrutiny Committee • Executive Forward Plan • Medium Term Financial Plan, Annual Budget and Capital Investment Strategy • Annual Statement of Accounts • Treasury Management Strategy • Working in Partnership • Risk Management Strategy • Commercial Governance Framework (Internal) • Process for Developing Policy Framework – Procedure Rule 6 of the Constitution. 	

Principle 5 - Developing the Council's capacity, including the capability of its leadership and the individuals within it.	
<p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.</p> <p>Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members.</p> <p>Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p>	
Supporting Principles	To achieve this, the Council will:
Developing the Council's capacity	<ul style="list-style-type: none"> • Review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness • Improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently • Recognise the benefits of partnerships and collaborative working where added value can be achieved • Agree an approach to employee engagement with the Employment Committee and Council's Management Team • Review and agree exact priorities for this approach. • Scope individual projects to meet the will flow from the priority work, include priorities around Leadership and Management Development, the Wellbeing of our staff, employee voice and improving our two way internal communication, concluding our review on how we attract talent to the organisation and also our organisation revisioning. • Undertake the annual Service and Financial Planning process to agree resources. Including work between Finance and HR colleagues with Heads of Services and team managers to review Business Plans and the HR plans required to deliver team/organisational objectives. Produce Business Plans for each service area and the corresponding Council's establishment (agreed positions) managed by HR, with the help of Finance colleagues.

<p>Developing the capability of the Council's leadership and other individuals</p>	<ul style="list-style-type: none"> • Develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained • Publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the Council. • Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority • Develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> ○ ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged ○ ensuring Members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis ○ ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external • Ensure that there are structures in place to encourage public participation • Take steps to consider the leadership's own effectiveness and ensure leaders are open to constructive feedback from peer review and inspections • Hold staff to account through regular performance reviews which take account of training or development needs • Ensure our people are healthy and supporting their wellbeing remains a priority for us. To do this we: <ul style="list-style-type: none"> ○ have access to an employee assistance programme (EAP) that offers employees and their families counselling support if required ○ Provide numerous tools online to support wellbeing (physical and mental health) ○ Have occupational health support when required ○ Run specific wellbeing events throughout the year to focus on physical and/or mental health.
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- Encourage managers and staff to have regular 121s when managers can check in about a person's wellbeing on an individual level and any necessary interventions made to help support a person (potentially helped by the HR team). 121s also form part of our performance appraisal process when regular check ins take place with managers throughout the year and pay is reviewed annually
- The recognised Trade Unions also support a number of wellbeing events through the year and open these up to members and non-members.
- We will continue to work on understanding individual wellbeing needs and how the organisation can support individuals

Principle 5 is evidenced by:

- [Constitution](#) including Scheme of Delegation for Members and Officers
- Personal Development Appraisals (Internal)
- Induction Programme (Internal)
- Member and Officer training (Internal)
- Asset Management Plan
- [Pay policy statement](#)
- Employee Engagement Plan

Principle 6 - Managing risks and performance through robust internal control and strong public financial management.	
<p>Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.</p> <p>A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.</p>	
Supporting Principles	To achieve this, the Council will:
Managing risk	<ul style="list-style-type: none"> • Recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making • Implement robust and integrated risk management arrangements and ensure that they are working effectively • Ensure that responsibilities for managing individual risks are clearly allocated
Managing performance	<ul style="list-style-type: none"> • Monitor service delivery effectively including planning, specification, execution and independent post implementation review • Make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • Ensure an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • Provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement • Ensure there is consistency between specification stages (such as budgets) and post implementation reporting (for example financial statements)
Robust internal control	<ul style="list-style-type: none"> • Align the risk management strategy and policies on internal control with achieving objectives • Evaluate and monitor risk management and internal control on a regular basis

	<ul style="list-style-type: none"> • Ensure effective counter fraud and anti-corruption arrangements are in place • Ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor • Ensure an audit committee or equivalent group/ function, which is independent of the executive and accountable to the Council: <ul style="list-style-type: none"> ○ provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment ○ that its recommendations are listened to and acted upon
Managing data	<ul style="list-style-type: none"> • Ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data • Ensure effective arrangements are in place and operating effectively when sharing data with other bodies • Review and audit regularly the quality and accuracy of data used in decision making and performance monitoring
Strong public financial management	<ul style="list-style-type: none"> • Ensure financial management supports both long term achievement of outcomes and short term financial and operational performance • Ensure well developed financial management is integrated at all levels of planning and control including management of financial risks and controls
Principle 6 is evidenced by:	
<ul style="list-style-type: none"> • Corporate Plan • Overview and Scrutiny Committee • Standards Committee • Committee Terms of Reference • Register of Interests • Commercial Governance Framework (Internal) • Register of Gifts and Hospitality (Internal) • Annual Governance Statement • Risk Management Strategy • Medium Term Financial Plan, Annual Budget and Capital Investment Strategy • Annual Statement of Accounts • Treasury Management Strategy 	

- [Complaints Procedure](#)
- [Internal Audit Plan](#)
- Anti-bribery Policy (Internal)
- Anti-Money Laundering Policy (Internal)
- ICT Policies (Internal)
- Health and Safety Policy (Internal)
- Business Continuity Plans (Internal)

Principle 7 - Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Supporting Principles	To achieve this, the Council will:
Implementing good practice in transparency	<ul style="list-style-type: none"> • Write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensure that they are easy to access and interrogate • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand
Implementing good practices in reporting	<ul style="list-style-type: none"> • Report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way • Ensure members and senior management own the results reported • Ensure robust arrangements for assessing the extent to which the principles contained in this framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) • Ensure that this framework is applied to jointly managed or shared service organisations as appropriate • Ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations

Assurance and effective accountability	<ul style="list-style-type: none"> • Ensure that recommendations for corrective action made by external audit are acted upon • Ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon • Welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations • Gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement • Ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met
Principle 7 is evidenced by:	
<ul style="list-style-type: none"> • Corporate Plan • Constitution • Publication of Committee Reports and Papers • Forthcoming Decisions List • Overview and Scrutiny Committee • Annual Governance Statement • Complaints Procedure • Medium Term Financial Plan, Annual Budget and Capital Investment Strategy • Annual Statement of Accounts • Treasury Management Strategy • Internal Audit Plan • Commercial Governance Framework (Internal) 	



SIGNED OFF BY	Head of Corporate Policy and Interim Head of Finance
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TO	Audit Committee
DATE	Thursday, 26 November 2020
EXECUTIVE MEMBER	Portfolio Holder for Corporate Direction and Governance

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Risk management - Q2 2020/21
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RECOMMENDATIONS
<ul style="list-style-type: none"> (i) That the Audit Committee note the Q2 update on risk management provided by the report and associated annexes and make any observations to the Executive. (ii) That the Audit Committee note the newly identified strategic risk detailed in the report and in annex 3 and make any observations to the Executive.
REASONS FOR RECOMMENDATIONS
The Audit Committee's constitutional responsibilities require it to receive regular updated on risk management.
EXECUTIVE SUMMARY
This report provides an update on risk management in Q2 of 2020/21. Additional detail is provided in the report as well as the associated annexes.
The Committee has the authority to approve the above recommendations

STATUTORY POWERS

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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.
5. The Audit Committee has constitutional responsibilities in the area of risk management, including to:
 - Consider the effectiveness of the authority's risk management arrangements, the control framework and seek assurance that action is being taken to mitigate those risks identified; and,
 - Monitor the effective development and operation of risk management in the Council.

BACKGROUND

6. Reigate and 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.
7. 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.
8. 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).
9. Members of the Management Team and Executive Members have shared responsibility for strategic risks. It is the responsibility of the Executive to formally endorse and new risks for inclusion on the strategic risk register.
10. 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.
11. The Audit Committee received the strategic risks for 2020/21 at its meeting on July 16 2020.

KEY INFORMATION

Risk management reporting

12. The Council's risk registers have been updated at the end of Q2, alongside Directors and Heads of Service.

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13. The full risk registers are made available to all members via the ModernGov document library. Risk registers from previous years are available on the eMembers portal.
14. Each quarter the Audit Committee receives an update on risk management. As per the Council's risk management methodology this report provides an update on all strategic risks as well as any red rated operational risks.
15. The update includes the current risk rating, the direction of travel of the risk (with reference to its score) as well as a summary of the key updates in the quarter.
16. Following the Audit Committee this report will be considered by the Executive.

Risk ratings

17. The Council's risk management strategy and methodology utilises the following risk ratings:

Rating	Action
Red	Where management should focus attention. Immediate actions should be identified and plans put in place to reduce risk as a priority.
Amber	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.
Yellow	These should have basic mechanisms in place as part of the normal course of management.
Green	Where risk is minimal and does not demand specific attention but should be kept under review.

Q2 2020/21 risk management update

18. An update on the Council's strategic risks for 2020/21 is provided in annex 1.
19. In Q2 there was one red rated operational risk, the detail of which is set out in the exempt annex 2.
20. In Q2 one new strategic risk was identified, the detail of which is provided in annex 3.
21. No strategic risks were identified for closure in Q2.

OPTIONS

22. The Committee has two options:

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23. Option 1: note this report and associated annexes and make no observations to the Executive.
24. Option 2: note this report and associated annexes and make any observations to the Executive.

LEGAL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

26. Financial risks are taken into account when preparing the Medium Term Financial Plan, Capital Investment Strategy, Revenue Budget and Capital Programme each year.
27. There are no additional financial implications arising from this report.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

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

OTHER IMPLICATIONS

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

CONSULTATION

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

POLICY FRAMEWORK

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

BACKGROUND PAPERS

None.

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
SR1	<p>Brexit</p> <p>The UK’s withdrawal agreement with the European Union includes a transition period where the pre-Brexit trade arrangements will continue to apply. The transition period ends on 31 December 2020, where, if successfully negotiated, new trade arrangements covering goods and services will be put in place. Despite the COVID-19 pandemic, the government remains committed to leaving the transition period by 31 December.</p> <p>The government has the option to extend the transition period but will need to make this decision by June at the latest. If the option to extend is not exercised any later request will require a new treaty and ratification by all EU member states within a short timeframe.</p> <p>If the extension is refused, this leaves the government limited time to agree new trading arrangements. If new trade arrangements aren’t negotiated then the transition period will elapse without a trade deal being in place, resulting in a no-deal Brexit which will likely have adverse effects on the economy.</p>	Cllr Schofield	RED	<p>As of the end of Q2 the UK government and EU have not negotiated a new trading arrangement to take effect following the end of the transition period on 1 January 2021.</p> <p>Earlier in the year the UK government did not exercise the option to extend the transition agreement. This has therefore increased the likelihood of a no deal Brexit as there is now a limited timeframe for the negotiation of new trading arrangements.</p> <p>As part of previous Brexit preparations, the Council’s supply chains have been reviewed.</p> <p>The Council continues to monitor the advice and guidance issued by the Government and the Local Government Association and take any steps that are required.</p>	—
SR2	<p>Financial sustainability</p> <p>The Council is now operating in a uniquely challenging and uncertain financial context.</p> <p>In the wake of the COVID-19 pandemic and likely recession which will follow, the Council faces a period of unprecedented financial uncertainty.</p> <p>The ongoing financial settlement with the Government also remains unclear with the Fair Funding Review</p>	Cllr Schofield	RED	<p>The Council’s Medium-Term Financial Plan was reported to the Executive in July 2020. This sets out the forecast budget challenges over the coming five years. It will form the basis for service & financial planning for 2021/22 onwards.</p> <p>COVID-19 has resulted in material new financial risks, both in 2020/21 and potentially over the medium term. Additional unbudgeted expenditure has been incurred to deliver the authority’s response and budgeted sources of</p>	—

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
	<p>and Business Rate Reset and Revaluation being delayed.</p> <p>There most significant risks relate to the extent to which the Government will fund the unplanned expenditure that is being incurred to deliver the Council’s COVID-19 responsibilities at the same time as experiencing material reductions in income from fees and charges and local taxes. If this substantial financial burden is not mitigated through direct Government support these unplanned financial pressures will have an adverse impact on the Council’s capacity to deliver against its Corporate Plan ambitions in future years.</p>			<p>income have been impacted by reduced demand during lockdown.</p> <p>Government funding received to date is likely to address a significant proportion of the one-off cost pressures but there remains uncertainty about funding support for lost income from fees & charges and local taxes in 2020/21 as well as about whether income levels will return to pre-COVID levels in the remainder of the year and beyond.</p> <p>In Q2 the Council has submitted the first claim to Central Government for lost income as a result of the COVID-19 pandemic.</p> <p>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 high priority. Part 1 of a new Commercial Strategy will be considered by the Executive Committee in Q3, and will provide the parameters for the allocation of identified commercial budgets. External advice is also being taken as to appropriate commercial structures, roles and responsibilities.</p>	
SR3	<p>Local government reorganisation</p> <p>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 a new devolution agenda.</p>	Cllr Brunt	AMBER	<p>In response to the expected government White Paper on local government reorganisation, earlier this year Surrey County Council announced its intention to develop a proposal for a single unitary authority to cover the county. Surrey’s proposal was not one of three that the government invited to take forward.</p>	■

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
	<p>Given the COVID-19 Pandemic, a mandated reorganisation or devolution is unlikely. Instead, changes are most likely to result from a neighbouring or partner authority's financial failure or distress.</p> <p>The results of a possible reorganisation are uncertain, though it could adversely affect this Council and the delivery of services for residents.</p>			<p>The government has announced that the expected White Paper will now follow in 2021. It has also been confirmed that, at present, the government is not pursuing a mandatory top down reorganisation.</p> <p>The Council will continue proactively seek to influence the debate on the future structure of local government within Surrey alongside the other districts and boroughs and county council.</p> <p>Irrespective of the ongoing debate on devolution and reorganisation, the Council's neighbouring and partner authorities are operating in the same strained financial circumstances as detailed in SR2 above. The financial failure of a neighbouring or partner authority is therefore still a risk.</p>	
SR4	<p>Partner public sector funding decisions</p> <p>The public sector is experiencing significant funding pressures. Budgetary decisions made by other public service providers will impact this borough's residents and businesses as well as the Council itself.</p> <p>The COVID-19 pandemic has increased pressure on public services. These pressures may result in partners being stretched which may require the Council to increase services and support provided. This could have negative funding and resource implications.</p>	Cllr Schofield	AMBER	<p>Our partner public sector organisations are operating in a similarly challenging financial context as detailed in SR2 above.</p> <p>As noted in SR3, the financial distress or failure of a partner or neighbouring authority could result in changes to the structure of local government in Surrey.</p> <p>We will seek to align Council and partner priorities around the new Corporate Plan wherever possible, to ensure that all services are meeting the needs of our residents and businesses.</p>	—

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
SR5	<p>Organisational capacity and culture</p> <p>The Council has adopted an ambitious Corporate Plan, supported by a capital investment, housing and Great People strategy.</p> <p>The COVID-19 pandemic will change the way the Council operates and will drastically change the organisational culture and ways of working.</p> <p>The Council will continue to be ambitious and the new ways of working will need to be embraced by both members and officers in order for objectives to be achieved.</p> <p>The failure to remain ambitious will risk the delivery of these objectives in these unprecedented times.</p>	Cllr Lewanski	AMBER	<p>Before the COVID-19 pandemic significant work was undertaken on the Council’s Great People work programme (formerly known as the Organisation Development strategy). This has formed a solid basis for post COVID planning.</p> <p>Organisational culture: The pandemic has resulted in a need for the organisation to work differently. This is being proactively driven by the New Ways of Working Recovery group. This group has member oversight</p> <p>Priority is currently being given to understanding and addressing staff welfare and wellbeing issues. A survey has taken place and the results are currently being analysed and an action plan will be formulated.</p> <p>Capacity and resilience: As recently agreed by the Employment Committee, the recruitment of a new Chief Executive will be paused and reconsidered in the Spring. Suitable plans are in place within the Management Team to cover all duties. Recruitment will be underway shortly to increase capacity in the Management Team.</p>	—
SR6	<p>Economic prosperity</p> <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 will have negative impacts upon the economy, with forecasts suggesting the worst recession in a century.</p>	Cllrs Humphreys and Schofield	RED	<p>The latest available data shows that Reigate and Banstead continues to have the highest number of furloughed employees in Surrey. We will closely monitor the impact of the ending of the government’s Job Retention (furlough) scheme on 31 October and the impact on local residents and businesses.</p>	—

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
41	<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 paid for services and the collection of monies owed. Challenging financial circumstances for residents may also increase their reliance on Council services.</p>			<p>During the quarter the government announced the successor to the furlough scheme.</p> <p>In the autumn the Council will launch the East Surrey Work Local Youth Hub. The Hub is a new initiative to combat the recent increase in youth unemployment and to support the growth of local skills. The Council will work in partnership with the Department for Work and Pensions and Tandridge District Council to provide support in finding work and developing skills to young unemployed residents and those facing redundancy.</p> <p>The Council continues to be active in supporting local businesses. This includes the processing of business grants and applications for business rate relief. The Council has also distributed money to businesses via the local authority discretionary grant fund.</p>	
SR7	<p>Reliance on the welfare system</p> <p>The COVID-19 pandemic has resulted in increasing numbers of residents being reliant upon the welfare system as the economy is negatively impacted. This increases the risk of household budgets being stretched and residents being threatened with homelessness. The latter could result in an increase in cost pressures on the Council as our services are increasingly relied upon.</p>	Cllr Knight	RED	<p>The COVID-19 pandemic has resulted in significant negative economic impacts on residents. The Council will closely monitor the impact of the gradual ending of the government's furlough scheme and the impact on local residents.</p> <p>During the quarter the government announced the Test and Trace support payment. The Council has setup processes to take applications and make payments.</p> <p>The full roll-out date for universal credit has yet to be confirmed. However, the system is live for those experiencing changes in their circumstances. The effects of COVID-19 has</p>	■

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>increased universal credit claimants in the borough.</p> <p>Evictions were temporarily suspended following the COVID-19 pandemic. The courts reopened in September and will recommence evictions and work through a backlog of cases. The Housing service will likely experience an increase in homelessness applications from families.</p>	
42	<p>SR8 Cyber security</p> <p>Organisations are at an ever-increasing risk of cyber-attack as the use of digital systems and technologies increases. More sophisticated attacks and new variants of malicious software underscore the risk of corporate defences being compromised.</p> <p>The shift to remote working and teleconferencing in response to COVID-19 could potentially compromise cyber security.</p> <p>The effects of a cyber-attack are wide and varied though at their worst could result in data destruction, disruption to the delivery of services and data theft.</p>	Cllr Lewanski	AMBER	<p>ICT reports data security matters to the Senior Information Risk Officer (SIRO). The ICT customer base will be kept informed of any specific threats and will be continually reminded to be vigilant when opening email or browsing websites, particular those from unknown sources</p> <p>The annual assessment of ICT security standards, set by the Cabinet office and known as the Public Sector Network Code of Connection (PSN CoCo), has been passed and certificated.</p>	—
	<p>SR9 Fraud</p> <p>Due to the wide range of activities being undertaken by the Council, there is a risk of fraud being committed. The latter is exacerbated by the new areas of activity which the Council has launched following the COVID-19 pandemic.</p>	Cllr Schofield	AMBER	<p>The new areas of activity that the Council has delivered since the pandemic started increase the risk of fraud. The Council nevertheless has robust control measures in place to protect public funds from fraudulent activity.</p> <p>The Council's processes regarding the payment of small business grants were audited by the Council's internal auditors in Q2 of this financial year. An opinion of 'substantial</p>	—

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

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Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				assurance' was received, with no management actions recommended. An audit on discretionary grant payments is ongoing and will report shortly.	
SR10	<p>Marketfield Way</p> <p>Marketfield Way is a major place delivery project for the Council and is critical to shaping Redhill and ensuring the town's continued vitality and viability. It will also generate income which can be reinvested in Council services.</p> <p>The COVID-19 pandemic will likely negatively impact upon this development, including in its delivery as well as its financial viability.</p>	Cllr Humphreys	AMBER	<p>The project continues to be on track. Enabling work has continued despite the COVID-19 pandemic. Office based staff are working remotely and social distancing measures are in place on site. These measures are aligned to industry standards as well as all relevant government guidance. This is a key control to prevent work on site being delayed.</p> <p>We have entered into a building contract which reduces financial risk to Council by fixing a high proportion of outstanding costs.</p> <p>The current economic climate may make securing pre-let agreements – particularly for the cinema operator – difficult. This will be continually monitored alongside the Council's commercial agent.</p>	
SR11	<p>Gatwick Airport</p> <p>The COVID-19 outbreak is likely to have a prolonged negative impact on Gatwick airport. The outbreak has seen a large reduction in air travel which can be expected to continue into the foreseeable future due to the negative economic outlook and likely ongoing global travel restrictions.</p> <p>As a key local employer the financial position of the airport will likely have a negative effect on local employment, which may result in an increased number of residents seeking support from the Council.</p>	Cllr Humphreys	RED	<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>As noted above, Reigate and Banstead has the highest number furloughed employees in Surrey. It is likely that a high number of Reigate and Banstead residents are on furlough from Gatwick and its associated supply chain.</p>	↑

ANNEX 1 – Q2 2020/21 STRATEGIC RISKS UPDATE

Ref.	Risk description	Owner	Rating	Mitigating actions/update	Direction of travel
				<p>In the last few weeks of the quarter an increasing number of flights have operated from Gatwick.</p> <p>British Airways recommenced some long-haul flights from Gatwick in Q2, however short haul flights have moved to Heathrow and are not expected to return to Gatwick until 2021.</p> <p>As of 29 September there have been 1,400 redundancies at Gatwick (this figure does not include job losses in the associated supply chain). Passenger numbers are down by 80% on pre-pandemic levels.</p>	
44	<p>SR12 COVID-19: second wave/local lockdown</p> <p>In the event of a second wave or local lockdown, the Council will be required to stand up its response to support residents and businesses.</p> <p>This will result in members of staff being redeployed and could result in significant disruption to the delivery of services.</p>	Cllr Brunt	RED	<p>This risk was raised for inclusion on the risk register in Q1 2020/21.</p> <p>On 12 October the government announced a new local COVID-19 alert level framework. This was supplanted, however, by the recently announced national lockdown from 5 November 2020, upon the conclusion of which the tier system will recommence.</p> <p>The Council has plans in place to respond to a second wave and/or local lockdown or restrictions under the government's new framework. These plans include providing support services to residents and businesses as well as maintaining business continuity and the delivery of core statutory services.</p>	

ANNEX 3 – NEW STRATEGIC RISK

Risk description	Owner	Rating
<p>Reform of the planning system</p> <p>Following the publication of the ‘Planning for the Future’ white paper, the government is consulting on changes to planning system.</p> <p>Whilst the proposals are at an early stage and are subject to later change and revision, the current White Paper proposes increasing the threshold at which affordable housing is required from developments from 10 units to 40 or 50.</p> <p>Given the large number of developments in the borough offering 11-40 homes, the increase in the threshold to 40 would reduce RBBC’s delivery of affordable housing by up to approximately 60%.</p> <p>This change could therefore negatively impact delivery of affordable housing in the borough.</p>	<p>Cllr Biggs</p>	<p>Amber</p>

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SIGNED OFF BY	Interim Head of Finance
AUTHOR	Luke Harvey, Project & Performance Team Leader
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EMAIL	Luke.Harvey@reigate-banstead.gov.uk
TO	Audit Committee
DATE	Thursday, 26 November 2020

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Internal audit 2020/21 - Q2 progress report
----------------	---------------------------------------------

RECOMMENDATIONS

- (i) That the Committee note the Internal Audit Progress report attached at annex 1;
- (ii) That the Committee note the Southern Internal Audit Partnership's External Quality Assessment (EQA) report available at annex 2;
- (iii) That the Committee make any comments and/or observations on the report to the Council's Chief Financial Officer.

REASONS FOR RECOMMENDATIONS

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.

EXECUTIVE SUMMARY

This report provides an update on the delivery of the 2020/21 internal audit plan.

The Committee has the authority to approve the above recommendations

STATUTORY POWERS

1. The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their]

Agenda Item 7

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 Financial 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. The Council’s internal auditors are the Southern Internal Audit Partnership (SIAP).
5. The Partnership is hosted by Hampshire County Council and is comprised of a number of local authorities and other public sector organisations.
6. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
7. The PSIAS defines internal audit as an ‘independent, objective 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’.
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. 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.
11. The Audit Committee endorsed the 2020/21 internal audit plan at its meeting on 16 July 2020. This would ordinarily have taken place in March 2020 ahead of the new financial year; the situation with COVID-19, however, meant that this was delayed.
12. The plan was fundamentally updated given the change in risk environment that the COVID-19 pandemic caused.
13. Under the Council’s Constitution the Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
14. The attached progress report:
 - Summarises the status of ‘live’ audit reports (an audit 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.

KEY INFORMATION

Q2 2020/21 progress update

15. Section 3 of SIAP's report details the overall progress in delivering the 2020/21 audit plan.
16. Progress continues to be made in delivering the 2020/21 audit plan, with 62% of the plan having commenced.
17. Section 7 of the report provides a detailed overview of the work programme for the year thus far.
18. Internal audit reviews result 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 under review. SIAP's assurance opinions are categorised as follows:

Substantial	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.
Reasonable	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.
Limited	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.
No	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.

19. So far this year one audit has concluded:

Audit	Assurance opinion
COVID-19: Small business grants	Substantial

Agenda Item 7

Management actions

20. Section 4 of the report at annex 1 provides a summary of outstanding management actions.
21. As reported at the Audit Committee on 9 September, the Council is prioritising efforts on the response to, and recovery from, the COVID-19 pandemic.
22. As such, the actions have been assigned revised implementation dates. They will continue to be reported to the Audit Committee until their implementation. It is expected that all actions for the audits appearing in section 4 will be concluded by the end of April 2020.

Amendments to the audit plan

23. Section 8 of the report at annex 1 summarises the amendments made to the 2020/21 audit plan.
24. Since the Audit Committee were last updated on Audit Plan delivery on 9 September, one amendment has been made to the plan.
25. At the request of the Chief Finance Officer, an audit on the Council's approach to claims under the Local Government Compensation Scheme (LGCS) for partial reimbursement of income losses incurred during the pandemic will take place in Q3. This will help provide assurance that the methodology used to prepare and submit claims meets Government (MHCLG) criteria and thereby reduces the risk of under claiming and/or claim rejection for non-compliance, To accommodate this, the audit on Treasury Management that was originally due to take place in Q3 will now take place in 2021/22.

SIAP External Quality Assessment

26. During September 2020, the Institute of Internal Auditors (IIA) undertook an External Quality Assessment of the Southern Internal Audit Partnership which considered their conformance with the International Professional Practices Framework (IPPF), Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN). The final report from the IIA is attached at Annex 2 and concludes that SIAP conform with all aspects of the IPPF, PSIAS and LGAN.

OPTIONS

27. The Committee has two options:
28. Option 1: Note the report and make any observations and comments on its contents to the Council's Chief Financial Officer.
29. Option 2: Note the report and make no observations to the Council's Chief Financial Officer.

LEGAL IMPLICATIONS

30. The Committee's review of the quarterly progress report assists in the fulfilment of the Council's statutory duty to maintain an independent and effective internal audit function.

31. There are no other legal implications resulting from this report.

FINANCIAL IMPLICATIONS

32. There are no financial implications arising from this report. Internal audit fees are funded within the annual revenue budget.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

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

36. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.

OTHER IMPLICATIONS

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

CONSULTATION

38. This report has been considered by the Council's Corporate Governance Group as part of its governance role.

POLICY FRAMEWORK

39. 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.

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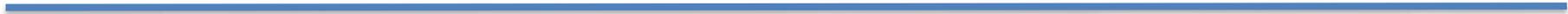
Internal Audit Progress Report 2020/21

October 2020 (Q2)

Reigate & Banstead Borough Council



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**Southern Internal
Audit Partnership**

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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.

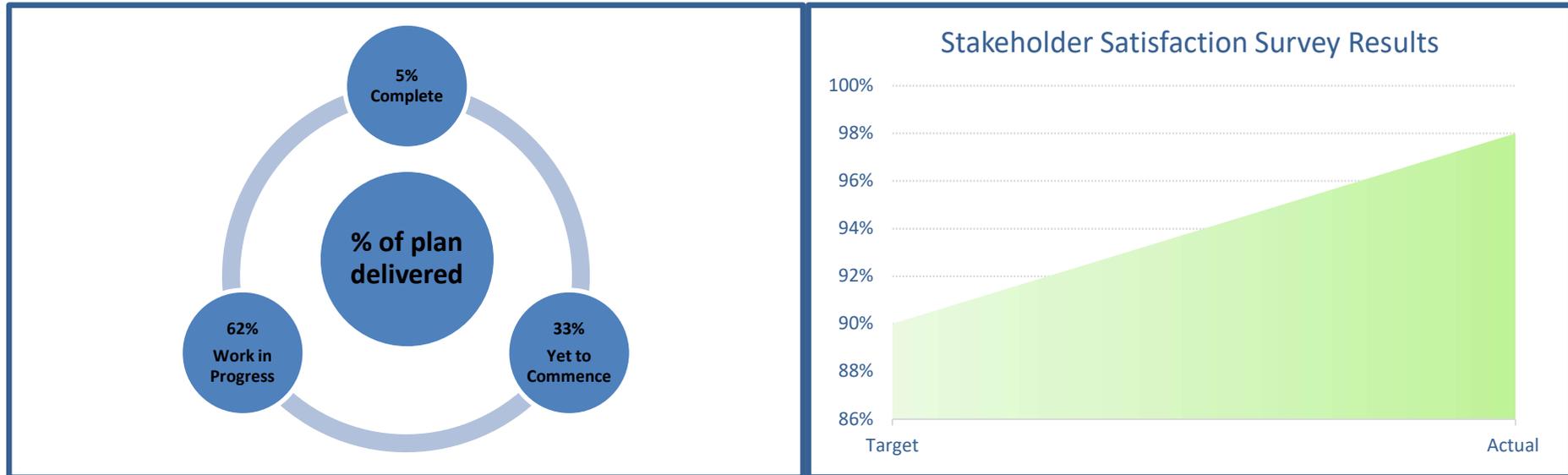
CIPFA have recently released a paper which examined the case for standardising the terminology and definitions used in internal audit engagements across the whole of the public sector and has subsequently recommended a standard set of opinions and supporting definitions for internal audit service providers to use.

To ensure we continue to conform to the best practice principles, we will be adopting the standard definitions for our 2020/21 work and moving forwards. The assurance opinions are categorised as follows:

Substantial	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.
Reasonable	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.
Limited	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.
No	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.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 1*

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 Action(s)	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
Human Resources and Organisational Development	03.10.19	HofOD	Adequate	7(0)	0(0)	0(0)	1(0)	6		
Investments	03.10.19	HofF&A	Adequate	4(0)	0(0)	2(0)	2(0)			
Refuse, Recycling and Street Cleansing	15.10.19	HofNO	Adequate	15(3)	0(0)	0(0)	14(3)		1	
NNDR	05.02.20	HofRB&F	Adequate	3(2)	0(0)	0(0)	2(2)		1	
Council Tax	05.02.20	HofRB&F	Adequate	6(2)	0(0)	0(0)	3(2)		3	
Planning Enforcement	05.03.20	HofP	Adequate	2(0)	0(0)	2(0)	0(0)			
Ethical Governance	01.04.20	HofL&G	Adequate	5(0)	0(0)	1(0)	0(0)	4		

Audit Sponsors

HofCP	Head of Corporate Policy	HofW&I	Head of Wellbeing and Intervention
HofPP	Head of Projects and Performance	HofCP	Head of Community Partnerships
HofOD	Head of Organisational Development	HofC&CC	Head of Communications and Customer Contact
HofIT	Head of IT	HofP	Head of Planning
HofL&G	Head of Legal and Governance	HofPD	Head of Place Delivery
HofF&A	Head of Finance and Assets	HofEP	Head of Economic Prosperity
HofH	Head of Housing	HofNO	Head of Neighbourhood Operations
HofRB&F	Head of Revenues Benefits and Fraud		

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There are no new final reports published concluding a “limited” or “no” assurance opinion.

6. Planning & Resourcing

The scale of COVID-19 coupled with the speed of its impact and the wide-ranging challenges presented has necessitated new and different ways of working across the Council. Such challenges and subsequent resolutions bring with them new and emerging risks that management need to consider, manage, and mitigate. In response, the Southern Internal Audit Partnership engaged with the Council’s Corporate Governance Group to reprioritise the originally drafted audit plan in March 2020 to provide assurance in respect of emerging key risk areas and these are detailed within section 8 of this report.

The revised internal audit plan for 2020-21 was presented to Corporate Governance Group and the Audit Committee in July 2020.

Due to the revision of the internal audit plan, coupled with the delay in approval, progress to date has been limited, however all reviews have been scheduled over the remainder of the year.

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

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate								
Programme & Project Management	HofP&P	✓	✓	✓				Q2
Financial Resilience	HofF&A	✓						Q3
Governance								
Risk Management	HofP&P	✓	✓	✓				Q3
Contract Management	HofL&G							Q4
Commissioning & Procurement – Credit Cards	HofF&A	✓	✓	✓	✓			Q2
Health & Safety	HofNO	✓	✓	✓				Q2
Information Governance	HofIT							Q4
COVID-19: Small Business Grants	HofF&A	✓	✓	✓	✓	✓	Substantial	Q2
COVID-19: Discretionary Payments	HofF&A	✓	✓	✓				Q2/3
COVID-19: Decision Making & Governance	HofPP	✓	✓	✓				Q2
COVID-19: Emergency Response & Recovery	HofCP & HofPP	✓	✓	✓	✓			Q2
IT								
Information Security	HofIT							Q4
Cyber Security	HofIT	✓	✓	✓				Q2
IT Disaster Recovery	HofIT							Q3
Payment Card Industry Data Security Standard	HofIT							Q4
Core Financial Reviews								
Housing Benefits	HofRB&F	✓	✓	✓				Q2
Local Government Compensation Scheme (LGCS)	HofF&A							Q3

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Payroll	HofOD	✓						Q3
People								
Homelessness	HofH							Q4
Place								
Environmental Health & Licensing	HofNO	✓						Q3
Fleet Management	HofNO	✓	✓	✓				Q2

8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2020/21

Removed from the plan	Reason
Working in Partnership	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Community Safety	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Business Continuity & Emergency Planning	Scope refocused to prioritise lessons learnt from COVID-19 and recovery processes in place.
IT Governance	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Economic Prosperity	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19
Income Generation & Commercialisation	Defer until 2021/22. Replaced with the review of Financial Resilience.
Treasury Management	Defer until 2021/22 in order to prioritise new risk areas relating to COVID-19.
Added to the plan	Reason
Information Security	Deferred from 2019/20
COVID-19: Small Business Grants	Prioritised due to implications of COVID-19.
COVID-19: Discretionary Payments	Prioritised due to implications of COVID-19.
COVID-19: Decision Making & Governance	Prioritised due to implications of COVID-19.
Cyber Security	Prioritised due to implications of COVID-19.
Financial Resilience	Prioritised due to implications of COVID-19.
COVID-19: Emergency Response & Recovery	To review lessons learnt from the Council's response to the COVID pandemic and assurance over the governance and recovery actions in place to return to business as usual.
Local Government Compensation Scheme (LGCS)	Included within the plan at the request of the Interim Head of Finance and Assets to review the methodology applied and sample check the accuracy of the three submissions to Central Government for the LGCS.

Reigate & Banstead Borough Council Assurance Opinions (Pre 2020-21)

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Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

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Setting the standards **together**



Chartered Institute of
Internal Auditors

External Quality Assessment (EQA)

Report for:

Southern Internal Audit Partnership

**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Prepared by John Chesshire, Bethan Jones
and Liz Sandwith
approved reviewers for
The Chartered Institute of Internal Auditors
14 September 2020

www.iaa.org.uk/eqa



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1.1 Background and Scope

The internal audit service provided by Southern Internal Audit Partnership (SIAP) delivers internal audit services to one strategic Partner (Hampshire County Council), 17 key stakeholder partners (including county, district, borough and city councils, police, fire and rescue and related bodies) and 10 external clients.

The Head of Partnership (supported by the Assistant Head) and two Deputy Heads fulfil the Chief Internal Auditor (CIA) roles for their respective client portfolios. They report functionally to Audit Committees in the partner and client organisations. In addition, the Head of Partnership reports strategically to the Key Stakeholder Board.

SIAP seeks to bring together the professional discipline of internal audit across partnering organisations, pooling expertise and enabling a flexible, responsive and resilient service to our partner and client portfolio. To help achieve this, SIAP follows the IIA's Mission for internal auditing and the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).

The Chartered Institute of Internal Auditors previously undertook an external quality assessment (EQA) of SIAP in 2015. We are delighted that SIAP commissioned us to undertake this current EQA once again.

Our review included a thorough validation of the SIAP's self-assessment, a significant number of interviews with key stakeholders across the partner and client organisations, SIAP team members, as well as an extensive customer survey.

Given the pandemic, we conducted this EQA remotely.

1.2 Key Achievements

SIAP is an established and effective internal audit service, valued by key stakeholders in its partner and client organisations.

The governance framework over SIAP is mature, with a well-established Key Stakeholder Board and Audit Committee oversight, regular meetings, reporting and performance monitoring.

A very experienced Head of Partnership leads the SIAP team, supported by three senior managers. Engagement with key stakeholders is regular and effective, with the Head of Partnership viewed as a trusted, independent and respected leader.

SIAP team members have diverse professional backgrounds, qualifications, experience and skills, making them a flexible and effective service. They can tackle a wide range of assurance, consulting and investigatory challenges. The team also contains IT audit and counter fraud specialists. The Head of Partnership could procure additional external support if needed through a budget for co-sourcing. SIAP operates a matrix management approach to team operation and deployment.

Our stakeholder survey results were also positive. Individual comments were very supportive, with very few areas for improvement identified. We also received positive responses to our questions from the key stakeholders we interviewed. Individuals particularly welcomed the SIAP team's overall professionalism, objectivity, engagement, planning and reporting. Suggested areas for improvement were minimal.

The team's Audit Charter is comprehensive, up to date and supported by an appropriate internal audit methodology. The team have developed and delivered annual risk-based audit plans for each of their clients and are moving to a more flexible quarterly

approach. Key stakeholders are actively engaged in the design of these plans. The SIAP team document progress and the Head of Partnership and senior colleagues report on this at regular Audit Committee meetings.

SIAP managers actively monitor performance, the Head of Partnership measures and reports on a small number of KPIs, and a thorough, documented Quality Assurance and Improvement Programme is in place. The team make good use of MKI audit management software. They are also making progress on implementing a more data analytics-driven approach to some internal audit engagements but acknowledge that they need to undertake more work in this area.

We believe that the supporting operational SIAP team processes, documentation and associated templates are fit for purpose. SIAP managers have detailed these in a variety of key documents.

Our file reviews showed appropriate compliance with the team's methodology and evidence of appropriate scope, objectives, testing, evidence, supervision and review.

1.3 EQA Assessment Conclusion

We are pleased to report that the SIAP team meet each of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.

To summarise, we are delighted to report that the SIAP team are excellent in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Quality Assurance and Improvement Programme

We believe that the SIAP team are good in their:

- Operating with efficiency
- Coordinating and maximising assurance

In conclusion, this is an excellent result and the Head of Partnership and SIAP team should be justifiably proud of their service, its approach, working practices and how key stakeholders' value it.

It is therefore appropriate for the function to say in reports and other literature 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'.

1.4 Conformance Opinion

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. This is summarised in the table below.

Summary of Conformance	Standards	Generally Conforms	Partially Conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	7				7
Managing the Internal Audit Activity	2000 - 2130	12				12
Performance and Delivery	2200 - 2600	21				21
Total		64				64

As a result, we make no formal recommendations for improvement.

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.

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The Chartered Institute regards conformance to the IPPF as the foundation for effective internal audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with heads of internal audit, summarised in an internal audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered Institute.

It is our aim to offer advice and a degree of challenge to help internal audit activities continue their journey towards best practice and excellence.

In the following pages we present this advice in three formats:

- A SWOT analysis to recognise the accomplishments of the team and to highlight potential threats and opportunities for development. [\(See 2.1\)](#)
- A matrix describing the key criteria of effective internal audit, highlighting the level SIAP has achieved and the potential for further development, recognising that effective internal audit goes further than purely conformance with internal auditing standards. [\(See 2.2\)](#)
- A series of improvement opportunities and suggestions which the internal audit team could use as a basis for an action plan. [\(See 2.3\)](#)

2.1 SWOT Analysis

What works well (Strengths)

- An experienced, diverse and professional team, with a broad mix of qualifications, backgrounds and specialisms, including IT and counter fraud
- The Head of Partnership is well-respected, independent, confident and knowledgeable
- Move to quarterly planning demonstrates greater agility and responsiveness to a volatile, changing environment
- Very positive staff and stakeholder survey results
- The 'added value' section in the internal audit reports usefully highlights good practice and improvement opportunities
- Training and Development Plan developed, particularly in response to recruitment and expansion. Well-received training sessions delivered at the start of the pandemic
- SIAP governance is clearly documented (Charters, Plans, Audit Methodology and flowcharts, the QAIP etc.) and the audit methodology, including action follow up, works well
- Client relationship management - effective relationships with key stakeholders, both councillors and officers
- Stakeholders value the sharing of best practice and emerging issues across the sector and between organisations

What could be done better (Weaknesses)

- Lengthy elapsed time for some internal audit engagements

What could deliver further value (Opportunities)

- Virtual/remote working 'lessons learned' and implementation, coupled with a more agile-focused mindset
- Progressing the implementation of enhanced data analytics would enable more comprehensive testing and reliable, insightful conclusions and reporting
- MKI Upgrades likely to enhance functionality and improve the internal audit methodology and working practices, potentially including automated action tracking and reviewer sign off
- Further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line
- Continue with the ongoing development of quarterly planning enabling new business areas, emerging areas of risk and changing business processes are adequately
- Increasing visibility and awareness of SIAP by an appropriate presence on each partner website and/or intranet site
- Increased sharing of lessons, benchmarking and good practice would demonstrate further added value
- The Staff Survey highlighted some desire for improved intra-team communications and better celebration of success. Communication of successes from internal audit engagements could be motivational and help embed lessons and good practices across the wider SIAP service
- Rotating managers more frequently between clients can ensure fresh perspectives and help avoid over-familiarity

What could stand in your way (Threats)

- Partner and client funding cuts would threaten internal audit delivery, resourcing, resilience and the ability of the Head of SIAP to provide evidence-based annual opinions
- Client data quality may limit the opportunity to benefit from enhanced data analytics
- Second line functions may need to mature more fully. Unless this happens, the SIAP team will be unable to place further reliance on them, or coordinate their work more effectively, with them
- Excessive staff turnover and unfilled vacancies, could threaten service delivery
- A potential second wave of COVID could impact service delivery - not everything can be audited remotely - and threaten the ability of the CIA to deliver an annual opinion

2.2 Internal Audit Maturity Matrix

Assessment	IIA standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives, risks and change. IA has a high profile, is listened to and is respected for its assessment, advice and insight.	IA is fully independent and is recognised by all as the 3rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with, and approved by, AC.
Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors, with some acknowledgement of the value-added dimension.	Coordination is planned at a high-level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly, linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
Satisfactory	Most of the IIA Standards are found in the methodology, with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks, but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagements go beyond deadline and a number are deferred.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
Poor	No reference to the IIA Standards, with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload, with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

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2.3 Improvement Opportunities

This section of the report details additional feedback and observations which, if addressed, could strengthen the impact of Internal Audit. These observations are not conformance points but support Internal Audit's ongoing development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A

Elapsed time on internal audit engagements - there is a long, elapsed time from start to finish for some of the engagements carried out across the partner organisations. There is no single reason for this, but SIAP economy, efficiency and effectiveness would be improved if elapsed time was reduced. The Head of Partnership and the SMT have recognised this as an area for improvement and will explore more agile ways of working and assess good practices employed across the SIAP team to help reduce this.

Suggestion: We believe that the Head of Partnership and the SMT could usefully revisit SIAP engagement delivery to better assess the root causes of delays, and pilot solutions. Potential solutions may certainly include employing a more agile 'site audit' approach and mindset on some engagements, deploying task-based teams on specific engagements (rather than solo personnel), closer engagement with the audit client to ensure availability for short duration intense engagements, or undertaking additional identical audits using the same team members across several partner organisations, to increase pace and efficiency. We support the intention to focus on improving this area.

Opportunity B

Data Analytics - the SIAP team have begun to employ data analytics in relevant assurance engagements but have been hampered by poor quality data in some areas to date. The Head of Partnership and the SMT want to expand the use of data analytics and recognise the benefits this will bring the service.

Suggestion: We believe that the Head of Partnership and the SMT should consider how best to increase and embed the use of data analytics more rapidly across SIAP to enhance the depth and breadth of assurances provided. Some leading internal audit teams have moved to a methodology position of having to justify why data analytics should not be employed on an engagement. The expectation is that use of data analytics is the default position for every engagement. Other internal audit teams have developed a strategy covering a roadmap to roll out and embed a data analytics capability and mindset over a three-year horizon.

Opportunity C

Audit Management Software - The SIAP team are currently awaiting further enhancements to their MKI software application.

Suggestion: We believe that team efficiency could be further enhanced if they requested an upgrade to the way in which evidencing management review of audit work occurs, perhaps through working paper 'date stamp' functionality. We found the current review process to be cumbersome and time-consuming. Additionally, to further ongoing initiatives to automate the action tracking process, seek to enable the system to automatically email action owners at regular intervals. This would also enhance team efficiency and reduce the need for manual intervention.

Opportunity D

Remote working and the future - what the internal audit working environment of the future will look like is unclear. The extent to which a mixed economy of office and remote working is here to stay is uncertain. However, the SIAP team have responded well to pandemic-driven changes, and a comment in the recent staff survey highlights that “in terms of flexible working, the strategy is being completed collaboratively in consultation with staff”. Whatever happens, pressure on the SIAP’s key stakeholders, managers and staff is likely to increase, available time will decrease and this may challenge aspects of the internal audit process and relationships.

Suggestion: We believe that the Head of Partnership and the SMT could usefully undertake a lessons learned review of what has worked well over the last six months, where improvements are required, what the key ‘ways of working’ learning points are and how the SIAP approach, ethos and methodology may need to adapt to ensure continued stakeholder buy-in, effective relations, the acceptance of the need for internal audit engagements and the timely implementation of any ensuing actions, in a changed and challenging environment.

Opportunity E

Coordination and reliance on other assurance providers - further emphasis on assurance mapping, coupled with placing reliance on assurance providers in the second line (where it is right to do so) may increase the effectiveness of assurances to senior management and the audit committee(s).

Suggestion: We believe that the Head of Partnership should continue to develop a robust, reliable and value-adding approach to assurance mapping and reliance, to enhance efficiency and effectiveness.

Opportunity F

Periodic Planning - the move to a more flexible and responsive quarterly planning, engagement allocation and delivery model is a welcome development and appropriate for the current volatile and changing environment.

Suggestion: We support the Head of Partnership in continuing to ensure that new business teams, innovative or revised services, emerging areas of risk and changing partner and client governance, strategies and delivery models are adequately covered in the SIAP risk assessment and reflected in these quarterly internal audit plans. This will help ensure the team remain insightful, proactive, and future-focused, providing professional assurance over new and emerging areas of organisational risk. Continued oversight of evolving areas of internal audit practice from research, networking and professional events will assist this approach.

The following rating scale has been used in this report:

Generally Conforms (GC)	<p>The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>
Partially Conforms (PC)	<p>The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.</p>
Does Not Conform (DNC)	<p>The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.</p>

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a "generally conforms" rating

Stakeholder Interviews

We interviewed the following individuals as part of the review. We also sent out stakeholder surveys to 38 senior managers and Audit Committee members across the partner organisations. We are pleased to have received 19 completed survey responses from the 38 requests. We have shared the anonymised survey results with the Head of Partnership.

Stakeholders	Title / position	Internal Audit team	Title / position
Cllr Nigel Dennis	Chair Regulation, Audit and Accounts Committee, West Sussex County Council	Neil Pitman	Head of Partnership
Gill Kneller	Chief Executive, Havant Borough Council and East Hampshire District Council	Karen Shaw	Deputy Head of SIAP
Cllr Margot Power	Chair Audit Committee, Winchester City Council	Nat Jerams	Assistant Head of SIAP
Katharine Eberhart	Director Finance and Support Services, West Sussex County Council	Ant Harvey	Deputy Head of SIAP
Melvyn Neate	Chair, Hampshire Joint Audit Committee	Abbas Alimohamed	Auditor
Nick Gray	Deputy Chief Executive and S151 Officer, Mole Valley District Council	Chris Benn	Senior Auditor
Cllr Allan O'Sullivan	Chair Audit Committee, New Forest District Council	Bev Davies	Audit Manager
Carolyn Williamson	Director of Resources and Deputy Chief Executive (S151), Hampshire County Council		
Paul Burden	Chair, Sussex Joint Audit Committee		

Lydia Morrison	S151 Officer, Havant Borough Council and East Hampshire District Council
John Coughlan	Chief Executive, Hampshire County Council
Cllr Keith Evans	Chair Audit Committee, Hampshire County Council
Richard Croucher	Chief Finance Officer, Hampshire Constabulary and Deputy Chief Finance Officer Hampshire Fire and Rescue Authority
Pat Main	S151 Officer, Reigate and Banstead Borough Council
Bob Jackson	Chief Executive, New Forest District Council
Elaine Jackson	Acting Chief Executive, Tandridge District Council
Cllr Briggs	Chair of Governance, Audit and Finance Board, Havant Borough Council
Lisa Kirkman	Strategic Director Resources, Winchester City Council

Acknowledgement

We would like to thank the SIAP team for their time, assistance and support during this review and all those who took part in the review for their co-operation together with their open and honest views.

Feedback from stakeholder interviews and surveys

Working with the business

“The service is very proactive and accessible. They keep me regularly informed of progress and any issues they have”. Stakeholder Survey feedback.

“The SIAP team have a very good relationship with the senior management team - this makes life so much easier when issues arise”. Stakeholder interview.

“The team are proactive and responsive”. Stakeholder interview.

“Those being audited feel that SIAP are undertaking the audit ‘with’ them not ‘to’ them”. Stakeholder interview.

Communication

“Their reports are about right – clear, straightforward and an appropriate length”. Stakeholder interview.

“The team are exceptionally professional, and sensitive, and have developed confidence in the staff, which ensures the accuracy of the audit is underpinned”. Stakeholder Survey feedback.

“They deliver good, professional presentations to the Executive Board”. Stakeholder interview.

“It is very apparent in Audit Committee meetings that Neil is a very independent voice”. Stakeholder interview.

“SIAP engagement reports are short, sharp and to the point”. Stakeholder interview.

“The SIAP lead is knowledgeable, experienced and briefs the committee clearly and constructively”. Stakeholder interview.

Internal audit plans and coverage

“We collectively put together the programme of internal audits and it’s a really useful management tool for us”. Stakeholder interview.

“If we have any cause for alarm, they are very responsive and will do deep dives where necessary”. Stakeholder interview.

“We get sufficient input to internal audit plans and certainly have the opportunity to ask for work”. Stakeholder interview.

“The Audit Committee is fully consulted in developing the plan and has good sight of its evolution and delivery through regular progress reports”. Stakeholder interview.

Value

“We genuinely value the service.” Stakeholder interview.

“I like the fact that they see what is happening in other organisations and share what other local authorities are doing.” Stakeholder interview.

“The staff are all very professional, approachable and are always looking for solutions to issues they come across. This gives me confidence”. Stakeholder Survey feedback.

“The SIAP team work well. I’m very happy. They represent value for money and deliver a good service.” Stakeholder interview.

“I can honestly say SIAP are the best Internal Audit provider I have ever come across.” Stakeholder interview.

“I am happy that the team do try to focus on providing added value at all times”. Stakeholder Survey feedback.

Disclaimer: This review was undertaken in September 2020 by John Chesshire, Bethan Jones and Liz Sandwith on behalf of the Chartered Institute of Internal Auditors. This report provides management and the SIAP Audit Committees with information about Internal Audit as of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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