

Agenda

Audit Committee

Wednesday, 6 September 2023 at 7.30 pm

New Council Chamber, Town Hall, Reigate



This meeting will take place in the Town Hall, Castlefield Road, Reigate. Members of the public, Officers and Visiting Members may attend remotely or in person.

All attendees at the meeting have personal responsibility for adhering to any Covid control measures. Attendees are welcome to wear face coverings if they wish.



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

Members:

F. Kelly (Chair)

B. Green

J. S. Bray

G. Buttironi

V. Chester

Vacancy (Independent Member)

Substitutes:

Conservatives:

K. Fairhurst and K. Sachdeva

Residents Group:

G. Adamson and N. D. Harrison

Green Party:

J. C. S. Essex and D. Torra

Liberal Democrats

Mari Roberts-Wood
Managing Director

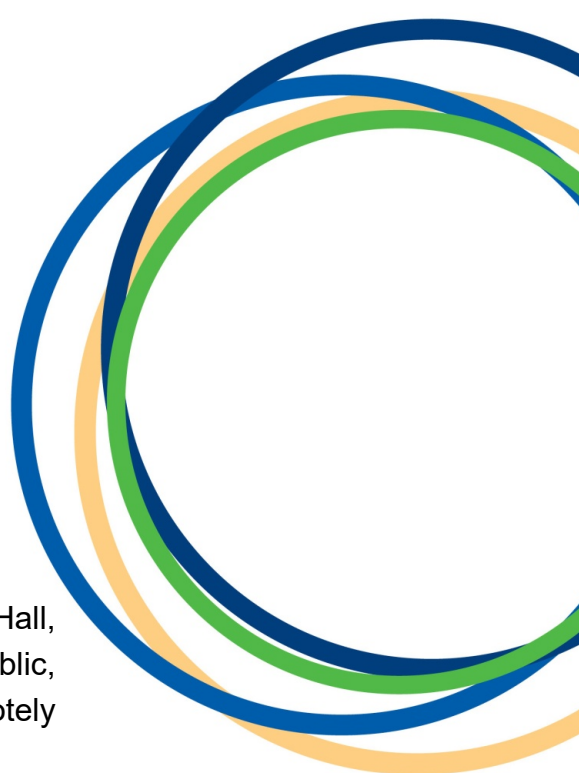
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Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate



1. Minutes (Pages 5 - 12)

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

2. Apologies for Absence and Substitutions

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

3. Declaration of Interest

To receive any declarations of interest.

4. Risk management - Quarter 1 2023/24 (Pages 13 - 38)

That the Committee notes the Quarter 1 2023/24 update on risk management provided in the report and associated annexes and make any observations to the Executive.

5. Internal audit - 2022/23 annual report and opinion (Pages 39 - 68)

- i) That the Audit Committee note the annual internal audit report and opinion available at annex 1, and the management responses available at annex 2; and
- ii) That the Audit Committee make any comments and/or observations on the reports to the Council's Chief Finance Officer.

6. Internal audit - Quarter 1 2023/24 progress report (Pages 69 - 94)

- i) That the Audit Committee note the Q1 2023/24 internal audit progress report available at Annex 1; and
- ii) That the Audit Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.

7. Audit Work Programme and Schedule 2023/24 and Action Tracker (Pages 95 - 102)

To discuss and agree any changes to the schedule for Audit Committee's Work Programme 2023/24 and note the Action Tracker.

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 part of items 4 and 6 of business under Section 100A(4) of the Local Government Act 1972 on the grounds that:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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.



Streaming of meetings

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Accessibility

The Council's agenda and minutes are provided in English. However, the Council also embraces its duty to anticipate the need to provide documents in different formats, such as audio, large print or in other languages. The Council will provide such formats where a need is identified prior to publication or on request.



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.

Minutes of a meeting of the **Audit Committee** held at the **New Council Chamber - Town Hall, Reigate** on **Wednesday, 19 July 2023 at 7.30 pm.**

Present: Councillors F. Kelly (Chair); B. Green (Vice-Chair), J. S. Bray, G. Buttironi and V. Chester

Visiting Members present: J. C. S. Essex, J. P. King and V. H. Lewanski

9 Minutes

The minutes from the meeting held on 14 June 2023 were **APPROVED**.

10 Apologies for Absence and Substitutions

There were no apologies for absence.

11 Declaration of Interest

There were none.

12 Risk management - Quarter 4 2022/23

The Head of Corporate Policy, Projects and Performance stated that the report provided members with an update on risk management in quarter 4 2022/23.

No new strategic risks were identified in quarter 4 and no strategic risks were recommended for closure. Those risks carrying through into the 2023/24 register, as approved in quarter 3, have received a comment noting their new reference number for the new year.

As well as receiving an update on strategic risks, the Committee was provided with updates on RED rated operational risks.

At the end of quarter 4 there was one RED rated operational risk. Additional detail on this was provided in the part 2 exempt annex.

Due to the timing of the start of the new municipal year and changes to the membership of the Audit Committee, the Audit Committee held on 14 June 2023 was dedicated to the induction of new members. With this change in normal timings, the quarter 4 risks have already been noted by the Executive on 22 June 2023. Any observations made by the Committee at this meeting, would be presented to the Executive meeting in September for members' consideration.

Following this Audit Committee meeting this report would be considered again by the Executive on 14 September 2023.

Agenda Item 1

Audit Committee, Wednesday, 19th July, 2023

In response to a member's question relating to the time lag between this report being written and being presented at the Committee, it was asked whether there had been any material changes that members should be aware of, particularly around SR2 – Financial Sustainability and SR4 – Challenging economic conditions for residents and businesses. It was noted that there had been a number of reports to more recent Committees including the Medium-Term Financial Plan which was considered by the Overview and Scrutiny Committee earlier in the month. There had been no major changes to the forecast, but any emerging challenges and risks would be taken into account when setting the 2024/25 budget. The Corporate Plan Annual Report provided a more comprehensive update on some the work the Council was undertaking to support residents and businesses.

The Committee requested that in future its Members be made aware of reports that were considered at other Committees, but relate to the work of the Audit Committee. Officers agreed to look at how this can be achieved.

It was acknowledged that some risks were allocated more than one risk owner. Questions were asked about whether this was appropriate and how accountability was ensured. It was explained that mechanisms were in place to ensure that risk owners were held to account.

The new energy contract would run from 1 October 2023 until 30 September 2025. An external consultant had been commissioned to undertake building energy audits. Costings and timings to implement measures were being considered across a number of the Council's operational buildings, this included energy efficiencies as well as solar power.

RESOLVED that:

- i) The Committee notes the Q4 2022/23 update on risk management provided in the report and associated annexes and makes any observations to the Executive Meeting in September 2023; and
- ii) In future the Committee will be made aware of other reports that are considered at the Committees, but relate to the work of the Audit Committee.

13 Internal Audit - Quarter 4 2022/23 Progress Report

Natalie Jerams, Deputy Head of Southern Internal Audit Partnership (SIAP), gave the Committee a detailed overview of the quarter 4 progress report on the delivery of the internal audit plan.

It was noted that 90% of the audits had been completed to date and two audits were in progress. The Committee would consider the Annual Report and Opinion at its meeting in September. There had been no audits completed in this quarter with a limited assurance.

The plan needed to remain fluid in order to accommodate emerging audits.

The report outlined overdue management actions.

Agenda Item 1

Audit Committee, Wednesday, 19th July, 2023

Concern was raised regarding the impact and reason for the two-year extension of the overdue procurement management action. An update was provided in the advance questions (question 13 and can be accessed [here.](#)), where it was explained that a Procurement and Contract Management transformation programme began in late June 2023. The Council now appointed an Interim Procurement Lead as a key challenge to date had been around lack of procurement expertise and capacity. There had been no specific impacts on planned procurements to date, although there may have been missed opportunities in terms of always obtaining the best deals and managing contracts. Neighbouring authorities were in a similar position.

Management action targets were set by the Council and in some cases, it was necessary to divert resources and the Covid pandemic was cited as one of those occasions.

In terms of the outstanding procurement and contract management actions, these would remain on the progress report until they were assessed as complete. A follow up review was scheduled to take place on procurement and contract management within the 2023/24 plan.

As per the previous agenda item, the Committee requested that in future its Members be made aware of reports that were considered at other Committees, but relate to the work of the Audit Committee. Officers agreed to look at how this can be achieved.

SIAP confirmed that they would be contacting responsible officers in respect of the outstanding management action regarding Information Governance. Assurances were given that this action would be completed no later than September.

Members were assured that the audit review on Contracts Management which received a limited assurance would be followed up to ensure actions had been implemented before being closed.

In response to a question, it was stated all grants received came with differing terms and conditions. Two of the grants that had been received by the Council had required internal audit review and were therefore added to the 22/23 audit plan.

In respect of deferring the audit relating to the Corporate Plan, it was explained that the audit plan was risk-based and on this occasion other reviews had been assessed as a higher priority. For reassurance, it was stated that there is an annual report to Overview & Scrutiny and Executive on progress with regard to the Corporate Plan.

It was confirmed that the action relating to the Environmental Sustainability audit, recommending improvements to the Annual Report, would be built into the forthcoming Annual Report.

RESOLVED that:

- i) That the Audit Committee note the Q4 2022/23 internal audit progress report available at Annex 1; and
- ii) That the Audit Committee's comments and/or observations on the reports be considered by Council's Chief Finance Officer.

Agenda Item 1

Audit Committee, Wednesday, 19th July, 2023

14 Draft Annual Governance Statement 2022/23

The Chief Finance Officer explained that in compliance with the Accounts and Audit Regulations the Council was required to prepare and publish a statement on its internal control and governance arrangements as part of the Annual Statement of Accounts.

It was good practice that the statement be endorsed by the Member body that has responsibility for oversight of these arrangements, hence the reason for the draft Statement being presented to the Audit Committee.

Paragraph 5 of the covering report explained that the Statement drew on a number of sources of information about how the Council was performing in order to give a well-rounded picture.

This was a particularly important document for Members of the Committee because it set out the control assurance framework that was in place to ensure that the Council was well-run and that risks were managed effectively. It explained that it would provide a useful point of reference for the work of the Committee during the coming year – for example when considering reports and updates it would be important to bear in mind the supporting information.

The final version of the Annual Governance Statement would include reference to the independent reports of both the external and the internal auditors when available.

The Statement was also an opportunity to flag any areas for concern or improvement. Two matters of note were referenced:

- The Statement of Accounts for 2020/21 and 2021/22 had not yet been audited or approved by Audit Committee. An extended timescale had been agreed with the external auditor to allow time for completion of agreed actions by the Finance team to address historic shortcomings stretching back over many years in the financial fixed asset register.

These issues did not call into question the accuracy of asset values in the accounts but they did give rise to significant challenges for the Finance team when assembling supporting asset records and audit trail. It was therefore agreed with Deloitte that additional capacity and time would be dedicated to remedying these issues as part of 2020/21 end of year work.

The audit was now in progress and Deloitte expected to complete this by September. They would then commence work on auditing the 2021/22 accounts.

- During the year the authority encountered continued issues relating to a commercial joint venture that has been addressed by the statutory officers under the direction of the Partner, Shareholder and Trustee Executive Sub-Committee and with support from external commercial and legal advisors. This matter was currently subject to legal privilege while the settlement terms were finalised.

Further discussion regarding the Council's commercial affairs took place in the exempt part of the meeting.

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The next step would then be to finalise the Statement in the autumn when the external audit opinion was received and arrange for its signature by the Leader and the Managing Director ready for inclusion in the 2022/23 audited statement of accounts that would be reported to this Committee.

RESOLVED that:

- i) The report be noted; and
- ii) In future the Committee will be made aware of reports that are considered at the Committees, but relate to the work of the Audit Committee.

15 Statement of Accounts Progress Update

The Chief Finance Officer explained that the draft accounts for 2020/21 had been published and the audit was in progress, with completion likely in August/September. An additional meeting of the Committee would be scheduled to receive the auditor's report and approve the accounts and Members would be briefed in advance on the contents.

Also in progress were the draft 2021/22 accounts and the Finance team expected to publish these in August. The audit could then commence and an additional meeting of the Committee would be scheduled to receive the auditor's report when available and approve the accounts.

In respect of the draft 2022/23 accounts, it was anticipated that these would be published in the autumn so that the audit could be completed and the accounts approved by the Committee within the current municipal year.

The reasons for the delays were explained. As previously reported, it had been agreed with the auditor that additional work was required to improve the supporting records for fixed asset values in the accounts. This was now complete. However, at a national level there remained a backlog of audits accounts, due to a number of reasons including shortages in audit firm capacity, increased demands on auditors to carry out more in-depth reviews and late changes to the Code of Practice for preparing the accounts.

The Government issued its assessment of the situation this week following a Public Accounts Committee review and acknowledges that this was now a national crisis requiring all parties involved to take action. Further details of the Government's proposed solution would follow.

In response to a member question, it was stated that there was no longer a specific deadline to publish and audit the annual accounts, however one of the Government's proposals was to introduce a statutory deadline once more.

Local authority accounts were complex and CIPFA were also considering ways in which they might be streamlined.

RESOLVED that the update be noted.

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16 Independent Member Recruitment

The Committee was apprised that the process to recruit an independent member to the Committee had commenced and the timetable for this was given. The role profile included the requirement to have some Local Authority experience.

The aim was to ratify the appointment at the Full Council meeting being held in November so that they were able to join the Committee's meeting in December.

RESOLVED that the update be noted.

17 Audit Work Programme Schedule 2023/24

The Clerk explained that the work programme set out the intended work to be carried out by the Committee over the coming municipal year. This was a live document and was subject to change according to requirements and availability of information.

RESOLVED that:

- i) The work programme be noted; and
- ii) That the Finance, Governance & Organisation and Corporate Policy & Resources Portfolio Holders have an opportunity to present an update at future meetings.

18 Any Other Urgent Business

There was none.

19 Exempt Business

RESOLVED that members of the press and public be excluded from the meeting for part of agenda items 4 (Risk Management Quarter 4 - 2022/23), 5 (Internal Audit – Quarter 4 2022/23 progress report) and 6 (Draft Annual Governance Statement) under Section 100A(4) of the Local Government Act 1972 on the grounds that: It involves the likely disclosure of exempt information as defined in paragraphs 3 and 7 of Part 1 of Schedule 12A of the Act.

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

The meeting finished at 8.44 pm

Agenda Item 4



Signed off by	Head of Corporate Policy, Projects and Performance
Author	Ross Tanner, Performance Officer Luke Harvey, Project & Performance Team Leader
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Email	Ross.Tanner@reigate-banstead.gov.uk Luke.Harvey@reigate-banstead.gov.uk
To	Audit Committee Executive Committee
Date	Audit Committee: Thursday, 6 September 2023 Executive: Thursday, 14 September 2023
Executive Member	Portfolio Holder for Corporate Policy and Resources

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Risk management - Q1 2023/24
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Recommendations
<p>That the Audit Committee:</p> <p>(i) Notes the Q1 2023/24 update on risk management provided in the report and make any observations to the Executive.</p> <p>That the Executive:</p> <p>(ii) Notes the Q1 2023/24 update on risk management provided by the report.</p>
Reasons for Recommendations
The Audit Committee and Executive's constitutional responsibilities require the regular receipt of updates on risk management.

Agenda Item 4

Executive Summary

This report provides an update on risk management in Q1 2023/24. Additional detail is provided in the report as well as in the supporting annexes.

The Audit and Executive have the authority to approve their respective recommendations.

Statutory Powers

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.

Background

5. Reigate & 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.
6. 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.
7. 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).
8. Members of the Management Team and Executive Members have shared responsibility for strategic risks. It is the responsibility of the Executive to formally endorse the strategic risks for each financial year.
9. Operational risks are short term risks that are encountered in the course of the day-to-day delivery by services. However, if the 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. Heads of Service have responsibility for operational risks. The Audit Committee and Executive receive updates on any red rated operational risks as part of quarterly risk management reporting.
10. The Audit Committee has a constitutional responsibility to provide independent assurance to the Council of the adequacy of the risk management framework and internal control environment. It provides independent review of Reigate and Banstead Borough Council's governance, risk management and control frameworks.

A key component of fulfilling this responsibility is to regularly receive and review the Council's risks.

Key Information

Updates to the risk register template

11. Following the adoption of the new Risk Management Strategy in March 2023 and comments from Audit Committee members, a number of changes have been introduced to the presentation of information in the strategic risk register.
12. The risk register now provides for members the:
 - Inherent risk score and 'RAG' rating – that is, the likelihood and impact of the risk occurring with no controls or mitigations in place
 - Current risk score and 'RAG' rating – the assessment of the risk at present with current controls and mitigations in place; and
 - Target risk score and target 'RAG' – that is, the level to which management is aiming to control and/or mitigate the risk to. Target scores are derived with reference to the Council's risk appetite, as described in the Risk Management Strategy and accompanying methodology.
13. The risk register format has also been updated to:
 - include web links to relevant contextual information
 - distinguish between controls and mitigations that have been implemented, and those around which work is ongoing
 - provide an illustration of current risk ratings over time, rather than just the quarterly position.

Q1 2023/24 risk management update

14. The full strategic risk register is available at annex 1 of this report.
15. In Q1 there were no new strategic risks identified.
16. In Q1 there are no strategic risks recommended for closure.
17. The full risk registers, as well as the Council's current risk management strategy, are made available to all members via the ModernGov document library.

Red rated operational risk

18. In Q1 there was one RED rated operational risk, the detail of which is set out in the part 2 exempt annex.

Q4 2022/23 risk management:

19. Due to the timings of the Audit Committee and Executive meetings where Q4 risk was considered, it was agreed that any observations raised by the Audit Committee would be reported to the Executive at its September 2023 meeting. No formal observations or recommendations were made by the Audit Committee.

Options

20. The Audit Committee has two options:

Agenda Item 4

- Option 1: note this report and make any observations to the Executive.
- Option 2: note this report and make no observations to the Executive.

21. The Executive has one option:

- Option 1: note this report.

Legal Implications

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

Financial Implications

23. Financial risks are considered when preparing the Medium-Term Financial Plan, Capital Investment Strategy, Revenue Budget, and Capital Programme each year.

24. There are no additional financial implications arising from this report.

Equalities Implications

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

Communication Implications

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

Environmental Sustainability Implications

27. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

28. The Council's risk registers inform the development of the annual risk based internal audit plan, progress against which is reported separately to the Audit Committee.

29. The Council's approach to managing risk is a core component of the Code of Corporate Governance.

Procurement/Contract Management and Subsidy Considerations

30. There are no Procurement/Contract Management and Subsidy considerations implications arising from this report.

Other Implications

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

Consultation

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

Policy Framework

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

Background Powers

34. Risk Management Strategy: https://www.reigate-banstead.gov.uk/info/20090/council_policy/929/risk_management

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Risk management

Strategic risk register

Quarter 1 – April to June 2023

Strategic Risks

Strategic risks are those risk that concern, and impact, on the organisation's fundamental reason for existence. In the local government context, this refers to key corporate objectives set out in policy documents, such as the corporate plan and medium-term financial plan.

The Council's strategic risks are detailed in below table:

<u>SR1</u>	<u>Financial sustainability</u>
<u>SR2</u>	<u>Commercial investment</u>
<u>SR3</u>	<u>Challenging economic conditions for residents and businesses</u>
<u>SR4</u>	<u>Organisational capacity and culture</u>
<u>SR5</u>	<u>Cost pressures affecting the viability of Council developments</u>
<u>SR6</u>	<u>Local government reorganisation, devolution and Levelling Up</u>
<u>SR7</u>	<u>ICT network capacity and resilience</u>
<u>SR8</u>	<u>Fraud</u>
<u>SR9</u>	<u>Gatwick Airport</u>
<u>SR10</u>	<u>Planning system reform</u>
<u>SR11</u>	<u>Climate change impact</u>

Overall Risk Score:

Risk is assessed via a robust process of risk identification and assessment, which evaluates the likelihood of the risk occurring and the impact should the risk come to pass.

The likelihood and impact scores are then combined to give an overall risk score. This is done by multiplying the likelihood score by the impact score.

The total risk score is then plotted on a scoring matrix to illustrate the risk scoring visually:

IMPACT						
Grave	(5)	5	10	15	20	25
Significant	(4)	4	8	12	16	20
Moderate	(3)	3	6	9	12	15
Minor	(2)	2	4	6	8	10
Almost none	(1)	1	2	3	4	5
LIKELIHOOD		(1)	(2)	(3)	(4)	(5)
		Rare	Unlikely	Possible	More than likely	Almost certain

Risk Treatment:

Avoidance	Simply stop doing the activity that creates the risk, or elements therein. This may not be possible or desirable, however, particularly where the risk is unavoidable or arises from activity that the Council is obliged to undertake. Risk avoidance must also be balanced against the effect of doing so on the Council's objectives and how this reconciles with the wider risk appetite.
Transfer	Transfer all or part of the risk. For example, to insurance or to other agencies/contractors.
Reduce	Proactive actions taken to reduce: <ul style="list-style-type: none"> • The likelihood of the risk occurring by introducing control measures • The impact of the risk should it occur by introducing mitigating measures.
Accept	Accept the risk and take no measures to reduce the likelihood and/or impact. This is not ordinarily a recommended course of action, though if the risk is outside of the Council's control it then it may be the only option available.

RISK RATINGS

IMPACT						
Grave	5					
Significant	4			SR4 SR5 SR6	SR1 SR3	
Moderate	3		SR7	SR2 SR9 SR10 SR11	SR8	
Minor	2					
Almost none	1					
LIKELIHOOD		1	2	3	4	5
		Rare	Unlikely	Possible	More than likely	Almost certain

The below table provides an overview of the current open strategic risks on the register and tracks the 'Overall Risk Score' for the time period that the risk has been open. It is intended to provide a visualisation of the journey of the risk over the time period that it has been open to provide context to its current 'Overall Risk Score'.

Year	2021/22			2022/23				2023/24
Quarter	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SR1: Financial sustainability	16	16	16	16	16	16	16	16
SR2: Commercial investment				6	6	6	6	6
SR3: Challenging economic conditions for residents and businesses				16	16	16	16	16
SR4: Organisational capacity and culture	12	12	12	12	12	12	12	12
SR5: Cost pressures affecting the viability of Council developments				12	12	12	12	12
SR6: Local government reorganisation, devolution and Levelling Up	12	12	12	12	12	12	12	12
SR7: ICT network capacity and resilience			8	8	8	8	12	6
SR8: Fraud	12	12	12	12	12	12	12	12
SR9: Gatwick airport	16	9	9	9	9	9	9	9
SR10: Planning system reform and the Local Plan	9	9	9	9	9	6	6	9
SR11: Climate change impact				12	12	12	12	12

SR1	Financial sustainability	RED
Description	<p>A combination of current adverse macroeconomic conditions and the wider local government funding context have created conditions of unprecedented financial uncertainty and challenge for the Council.</p> <p>The Council is therefore increasingly reliant on generating additional income and identifying savings and efficiencies from existing budgets. If not mitigated, these financial challenges risk an adverse impact on the Council's ability to deliver its Corporate Plan objectives.</p>	
Owners	<p>Portfolio Holder: Cllr Lewanski</p> <p>Officer: Pat Main</p>	
Controls	<p>Implemented Controls:</p> <p>The Council has strong financial management arrangements in place with continual investment in skills and expertise to support the delivery of the Council's financial and commercial objectives while managing risks.</p> <p>The Medium-Term Financial Plan (MTFP) sets out the forecast budget challenges over the coming five years and forms the basis for service and financial planning. The budget pressures identified by the MTFP will be addressed by the Council's Financial Sustainability Programme.</p> <p>The Capital Investment Strategy provides an overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of Council services and how associated risk is managed.</p> <p>The Commercial Strategy, parts 1 and 2, both set out the commercial activity the Council will consider, provide a framework on option evaluation, and provide the basis on which commercial decision making will be made.</p> <p>The Annual Revenue Budget sets out funding allocations for the current year and confirms officer accountability for ensuring that expenditure and income are managed within limits approved by Members. In year budget monitoring reports confirm compliance with these limits and report any action required to manage budget variances.</p> <p>The Treasury Management Strategy helps ensure that investments achieve target returns within approved security and liquidity limits and that borrowing to fund the Capital Programme is affordable.</p> <p>Internal audit will be utilised to review the approach taken to secure financial sustainability.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council has established a Financial Sustainability Programme, an initiative that is intended to reduce costs and/or increase income reducing the need to draw on reserves. Updates on the programme are reported quarterly to the Overview and Scrutiny Committee and Executive.</p> <p>An updated MTFP forecast was reported to Overview and Scrutiny Committee and Executive in July 2023. This update included an assessment of the latest position regarding the risk of increasing costs, in particular where driven by inflationary pressures in the wider economy.</p> <p>Ongoing Mitigations:</p> <p>Work will continue throughout the summer to prepare draft budget forecasts for consideration by the Executive and Budget Scrutiny in the autumn.</p>	
Inherent Score	RED (20)	<i>Likelihood: 5 Impact: 4</i>

SR1	Financial sustainability	RED
Current Score	RED (16)	<i>Likelihood: 4 Impact: 4</i>
Target Score	AMBER <i>Likelihood Controlled to a score of 3 or below AND Impact mitigated to a score of 3 or below</i>	
Status	Reduce	
Last update	4 August 2023	

SR2	Commercial investment	AMBER
Description	<p>The generation of income from commercial investment is a contributor to the Council's financial sustainability. Following several high-profile commercial investment failures by local authorities, the ability to invest for a commercial purpose is being further restricted by changes in legislation, regulations, and codes of practice.</p> <p>Moreover, investing for commercial purposes – either in assets or in trading services – is not without risk due to market fluctuations and factors outside of the Council's control. The risks associated with commercial investment range from the non-achievement of budgeted income to significant capital and revenue losses, as well as governance, legal and reputational issues.</p>	
Owners	<p>Portfolio Holders: Cllrs A King and Lewanski</p> <p>Officers: Mari Roberts-Wood, Joyce Hamilton, and Pat Main</p>	
Controls	<p>Implemented Controls:</p> <p>Commercial opportunities will be considered on a case-by-case basis with up-to-date market intelligence used to inform decisions. Investments will be predicated on robust, stress-tested business cases and financial assessments which consider risks and benefits. Benefits will be monitored via established governance and reporting processes.</p> <p>Evidence of compliance with relevant Government and CIPFA guidance will be confirmed when business cases are approved.</p> <p>The Partnership, Shareholder and Trustee Executive Sub-Committee will approve and oversee commercial projects.</p> <p>The Council has now adopted parts 1 and 2 of the Commercial Strategy including an action plan which is reported on annually.</p>	
Mitigating actions/progress	<p>Ongoing Mitigations:</p> <p>Work is underway to review the future plans and direction for the Council's company investments.</p> <p>Action is underway to close down the Horley Business Park LLP following signature of the Settlement Deed by all parties.</p> <p>Action is also in progress to seek redemption of the authority's investment in Pathway for Care Limited.</p> <p>Officers and members of the Partnership, Shareholder and Trustee Executive Sub-Committee are considering options for the future operation of Greensand Holdings Limited.</p>	
Inherent Score	RED (20)	<i>Likelihood: 5 Impact: 4</i>
Current Score	AMBER (9)	<i>Likelihood: 3 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce	
Last update	4 August 2023	

SR3	Challenging economic conditions for residents and businesses	RED
Description	<p>A prosperous economy is essential for the wellbeing of the borough, creating employment and wealth that benefits local people and businesses.</p> <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 fees and charges and the collection of monies owed.</p> <p>Challenging financial circumstances for residents may also increase their reliance on Council services which could result in cost pressures on the Council. The risk of the latter is exacerbated by household budgets being stretched by current elevated levels of inflation and rising consumer prices.</p>	
Owners	<p>Portfolio Holders: Cllrs Biggs, Neame and Ashford</p> <p>Officers: Mari Roberts-Wood, Pat Main, Duane Kirkland, Richard Robinson, Simon Bland, and Justine Chatfield</p>	
Controls	<p>Implemented Controls:</p> <p>The economic factors affecting the local economy are largely outside of the Council's direct control.</p> <p>The Council regularly engages with local businesses and residents to understand the challenges they face, and to provide advice, support, and networking opportunities where possible.</p> <p>The Council's homelessness service is fully compliant with the Homelessness Reduction Act (2018). This includes a significant focus on preventing homelessness in the first place, thereby reducing the demand for emergency accommodation.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The governments' Household Support Fund was introduced in September 2021. Three rounds of funding have been distributed by the Council to directly support vulnerable households with meeting daily needs, such as food, clothing, utilities, and advice to help with the cost of living.</p> <p>The Council supports a range of voluntary sector partners in the provision of local support services such as 'Food Clubs', 'Community Fridges' and 'Healthy Start' to assist vulnerable residents with access to affordable food locally.</p> <p>The Council continues to apply for Business Support grants as and when they are available to support local employment and businesses.</p> <p>Ongoing Mitigations:</p> <p>A fourth round of the Household Support Fund funding will provide approximately £700k support through to 31 March 2024. The fund will allow the Council to further support residents most affected by cost-of-living pressures. We will be distributing the funding through local partners to target help where its most needed, including areas such as income and disability benefits, bills and allowances, childcare, housing, and travel.</p> <p>The Housing service has developed a proposal for the purchase of additional Council owned and operated temporary emergency accommodation to reduce budget pressures from the use of third-party accommodation. Securing these accommodation units has already commenced, with some offers already completed and accepted on a number of local properties.</p> <p>The recent challenging economic conditions, especially for private renters, and additional challenges stemming from a vulnerable migrant cohort have placed additional strains on the service. In response the Housing service is to increase its resourcing to assist with the increasing number/complexity of approaches and elevated levels of those in emergency temporary accommodation.</p> <p>Current economic conditions have resulted in increased referrals to the Council's Money Support service stemming from inflationary pressures. Additional resource to</p>	

SR3	Challenging economic conditions for residents and businesses	RED
	the Money Support service has been identified, and the Council is facilitating closer collaboration with other money/debt advice services operating locally.	
Inherent Score	RED (25)	<i>Likelihood: 5 Impact: 5</i>
Current Score	RED (16)	<i>Likelihood: 4 Impact: 4</i>
Target Score	AMBER <i>Impact mitigated to a score of 3 or below</i>	
Status	Reduce/accept	
Last update	24 July 2023	

SR4	Organisational capacity and culture	AMBER
Description	<p>An effective and efficient organisational capacity and culture is key to the council's ability to deliver on its corporate objectives.</p> <p>A combination of strong labour market conditions and associated higher turnover of staff nationwide, increasing move to a 'Hybrid Working Culture,' and the requirement by the council to comply with the objectives of the financial sustainability programme have introduced new complexities.</p> <p>These factors underscore the importance of the Council prioritising its activities and being sustainably and efficiently resourced to meet the challenges ahead. The embedding of a robust and resilient organisational culture that successfully supports officers and members and makes the Council an attractive place to work is similarly key. The failure to do will risk the delivery of the Council's objectives.</p>	
Owners	<p>Portfolio Holder: Cllr Lewanski</p> <p>Officer: Mari Roberts-Wood and Kate Brown</p>	
Controls	<p>Implemented Controls:</p> <p>The Council has an embedded Establishment Management Process alongside service and financial planning.</p> <p>Ongoing consultation and engagement with staff. Including wellbeing check-ins, surveys, and engagement checks across the organisation.</p> <p>The council has comprehensive succession planning in place to ensure minimal disruption during transitional periods at the Council.</p> <p>The Corporate Pay Board oversees all aspects of employee pay costs, benefits mapping, pay modelling and negotiation with staff representatives for the annual cost of living award.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The implementation of the HR and OD strategy continues to progress with the draft strategy going to the Employment Committee in Q1 of 2023/24. The strategy will support the Council's financial sustainability objectives.</p> <p>The strategy provides the background context and identifies long term recommendations for the resourcing of the service area.</p>	
Inherent Score	RED (16)	<i>Likelihood: 4 Impact: 4</i>
Current Score	AMBER (12)	<i>Likelihood: 3 Impact: 4</i>
Target Score	<p>AMBER</p> <p><i>Likelihood Controlled to a score of 3 or below Impact mitigated to a score of 2 or below</i></p>	
Status	Reduce	
Last update	31 July 2023	

SR5	Cost pressures affecting the viability of Council developments	AMBER
Description	<p>The UK construction sector has seen an increase in building material and labour costs arising from uncertainties in the global supply chain and inflationary pressures. This disruption and increase in costs may impact the Council's ability to deliver economically viable development projects, where tenants may increasingly seek higher capital investment. It is now increasingly important that the council has appropriate funding/incentives to encourage commercial tenants for the lettings.</p> <p>The effects of this are multifaceted but could result in negative financial implications as well as jeopardising the delivery of strategic corporate objectives.</p>	
Owners	<p>Portfolio Holder: Cllr A King</p> <p>Officer: Mari Roberts-Wood, Luci Mould, Pat Main, Richard Robinson and Peter Boarder</p>	
Controls	<p>Implemented Controls:</p> <p>As standard all development projects are subject to regular stress tested business cases which are reported and monitored via established governance arrangements.</p> <p>The Council considers cost pressures on its development schemes as part of its annual service and financial planning and budgeting monitoring processes. Cost pressures are also considered as part of business case development and are closely monitored throughout a project's lifecycle.</p> <p>Rigorous change management processes are in place for all development projects.</p> <p>Budget monitoring reports are reported on a regular basis to officer Boards, Overview & Scrutiny Committee and Executive.</p> <p>Ongoing Controls:</p> <p>The Council will pursue external grant funding opportunities as and when they are available.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council collaborates with and seeks advice from external professional teams (quantity surveyors, employers' agents, etc.) to confirm the impact of cost pressures and options for addressing them.</p>	
Inherent Score	RED (20)	<i>Likelihood: 5 Impact: 4</i>
Current Score	AMBER (12)	<i>Likelihood: 3 Impact: 4</i>
Target Score	<p>AMBER <i>Likelihood Controlled to a score of 2 or below AND Impact mitigated to a score of 3 or below</i></p>	
Status	Reduce	
Last update	4 August 2023	

SR6	Local government reorganisation, devolution and Levelling Up		AMBER
Description	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 the government's devolution and 'Levelling Up' agenda. The uncertainty surrounding, and subsequent results of, any local government reorganisation could adversely affect the Council and the delivery of services for residents.		
Owners	Portfolio Holder: Cllr Lewanski Officer: Mari Roberts-Wood		
Controls	<p>Implemented Controls:</p> <p>Due to this risk being outside of the Council's ability to directly influence although some control can be placed on likelihood via influencing and consultations.</p> <p>The Council works closely with neighbouring and partner authorities to develop alternative proposals for the future of local government in Surrey.</p> <p>The council will continue to lobby central government where appropriate and necessary on reorganisation, devolution and levelling up at the local level.</p>		
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>Surrey County Council have developed a 'level 2' proposal to secure a county deal. Under Level 2, the Reigate and Banstead Borough Council are unlikely to be required to make significant changes to the existing governance arrangements, with most powers and functions devolved to the upper-tier authority and incorporated into existing structures.</p> <p>The Council has engaged with Surrey CC as it progresses its proposal and will continue to proactively influence the debate on devolution deals as well as the future structure of local government in Surrey.</p> <p>Ongoing Mitigations:</p> <p>The government has published its Levelling Up and Regeneration Bill. The bill is currently at the report stage in the House of Lords and is likely to receive royal assent later in 2023/24.</p>		
Inherent Score	RED (16)	<i>Likelihood: 4</i> <i>Impact: 4</i>	
Current Score	AMBER (7)	<i>Likelihood: 3</i> <i>Impact: 4</i>	
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>		
Status	Reduce		
Last update	31 July 2023		

SR7	ICT network capacity and resilience	AMBER
Description	<p>There has been a significant shift in the way that the Council works over the last few years, with increasing demands placed on technology and the underlying supporting ICT infrastructure as part of business-as-usual activities.</p> <p>As the reliance and demands placed upon technology continues to increase, there is a risk of significant disruption to service delivery in the event of network disruption and/or outage, particularly following a cyber-attack.</p> <p>It is therefore imperative that the Council continues to invest in robust systems, infrastructure, network security and disaster recovery capabilities to manage this risk and maintain the delivery of services</p>	
Owners	<p>Portfolio Holder: Cllr J King</p> <p>Officer: Darren Wray</p>	
Controls	<p>Implemented Controls:</p> <p>Since the Covid-19 pandemic, there has been investment in improved network infrastructure and resilience, including increased cyber security capability and back-up solution size. The Council has multiple layers of defences protecting core data and systems that are regularly reviewed and systems updated. A programme of cyber security training is regularly provided to keep staff informed of these cyber threats.</p> <p>The Council is in active contract with NCCGroup, a cyber security specialist, to investigate any incidents that may arise. The Council can instantly access NCCGroup's expertise in the event of an incident.</p> <p>Ongoing Controls:</p> <p>Implementation of the new ICT strategy to further enhance the Council's network resilience and cyber security capabilities.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>Implementation of the new ICT strategy commenced in 2022/23. Procurement for the supplier of the new back-up and disaster recovery system has concluded, with a supplier now appointed.</p> <p>Ongoing Mitigations:</p> <p>Implementation of the new back-up and disaster recovery system is expected in quarter 3 and will significantly mitigate the impact of this risk.</p>	
Inherent Score	RED (15)	<i>Likelihood: 3 Impact: 5</i>
Current Score	AMBER (6)	<i>Likelihood: 2 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce	
Last update	10 July 2023	

SR8	Fraud	AMBER
Description	Due to the wide range of activities undertaken by the Council, there is a risk of fraud being committed. The risk of the latter is exacerbated from both legacy areas of activity and changes and additions to areas in which the council operates where fraud may be committed.	
Owners	Portfolio Holder: Cllr Lewanski	
	Officers: Pat Main and Simon Rosser	
Controls	<p>Implemented Controls:</p> <p>The Council maintains robust control measures to protect public funds from fraudulent activity, including Counter Fraud, Corruption and Bribery Policy, Whistleblowing Policy, and Prosecution Policies. The Fraud and Financial Investigations Team carries out investigations which cover all areas of corporate fraud.</p> <p>Staff induction includes fraud awareness training, as well as awareness of established policies and procedures.</p> <p>The Council is subject to regular internal audit reviews of potential fraud risk areas.</p>	
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council continues proactive fraud checks on all housing applications and action will be taken where appropriate. These are reported annually as part of the Councils Key Performance Indicator contextual indicators.</p> <p>Staff wide fraud awareness programme with training of the relevant teams continues to take place.</p> <p>The Council cooperates with Surrey County Council and other Local Authorities to review council tax single occupancy discounts to identify and decrease council tax fraud.</p> <p>Ongoing Mitigations:</p> <p>The Council's fraud team continues to see elevated levels of fraudulent activity, such as in housing benefit and council tax. Although levels of activity are elevated, both in these new and legacy areas, fraud activity remains controlled and mitigated within existing structures.</p>	
Inherent Score	RED (15)	<i>Likelihood: 5 Impact: 4</i>
Current Score	AMBER (6)	<i>Likelihood: 4 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce	
Last update	13 July 2023	

SR9	Gatwick airport	AMBER
Description	Gatwick Airport has indicated its commitment to pursue its plans for expansion. Whilst the airport is a key local employer and its operations and supply chains have a significant bearing on the borough's economy, its expansion risks local environmental and infrastructural issues if not appropriately planned for and outcomes managed.	
Owners	Portfolio Holder: Cllr Biggs	
	Officer: Luci Mould and Andrew Benson	
Controls	<p>Implemented Controls: The decisions made around the expansion of Gatwick Airport are largely outside of the Council's control. A new phase of engagement commenced in Q1 of 2022/23, which the Council continues to participate in. The council will continue to regularly engage throughout the planning process to mitigate negative outcomes and maximise benefits. This includes cooperation with neighbouring Local Authority partners affected by the expansion.</p> <p>Ongoing Controls: The Council continues to engage with Gatwick throughout the planning process to mitigate negative outcomes and maximise benefits from the Airports expansion.</p>	
Mitigating actions/progress	<p>Implemented Mitigations: Gatwick are expected to submit a new Development Consent Order (DCO) for the conversion of the emergency runway into a second runway in early Q2, although a specific date has not yet been given. The Council has already responded to the consultation in 2022/23 for the expansion, and this is expected to inform the Council's response to the formal DCO</p>	
Inherent Score	RED (16)	<i>Likelihood: 3 Impact: 4</i>
Current Score	AMBER (9)	<i>Likelihood: 3 Impact: 3</i>
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>	
Status	Reduce/Accept	
Last update	20 July 2023	

SR10	Planning system reform and the Local Plan		AMBER
Description	<p>The Council is in the process of implementing a new Local Plan, which will outline the delivery of housing, both affordable and private, within the borough.</p> <p>The Department for Levelling Up, Housing and Communities published proposals that seek to alter the overarching National Planning Policy Framework.</p> <p>These plans would also introduce controversial national development management policies (NDMPs) intended to help slim down local plans.</p> <p>There is currently a great deal of uncertainty and lack of clarity over what the revised planning policy framework will change. If radical changes are introduced this may create additional complexity which could lead to delays in implementation of the new local plan and/or impact on the Council's ability to achieve the objectives set out in the new Local Plan.</p>		
Owners	<p>Portfolio Holder: Cllr Michalowski</p> <p>Officer: Andrew Benson</p>		
Controls (Likelihood)	<p>Implemented Controls:</p> <p>The Council's local plan will respond to any changes to the requirements set out in the National Planning Policy Framework and the Levelling Up and Regeneration bill accordingly.</p>		
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Council has received and responded to the National Planning Policy Framework consultation paper and submitted it back to central government.</p> <p>The latest round of consultations includes radical changes to the way that sustainability appraisals and habitats regulation will be undertaken. If these changes were carried through into the final draft, any work under the current system would be potentially negatively impacted.</p> <p>The council will continue to respond to the consultations, attended working groups and generally offer its opinion on any changes to legislation as and when it occurs</p> <p>Until there confirmation on how changes in legislation will impact upon the local plan, it is difficult to put measures in place changes until there is certainty on what the new legislation will require.</p> <p>Ongoing Mitigations:</p> <p>The governments formal response to the consultation is expected to take place in quarter 2 and will be monitored and responded to accordingly.</p>		
Inherent Score	RED (16)	<i>Likelihood: 3</i> <i>Impact: 4</i>	
Current Score	AMBER (9)	<i>Likelihood: 3</i> <i>Impact: 3</i>	
Target Score	GREEN <i>Impact mitigated to a score of 2 or below</i>		
Status	Reduce		
Last update	20 July 2023		

SR11	Climate change impact		AMBER
Description	<p>It is widely recognised that the Earth’s climate is changing, with this forecast to result in more extreme weather. This could have negative impacts, including on the built and natural environment, with vulnerable residents likely to be most severely impacted.</p> <p>In response, the Council may encounter difficulties in delivering services and may similarly have additional demands placed upon it, particularly as climate change adaptation and mitigation becomes increasingly necessary.</p>		
Owners	Portfolio Holders: Cllr Lewanski		
	Officers: Cath Rose, Andrew Benson, and Laura McCartney		
Controls	<p>Implemented Controls:</p> <p>The Council’s multi-agency adverse weather emergency plan and service level business continuity plans.</p> <p>Internal Sustainability Team and the associated implementation of the recommendations of the Environmental Sustainability Strategy.</p> <p>Supplementary planning document detailing climate change and sustainable construction for new developments.</p> <p>Ongoing Controls:</p> <p>Consideration of climate change impacts requirements under both existing and new local plan.</p>		
Mitigating actions/progress	<p>Implemented Mitigations:</p> <p>The Household Emergency Plan has been introduced on the Council’s website. This plan details what activities households can take to minimise impact from flooding or other extreme weather events.</p> <p>The Council’s Emergency Planning team proactively engages the Surrey Local Resilience Forum to prepare for and respond to extreme weather events.</p> <p>SCC is creating a climate change adaptation strategy, due to be adopted in 2023/24. RBBC has engaged with SCC to inform the development of this strategy.</p> <p>Ongoing Mitigations:</p> <p>Ongoing Partnership work with Surrey County Council and Environment Agency to identify opportunities to mitigate flooding impacts in local developments.</p> <p>The Council continues to implement measures to reduce the impact of extreme weather on local developments:</p> <ul style="list-style-type: none"> • Installation of swales at Merstham Recreational Ground. • Flooding and other extreme weather impact assessments with local flood action groups. <p>Work is ongoing with SCC and other Local Authorities to implement a county-level climate change adaptation strategy. Once adopted this will identify specific mitigation actions and timeframes to address local climate risks</p>		
Inherent Score	RED (16)		<i>Likelihood: 4 Impact: 4</i>
Current Score	AMBER (12)		<i>Likelihood: 4 Impact: 3</i>

SR11	Climate change impact	AMBER
Target Score	<p style="text-align: center;">GREEN <i>Impact mitigated to a score of 2 or below</i></p>	
Status	Reduce/Accept	
Last update	01 August 2023	



Signed off by	Chief Finance Officer
Author	Tom Borer, Senior Policy Officer
Telephone	Tel: 01737 276717
Email	tom.borer@reigate-banstead.gov.uk
To	Audit Committee
Date	Wednesday, 6 September 2023
Executive Member	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - 2022/23 annual report and opinion
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Recommendations

- (i) **That the Audit Committee note the annual internal audit report and opinion available at annex 1, and the management responses available at annex 2; and,**
- (ii) **That the Audit Committee make any comments and/or observations on the reports to the Council’s Chief Finance Officer.**

Reasons for Recommendations

In accordance with its constitutional responsibilities and the Council’s Internal Audit Charter, the Audit Committee is required to receive the annual internal audit opinion of the Council’s Chief Internal Auditor.

Executive Summary

The Council’s Chief Internal Auditor is responsible for the delivery of an annual audit opinion which provides a view on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. The annual internal audit opinion also informs the Council’s annual governance statement.

For the 12 months ending 31 March 2023, the opinion of the Council’s Chief Internal Auditor is as follows:

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'I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are reasonable and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.'

The Audit 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), as amended by the Accounts and Audit (Amendment) Regulations 2022, which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their] 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. In accordance with these standard and the Council's Internal Audit Charter, the internal auditors are required to provide senior management and the Audit Committee with an annual report and opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
4. The annual report and opinion informs the Council's Annual Governance Statement, a statutory document required by Regulation 4(2) of the Accounts and Audit Regulations 2003, later amended by the Accounts and Audit (Amendment) (England) Regulations 2006. The Annual Governance Statement reports on compliance with the Council's Code of Corporate Governance.
5. Under Section 151 of the Local Government Act (1972), the Council's Chief Finance Officer holds the statutory responsibility for the overall financial administration of the Council's affairs and is therefore

Background

6. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
7. The Council's internal auditors are the Southern Internal Audit Partnership (SIAP).
8. The PSIAS defines internal audit as 'an independent, objectives 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.'
9. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance

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arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and are operating effectively.

10. 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.
11. 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.
12. The Audit Committee approved the 2022/23 internal audit plan at its meeting on 15 March 2022. The plan details the activity to be undertaken during the year.
13. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage throughout the year.
14. Under the Council's Constitution the Audit Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
15. The Audit Committee receives regular quarterly updates on the progress of delivery of the audit plan, including any agreed amendments to the audit plan.

Key Information

2022/23 annual report and opinion

16. The annual report of SIAP and the audit opinion for 2022/23 is available at annex 1.
17. Section 4 of this annex provides the internal audit opinion for 2022/23.
18. For the 12 months ending 31 March 2023, the opinion of the Council's Chief Internal Auditor is as follows:

'I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are reasonable and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.'

19. A report considered by the Committee at its meeting of 19 July 2023 provided information on the progress of delivering the 2022/23 internal audit plan.
20. A separate report on the Committee's agenda for this meeting provides information on the progress of delivering the 2023/24 internal audit plan, also including audits originating from the 2022/23 internal audit plan completed since the Q4 progress report considered in July.

2022/23 observations

21. Section 5 of SIAP's report provides an overview and summary of the key observations arising from the reviews concluding in 2022/23.

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22. SIAP's report notes that *'in general, internal audit work found there to be a sound control environment in place across the majority of review areas ... we generally found officers and staff to be well aware of the importance of effective control frameworks and compliance and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review and monitored to completion to ensure that the identified risks and issues are addressed'*.
23. The key observations noted by the auditors are detailed in SIAP's report. A management response to observations arising from For any reviews that concluded with a 'limited' or 'no' assurance opinion, a management response to the actions arising has been included for the Audit Committee's awareness within the relevant quarterly progress reports considered by the Committee; in this case the Q1 2022/23 progress report considered by the Committee regarding Contract Management, and the Q1 2023/24 report, also on the Committee's agenda for this meeting, regarding other relevant audits.
24. It should be noted that the review of Contract Management originated from the 2021/22 internal audit plan, but did not conclude in time to be reported in the 2021/22 annual report, and has therefore been included within the 2022/23 annual report and opinion.

Management Response

25. The management response should be read alongside these observations; to support this, copies of the management responses for audits concluding with a 'limited' or 'no' assurance opinion are included at Annex 2 to this report. Committee Members should note that these duplicate the management responses provided within the separate Q1 2023/24 report, also on the Committee's agenda for this meeting.

Options

26. The Committee has two options:
Option 1: Note the annual report and opinion and make any observations to the Council's Chief Finance Officer.
Option 2: Note the annual report and opinion and make no observations to the Council's Chief Finance Officer.

Legal Implications

27. There are no legal implications arising from this report.
28. If the internal audit process identifies any concerns regarding legal matters, these will be addressed through identified management actions.

Financial Implications

29. There are no financial implications arising from this report.
30. If the internal audit process identifies any concerns regarding financial matters, these will be addressed through identified management actions.

Equalities Implications

31. There are no equalities implications arising from this report.
32. If the internal audit process identifies any concerns regarding equalities matters, these will be addressed through identified management actions.

Communication Implications

33. There are no communications implications arising from this report.
34. If the internal audit process identifies any concerns regarding communications matters, these will be addressed through identified management actions.

Environmental Sustainability Implications

35. There are no environmental sustainability implications arising from this report.
36. If the internal audit process identifies any concerns regarding environmental sustainability matters, these will be addressed through identified management actions.

Risk Management Considerations

37. An effective internal audit function is an important part of effectively managing risk.
38. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.
39. There are no other risk management implications arising from this report.

Consultation

40. The internal audit reports have been considered by the Council's Corporate Governance Group as part of its governance role.

Policy Framework

41. 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 Powers

42. None

Annexes

Annex 1: 2022/23 internal audit annual report and opinion

Annex 2: Compiled management responses for internal audits concluding with 'limited' or 'no' assurance.

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

REIGATE AND BANSTEAD BOROUGH COUNCIL
Annual Internal Audit Report & Opinion 2022-2023

Prepared by: Natalie Jerams, Deputy Head of Partnership

August 2023

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

‘undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 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’.

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. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

Working practices have been reviewed, modified and agreed with all partners and we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

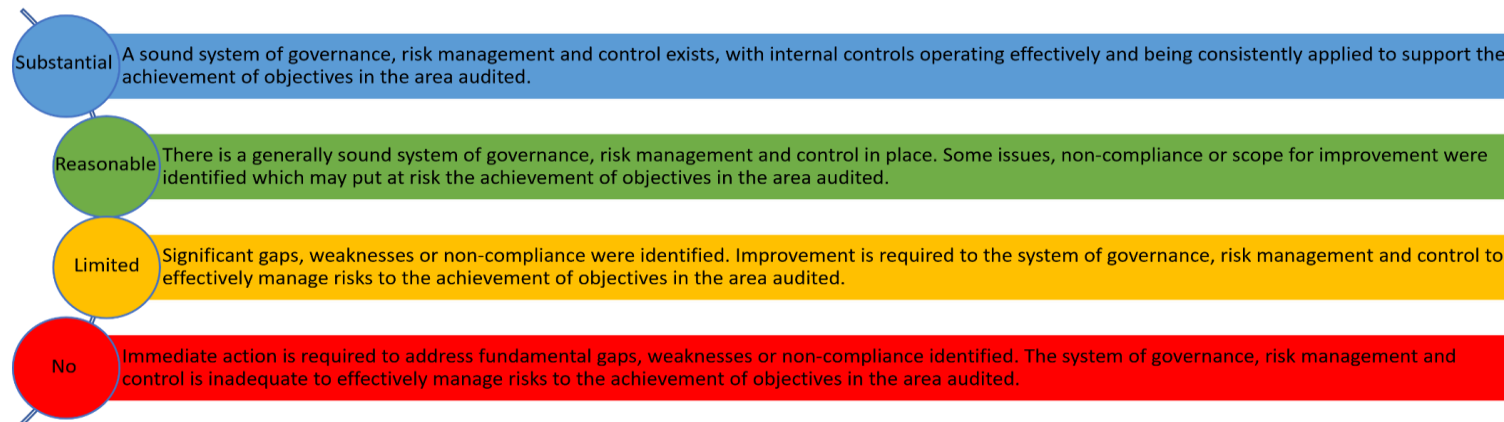
3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Audit Committee in March 2022. It was informed by internal audit’s own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Chief Finance Officer and reported in detail to the Audit Committee in the internal audit progress reports which were reviewed at each meeting.

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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. The assurance opinions are categorised as follows:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2022-23

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

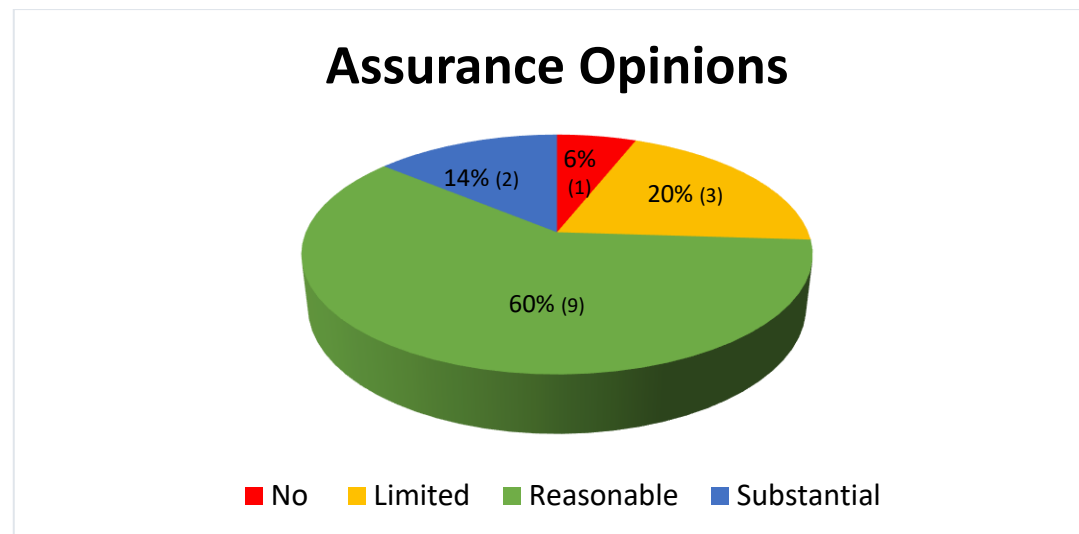
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Audit Committee in full throughout the year and a summary of the assurance opinions is outlined below.



** Numbers in brackets reflect the number of reviews for each assurance opinion category.*

As at the time of reporting, two audit reviews remain in progress (NNDR and Playgrounds & Wheeled Sports Facilities). The outcome of these reviews will be reported in our next progress report to the Audit Committee and incorporated in the annual opinion for 2023-24. Similarly, two audit reviews from 2021-22 (Contract Management and Parking & Enforcement) were carried forward and have been included within this report.

Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements.
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2022-23 we undertook reviews of Decision Making and Accountability, concluding with reasonable assurance, Financial Sustainability Programme, concluding with substantial assurance and Health and Safety Governance which concluded with a limited assurance opinion.

The focus of the Health and Safety Governance audit was to review the framework of governance to ensure compliance with the health and safety policy and to seek assurance over the effectiveness of the framework of health and safety across the organisation.

Positively, the authority has a Corporate Health and Safety Advisor in post to co-ordinate health and safety arrangements with other roles and responsibilities across the organisation also defined in the Health & Safety and Welfare Policy and Procedure.

To underpin the main policy, there are a number of other policies that support Health and Safety. Whilst it was clear progress had been made in updating and publishing these on the corporate intranet, there were a number that still required review.

Reporting of incidents/accidents analysis has not been consistent with roles and responsibilities set out within the policy, additionally, risk assessments were being undertaken, however, there were inconsistencies in the way they were completed and recorded, in particular the allocation of responsibility and the delivery date of any actions required.

A Health & Safety Working Group (HSWG) had historically been established and whilst it was encouraging to see this had reconvened in November 2022, meetings have been sporadic over the past three years impacting the effective delivery of the group's terms of reference and planning Health and Safety activities, and monitoring performance.

The absence of effective guidance has led to an inconsistent approach to staff training and the maintenance of training records, albeit we were advised that the Health and Safety Advisor is currently working systematically around the services to risk assess the current training status.

The Health and Safety Advisor has conducted spot checks and quality assurance checks as part of an ongoing consultation programme which we were advised has been scheduled according to assessed risk. However, the programme was not documented or being driven in response to strategic requirements. At the time of our review, not all service areas had been reviewed to establish their current status regarding H&S.

Contract Standing Orders set out that Contract Managers are responsible for ensuring the supplier's compliance with all appropriate Health and Safety obligations, however, there was no reference to managing contracts in respect of Health and Safety in the Corporate Health and Safety & Welfare Policy and Procedure.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit Committee to provide the opportunity for independent consideration and challenge including the in-year update and review of the Code of Corporate Governance and the Annual Governance Statement.

Risk management

We last reviewed risk management arrangements in the Council in 2020/21 which resulted in a reasonable assurance opinion. The evidence obtained during the review demonstrated that risk management arrangements were sound, documented and embedded within the Council. The Risk Management Strategy was recently updated in December 2022 for the period 2023/24 – 2025/26. An internal audit review of the new risk management arrangements is due to be carried out in 2024/25 to allow time for the new strategy to embed.

In accordance with the constitution, the Audit Committee play a key role in '*monitoring the effective development and operation of risk management in the Council*'. This has been supported throughout the year through the Committees overview of the Risk Management Strategy, including receiving the updated Risk Management Strategy 2023/24 – 2025/26 in December 2022, and overview of the Risk Register which features as a regular agenda item throughout the year.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan, with the planned reviews mapped to the risk register. The information in the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately focussed.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2022-23 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed.

The key areas of challenge identified or confirmed through our work are outlined below:

HR & OD – Use of Volunteers (No Assurance)

The two main areas where the Council use volunteers were found to be Community Partnerships and Neighbourhood Operations. Testing was carried out on Community Partnerships' use of volunteers at Community Centres exclusively, as the area was found to have the highest numbers of volunteers, and the volunteers fulfil ongoing specific roles.

Volunteers are an essential commodity to enable the operation of Community Centres across the Borough. As at April 2023, across the three community centres the services of 111 volunteers was retained. However, there are no policies/procedures in place regarding the selection or use of volunteers or work experience candidates/appointees across the council.

There was no central record of volunteers maintained. The spreadsheets that were retained by Community Centre Managers were found to contain personal and confidential information, but no evidence of the records being subject to a sufficient level of security. The HR Document Retention Scheme did not cover volunteers' records specifically, and the areas where they were covered only related to a very limited range of volunteer-related records.

We found that identification checks were not consistently performed on volunteers at the Community Centres at the onboarding stage,

despite the roles being advertised as age specific. DBS (Disclosure and Barring Service) checks are also not performed on volunteers at the Community Centres, despite their roles involving interaction with children and vulnerable adults.

Whilst we were advised that volunteers at the Community Centres are provided with on-the-job training, we found very limited evidence of formal training being provided.

We were advised that volunteers do not have access to systems, however it was confirmed that volunteers have access to tills within all three Community Centres. No evidence of a log of accesses was found to enable overview of access awarded to volunteers to tills, security codes, assets, or similar.

Our review found that volunteers at the Community Centres do not have access to the same wellbeing resources as employees and they do not have access to a relevant grievance scheme.

It is also not clear how poor performance would be managed.

Income Collection (Limited Assurance)

Key income collection points for the Council are Community Centres, the Harlequin Theatre, the Town Hall and car parking income. Car Parking income was audited more recently, as part of the 2021/22 audit plan, and therefore was excluded from this review.

Financial Regulations are in place to support the receipting, banking, and recording of monies received and these are accessible to all staff who require them. Whilst we found that income is regularly matched to the bank account and finance staff perform regular cash reconciliations and ensure the suspense account is monitored and cleared regularly, there were a number of observations raised where areas of control could be improved, in particular regarding cash collection and record keeping across the Community Centres.

New access to ICON (the Cash Receipting system) is granted by the Finance Operations Manager, who has administration access rights on the system. We were advised that users access rights are removed when they have left the employment of the authority. However, there was no periodic review to ensure that only the relevant staff within RBBC have access and to also ensure that the number of active user accounts does not exceed the number of licences held.

Keycodes to the safes held both at the Town Hall and the Harlequin Theatre have not been regularly changed and no expectation has been set to safe managers which sets out when or how often a keycode for the safe should be changed. Further to this, we also found that the safe limits for the community centres were being regularly exceeded.

Whilst Community Centres have been issued with documented banking procedures, staff and volunteers at the centres have not been issued with procedures for cash handling and income collection.

At the time of testing, income records at the Community Centres were manual and difficult to reconcile. Our testing of a sample of weekly taking spreadsheets identified several discrepancies. The council were in the process of implementing electronic tills across the centres at the time of the audit, but our testing took place prior to this. We also noted that at one Community Centre a service provider was not being charged for use of the facilities in line with Fees and Charges.

There were also some discrepancies on income records sampled for the Harlequin Theatre.

Whilst there are very few cash payments received at the Town Hall and are generally low value, our testing of the two cash transactions received to date during 2022/23 were not supported by a receipt to the payee.

Responsibilities for the contract management of the income collections by a third party contractor sit with Surrey County Council. Any operational issues can be addressed by the Finance Operations Manager direct with the contractor, however there is no established protocol to share any issues or incidents with Surrey County Council, nor does the authority receive routine feedback as to the ongoing overall performance of the contract or the viability of the contractor.

Contract Management (Limited Assurance)

This audit reviewed corporately prescribed contract management controls and sampled three specific contracts against these. We satisfactorily confirmed that Contract and Financial Procedure Rules, prescribed within the constitution set out roles and responsibilities for contract management.

We verified that signed contracts and a clear specification were held for our sample and confirmed with the Council's Legal Secretary that where paper contracts are retained these are securely archived. For our sampled contracts only one has required a variation. We verified that this was formally documented in Addendums within a revised contract document.

We confirmed that for two of the contracts examined there was reasonable or very good evidence of close monitoring of contract performance through regular meetings and KPIs. However, we note that scheduled monthly meetings with the contractor for one contract do occur but were not recorded. In addition, the current Contract Manager did not hold a copy of the contract specification which would, in normal circumstances, be a prime document for holding the contractor to account.

The Council's Contract register is automatically produced from the Council's InTend software. Our examination of the Contract Register found that the register was incomplete. Omissions in the current Contracts Register has resulted in non-compliance with the Local Government Transparency code that requires local authorities to publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. Additionally, the published contract register was also only available in 17 separate segmented spreadsheets which impedes a single point of public review and was not updated to reflect contract extensions.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is reported to the Audit Committee throughout the year through the quarterly internal audit progress reports.

6. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020.

In considering all sources of evidence the external assessment team 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.'

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An internal quality assessment against the IPPF, PSIAS & LGAN.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	91%
Positive customer survey response		
● Reigate & Banstead Borough Council	90%	99%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2023).

10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Natalie Jerams
Deputy Head of Southern Internal Audit Partnership

Summary of Assurance Reviews Completed 2022-23

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.

- Emergency Planning
- Financial Sustainability Programme Governance

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.

- Parking and Enforcement (2021/22)
- Business Continuity
- Housing Delivery Strategy Implementation
- Payment Card Industry Data Security Standard
- IT Database Management
- Economic Prosperity
- Decision Making & Accountability
- Council Tax
- Environmental Sustainability

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.

- Contract Management (2021/22)
- Health and Safety Governance
- Income Collection


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.

- HR & OD – Use of Volunteers

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Annex 2: Compiled management responses to internal audits concluding with 'limited' or 'no' assurance'



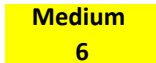

2021/22 Internal Audits

Contract Management		
Audit Sponsor	Assurance Opinion	Management Actions
Head of Legal and Governance	 Limited	<div style="display: flex; justify-content: space-around;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;"> Low 1 </div> <div style="background-color: yellow; padding: 5px; text-align: center;"> Medium 3 </div> <div style="background-color: red; color: white; padding: 5px; text-align: center;"> High 0 </div> </div>
<p>Summary of key observations from SIAP:</p> <p>This audit reviewed corporately prescribed contract management controls and sampled three specific contracts against these. We satisfactorily confirmed that Contract and Financial Procedure Rules, prescribed within the constitution set out roles and responsibilities for contract management.</p> <p>We verified that signed contracts and a clear specification were held for our sample and confirmed with the Council's Legal Secretary that where paper contracts are retained these are securely archived. For our sampled contracts only one has required a variation. We verified that this was formally documented in Addendums within a revised contract document.</p> <p>We confirmed that for two of the contracts examined there was reasonable or very good evidence of close monitoring of contract performance through regular meetings and KPIs. However, we note that scheduled monthly meetings with the contractor for one contract do occur but are not recorded. In addition, the current Contract Manager did not hold a copy of the contract specification which would, in normal circumstances, be a prime document for holding the contractor to account.</p> <p>The Council's Contract register is automatically produced from the Council's InTend software. Our examination of the Contract Register found that the register is incomplete. Omissions in the current Contracts Register has resulted in non-compliance with the Local Government Transparency code that requires local authorities to publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. Additionally, the published contract register is also only available in 17 separate segmented spreadsheets which impedes a single point of public review and is not updated to reflect contract extensions.</p>		
<p>RBBC's management response:</p> <p>We are aware of the current challenges around procurement and contract management within the Council and are developing a plan to address them, primarily through adoption of a new procurement strategy and creation of a procurement governance board, to ensure strategic and central oversight of procurement and contract management activity and appropriate periodic challenge.</p>		

Regarding the observations for the Leisure contract, we will discuss with the service area and contract manager and support them to identify measures to improve the management of this contract going forward; the contract manager will measure and report on the KPI's in accordance with the contract.

We are aware of the issues surrounding our contract register and that the current process requires the procurement officer to manually insert each entry. The contract register will be reviewed and improved to ensure accuracy. We will explore options for improving the links between finance and procurement systems to ensure that there is an accurate contracts register.

2022/23 Internal Audits

Health and Safety Governance				
Audit Sponsor	Assurance Opinion	Management Actions		
Head of Neighbourhood Operations	 Limited	 Low 6	 Medium 6	 High 0
<p>Summary of key observations from SIAP:</p> <p>The focus of the Health and Safety Governance audit was to review the framework of governance to ensure compliance with the health and safety policy and to seek assurance over the effectiveness of the framework of health and safety across the organisation.</p> <p>Positively, the authority has a Corporate Health and Safety Advisor in post to co-ordinate health and safety arrangements with other roles and responsibilities across the organisation also defined in the Health & Safety and Welfare Policy and Procedure.</p> <p>To underpin the main policy, there are a number of other policies that support Health and Safety. Whilst it was clear progress had been made in updating and publishing these on the corporate intranet, there were a number that still required review.</p> <p>Reporting of incidents/accidents analysis has not been consistent with roles and responsibilities set out within the policy, additionally, risk assessments were being undertaken, however, there were inconsistencies in the way they were completed and recorded, in particular the allocation of responsibility and the delivery date of any actions required.</p> <p>A Health & Safety Working Group (HSWG) had historically been established and whilst it was encouraging to see this had reconvened in November 2022, meetings have been sporadic over the past three years impacting the effective delivery of the group's terms of reference and planning Health and Safety activities, and monitoring performance.</p> <p>The absence of effective guidance has led to an inconsistent approach to staff training and the maintenance of training records, albeit we were advised that the Health and Safety Advisor is currently working systematically around the services to risk assess the current training status.</p>				

The Health and Safety Advisor has conducted spot checks and quality assurance checks as part of an ongoing consultation programme which we were advised has been scheduled according to assessed risk. However, the programme was not documented or being driven in response to strategic requirements. At the time of our review, not all service areas had been reviewed to establish their current status regarding H&S.

Contract Standing Orders set out that Contract Managers are responsible for ensuring the supplier's compliance with all appropriate Health and Safety obligations, however, there was no reference to managing contracts in respect of Health and Safety in the Corporate Health and Safety & Welfare Policy and Procedure.

RBBC's management response:

While there are no concerns about how the Council's health and safety responsibilities are fulfilled, this audit has highlighted some areas for improvement regarding the supporting governance of these arrangements. In particular:

- the importance of holding regular H&S Working Group meetings;
- ensuring that identification and provision of mandatory or required H&S training to employees; and
- the documentation of audit schedules and policy / procedure reviews and evidencing that they are both being driven by strategic requirements and H&S priorities.


Historically the Council held regular Health and Safety Committee meetings, however these were paused for a period of time due to the H&S Advisor role not being consistently in post. Following the current H&S Advisor's appointment in September 2019, the Health and Safety Working Group was set up. There were periods of time where the group was unable to meet and as indicated within the audit report this was something that was accepted and resolved promptly. COVID-19 in particular impacted the groups' ability to meet, however H&S matters, during this time, were escalated through the Incident Management Team when required.

The Health and Safety Advisor had been undertaking policy and procedure reviews since their appointment in 2019, however the COVID-19 pandemic then impacted their ability to undertake reviews in a timely fashion manner due to their work being refocused on other H&S priorities during the pandemic.

The audit also highlighted that both the H&S Working Group and the Corporate Governance Group should receive regular updates on plans for carrying out H&S reviews, rather than solely documenting these plans within the H&S Advisor's personal performance agreement.

The audit also highlighted that there is no current requirement for managers to ensure that required or mandatory training is provided to employees. Whilst training is being provided throughout the Council, it is accepted that a guidance document will be useful to managers on best practice such as how to identify, deliver and record training and would provide added assurance.

Overall, the audit findings have enabled the Council and the H&S Advisor to identify areas in the governance of H&S that require improvement and to implement plans and actions to rectify them. The H&S Advisor has already completed several of the actions and is working towards a timely conclusion of the remainder.

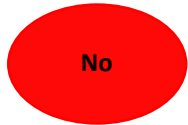

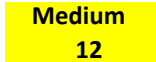

Income Collection		
Audit Sponsor	Assurance Opinion	Management Actions
Chief Finance Office (S151 Officer)	 Limited	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;">Medium 7</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 1</div> </div>
<p>Summary of key observations from SIAP:</p> <p>Key income collection points for the Council are Community Centres, the Harlequin Theatre, the Town Hall and car parking income. Car Parking income was audited more recently, as part of the 2021/22 audit plan, and therefore was excluded from this review.</p> <p>Financial Regulations are in place to support the receipting, banking, and recording of monies received and these are accessible to all staff who require them.</p> <p>Whilst we found that income is regularly matched to the bank account and finance staff perform regular cash reconciliations and ensure the suspense account is monitored and cleared regularly, there were a number of observations raised where areas of control could be improved, in particular regarding cash collection and record keeping across the Community Centres.</p> <p>New access to ICON (the Cash Receipting system) is granted by the Finance Operations Manager, who has administration access rights on the system. We were advised that users access rights are removed when they have left the employment of the authority. However, there was no periodic review to ensure that only the relevant staff across the Council have access and to also ensure that the number of active user accounts does not exceed the number of licences held.</p> <p>Keycodes to the safes held both at the Town Hall and the Harlequin Theatre have not been regularly changed and no expectation has been set to safe managers which sets out when or how often a keycode for the safe should be changed. Further to this, we also found that the safe limits for the Community Centres were being regularly exceeded.</p> <p>Whilst Community Centres have been issued with documented banking procedures, staff and volunteers at the centres have not been issued with procedures for cash handling and income collection.</p> <p>At the time of testing, income records at the Community Centres were manual and difficult to reconcile. Our testing of a sample of weekly taking spreadsheets identified several discrepancies. The Council were in the process of implementing electronic tills across the centres at the time of the audit, but our testing took place prior to this. We also noted that at one Community Centre a service provider was not being charged for use of the facilities in line with Fees and Charges.</p> <p>There were also some discrepancies on income records sampled for the Harlequin Theatre.</p> <p>Whilst there are very few cash payments received at the Town Hall and are generally low value, our testing of the two cash transactions received to date during 2022/23 were not supported by a receipt to the payee.</p>		

Responsibilities for the contract management of the income collections by a third party contractor sit with Surrey County Council. Any operational issues can be addressed by the Finance Operations Manager direct with the contractor, however there is no established protocol to share any issues or incidents with Surrey County Council, nor does the authority receive routine feedback as to the ongoing overall performance of the contract or the viability of the contractor.

RBBC's management response:

As acknowledged in the audit report, the value of cash received by the Council compared to other forms of income each year is now relatively low. The audit has confirmed that controls and procedures at the Town Hall are generally operating as expected; also that the issues identified in the previous audit of income collection at the Harlequin Theatre have been resolved. The management actions in response to SIAP's observations in these areas are on target to be completed by the due dates.

The audit of income collection at the Community Centres took place at a time of considerable change during a service-wide transformation programme. Whilst improvements were already planned as part of that programme, such as the introduction of electronic tills and improved financial control and reporting processes, these had not yet been implemented which resulted in several of the observations as set out in the audit report. Work is now underway to complete the transformation improvements and the audit has helped the service to confirm the priority areas for attention.

HR – Use of Volunteers				
Audit Sponsor	Assurance Opinion	Management Actions		
Strategic Head of Organisation and Transformation	 No	 Low 1	 Medium 12	 High 6
Summary of key observations from SIAP:				
<p>The two main areas where the Council use volunteers were found to be Community Partnerships and Neighbourhood Operations. Testing was carried out on Community Partnerships' use of volunteers at Community Centres exclusively, as the area was found to have the highest numbers of volunteers, and the volunteers fulfil ongoing specific roles.</p> <p>Volunteers are an essential commodity to enable the operation of Community Centres across the Borough. As at April 2023, across the three community centres the services of 111 volunteers was retained. However, there are no policies/procedures in place regarding the selection or use of volunteers or work experience candidates/appointees across the council.</p> <p>There was no central record of volunteers maintained. The spreadsheets that were retained by Community Centre Managers were found to contain personal and confidential information, but no evidence of the records being subject to a sufficient level of security. The HR Document</p>				

Retention Scheme did not cover volunteers' records specifically, and the areas where they were covered only related to a very limited range of volunteer-related records.

We found that identification checks were not consistently performed on volunteers at the Community Centres at the onboarding stage, despite the roles being advertised as age specific. DBS (Disclosure and Barring Service) checks are also not performed on volunteers at the Community Centres, despite their roles involving interaction with children and vulnerable adults.

Whilst we were advised that volunteers at the Community Centres are provided with on-the-job training, we found very limited evidence of formal training being provided.

We were advised that volunteers do not have access to systems, however it was confirmed that volunteers have access to tills within all three Community Centres. No evidence of a log of accesses was found to enable overview of access awarded to volunteers to tills, security codes, assets, or similar.

Our review found that volunteers at the Community Centres do not have access to the same wellbeing resources as employees and they do not have access to a relevant grievance scheme.

It is also not clear how poor performance would be managed.

RBBC's management response:

RBBC welcomes the detailed response to our proactive request of the audit of use of volunteers, which was prompted by RBBC's own concerns.

We are pleased that SIAPs report confirms that all management actions, once implemented, should mitigate the risks identified. A RBBC task and finish group was established in June 2023 to address our own concerns with regard to the use of volunteers, with great progress being made against a number of the management actions already, namely volunteer mapping, and policy & procedure creation.

We thank our partners at SIAP for facilitating this audit, highlighting the value of audit as a tool to support proactive remedy of concerns.

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Signed off by	Chief Finance Officer
Author	Tom Borer, Senior Policy Officer
Telephone	Tel: 01737 276717
Email	tom.borer@reigate-banstead.gov.uk
To	Audit Committee
Date	Wednesday, 6 September 2023
Executive Member	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - Quarter 1 2023/24 progress report
----------------	--

Recommendations
<ul style="list-style-type: none"> (i) That the Audit Committee note the Q1 2023/24 internal audit progress report available at Annex 1; (ii) That the Audit Committee make any comments and/or observations on the report to the Council's Chief Finance 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 2023/24 internal audit plan at the end of Q1.
The Audit Committee has the authority to approve the above recommendations.

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Statutory Powers

1. The requirement of an internal audit function in local government is detailed within the Accounts and Audit (England) regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2022, which state that authorities must: 'undertake an effective internal audit to evaluate the effectiveness of [their] 45 Agenda Item 6 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 Finance 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. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
5. The PSIAS defines internal audit as 'an independent, objectives 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.'
6. The Council's internal auditors are the Southern Internal Audit Partnership (SIAP).
7. 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.
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. Under the Council's Constitution the Audit Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
11. Audit Committee approved the 2023/24 internal audit plan at its meeting on 15 March 2023. The plan details the activity to be undertaken during the year.
12. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage throughout the year.
13. The Committee receives regular quarterly updates on the progress of delivery of the audit plan, including any agreed amendments to the audit plan.

Management Actions

14. Internal audit's role is to identify potential weaknesses in systems, controls and procedures that may expose the authority to risk. Whilst internal audit highlights these weaknesses, it is the responsibility of management to propose, design and implement actions that address these and, in so doing, control and mitigate risk.
15. Heads of Service are responsible for acting on internal audit reviews in their service areas and, as senior officers and members of the management team of the Council, are ultimately responsible for overseeing the implementation of management actions. In so doing, they are able to amend the dates of implementing actions in response, for instance, to competing priorities.
16. The respective priority for individual actions (High, Medium or Low) is assigned by Heads of Service in consultation with SIAP.
17. SIAP's report at Annex 1 and the exempt Annex 2 provides detail on overdue high priority management actions, as well as the latest management update. For additional context, an overview of the number of overdue low and medium priority actions and any revised implementation dates is provided.

Audit Committee Responsibilities

18. In accordance with the Council's Constitution and Internal Audit Charter, the Committee is required to focus on matters of significance arising from internal audit reviews.

Key Information

Assurance Opinions

19. 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.
20. SIAP's assurance opinions are categorised as follows:

Assurance	Description
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.

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Q1 2023/24 Progress Update

21. SIAP's attached progress report at Annex 1:
 - Summarises the status of 'live' audit reports (an audit report 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
22. Section 3 of the progress report details the overall progress in delivering the 2023/24 internal audit plan and section 7 provides an overview of the work programme for the year.
23. Section 5 provides a summary of any key observations arising from reviews during the quarter that concludes with a 'limited' or 'no' assurance opinion. There were three internal audit reports published during the quarter which concluded with a 'limited' or 'no' assurance opinion. These reports were outstanding from the 2022/23 internal audit plan and are noted below.
24. Copies of all completed internal audit reports are available to Members via the Mod.Gov document library.
25. At the time of agenda publication, no reviews from the 2023/24 audit plan have concluded.

2022/23 audit plan update

26. The Q4 2022/23 internal audit progress report noted that seven reviews from the 2022/23 audit plan were outstanding. These were:
 - Financial Sustainability Programme Governance
 - Health and Safety Governance
 - Human Resources – Use of Volunteers
 - Income Collection
 - National Non Domestic Rates (NNDR) (Business Rates)
 - Payment Card Industry Data Security Standard (PCI DSS)
 - Playgrounds and Wheeled Sports Facilities
27. Of these, the following reviews have since concluded with an assurance opinion:

Review	Opinion
Financial Sustainability Programme	Substantial
Health and Safety Governance	Limited
Human Resources – Use of Volunteers	No
Income Collection	Limited

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PCI DSS	Reasonable
28. Information on the reviews, including a summary of key observations and the management response for those audits concluding with limited or no assurance are included in Section 5 of the report available at Annex 1.	
29. The reviews of NNDR and Playgrounds and Wheeled Sports Facilities are expected to conclude shortly.	
Amendments to the 2023/24 Audit Plan	
30. Since the previous progress report, the following amendments have been made to the 2023/24 audit plan:	
<ul style="list-style-type: none">• Main Accounting moved from Q3 to Q1• Payroll moved from Q1 to Q3• Development Management and Planning Policy moved from Q3 to Q2• Property Management and Maintenance moved from Q3 to Q2• Ethical Governance moved from Q2 to Q3• Financial Sustainability Programme moved from Q2 to Q3	
Options	
31. The Committee has two options: Option 1: Note the Q1 2023/24 internal audit progress report and make any observations on its contents to the Council's Chief Finance Officer. Option 2: Note the Q1 2023/24 internal audit progress report and make no observations on its contents to the Council's Chief Finance Officer.	
Legal Implications	
32. There are no legal implications arising from this report. 33. If the internal audit process identifies any concerns regarding legal matters, these will be addressed through identified management actions.	
Financial Implications	
34. There are no financial implications arising from this report. 35. If the internal audit process identifies any concerns regarding financial matters, these will be addressed through identified management actions.	
Equalities Implications	
36. There are no equalities implications arising from this report. 37. If the internal audit process identifies any concerns regarding equalities matters, these will be addressed through identified management actions.	
Communication Implications	

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- 38. There are no communications implications arising from this report.
- 39. If the internal audit process identifies any concerns regarding communications matters, these will be addressed through identified management actions.

Environmental Sustainability Implications

- 40. There are no environmental sustainability implications arising from this report.
- 41. If the internal audit process identifies any concerns regarding environmental sustainability matters, these will be addressed through identified management actions.

Risk Management Considerations

- 42. An effective internal audit function is an important part of effectively managing risk.
- 43. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.
- 44. There are no other risk management implications arising from this report.

Consultation

- 45. The internal audit reports have been considered by the Council's Corporate Governance Group as part of its governance role.

Policy Framework

- 46. 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

Annexes

Annex 1: Q1 2023/24 internal audit progress report

Annex 2: Q1 2023/24 internal audit progress report (part 2 exempt annex)



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

REIGATE AND BANSTEAD BOROUGH COUNCIL

Internal Audit Progress Report – 2023/24 (Q1)

Prepared by: Natalie Jerams, Deputy Head of Partnership

August 2023

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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

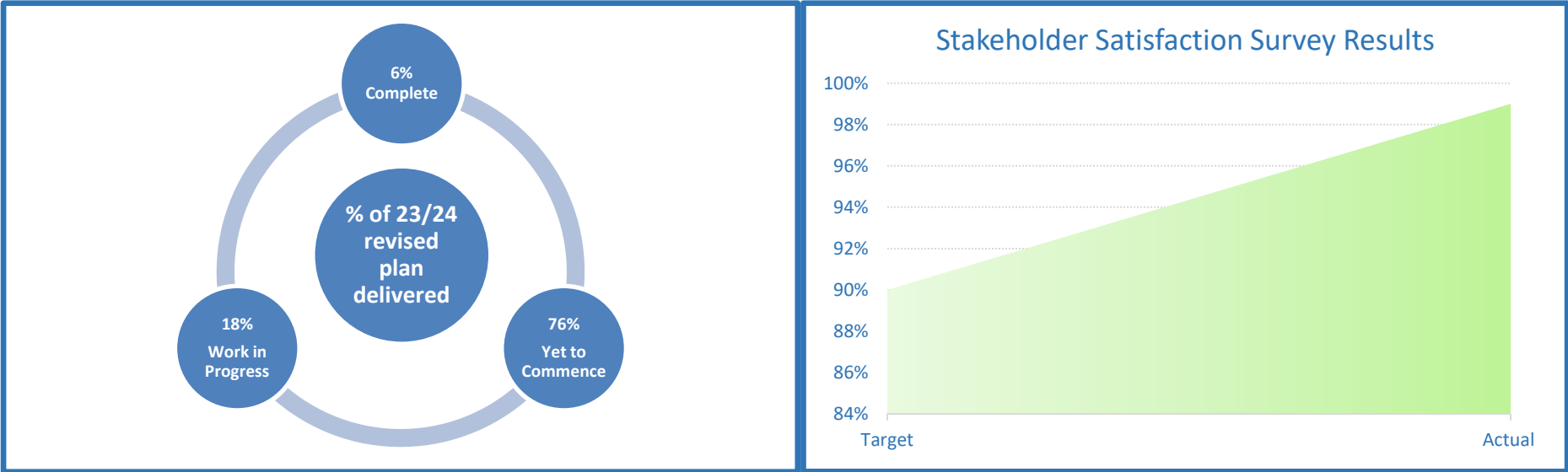
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- 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. 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.

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.'



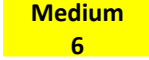

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Actions*	Not Yet Due	Complete	Overdue		
							L	M	H
Fleet Management	06.04.21	HofNO	Limited	16(3)	0(0)	15(3)		1	
Procurement	05.05.21	CFO	Limited	8(0)	0(0)	1(0)		7	
IT Disaster Recovery	27.05.21	HofIT	Limited	8(6)	0(0)	4(2)			4
Information Governance	06.12.21	HofIT	Reasonable	3(0)	0(0)	2(0)		1	
Contract Management	18.08.22	SHofL&G	Limited	4(0)	3(0)	1(0)			
Decision Making & Accountability	12.10.22	SHofL&G	Reasonable	2(0)	1(0)	1(0)			
IT Database Management	24.04.23	HofIT	Reasonable	5(0)	1(0)	4(0)			
Environmental Sustainability	26.05.23	HofCPP&P	Reasonable	4(0)	3(0)	1(0)			
Housing Delivery Strategy Implementation	13.06.23	HofH	Reasonable	2(0)	2(0)	0(0)			
Council Tax	10.07.23	HofRB&F	Reasonable	8(3)	5(1)	3(2)			
Financial Sustainability Programme Governance	20.07.23	CFO	Substantial	1(0)	1(0)	0(0)			
PCI Data Security Standard	31.07.23	CFO	Reasonable	4(2)	2(0)	2(2)			
Health & Safety Governance	04.08.23	HofNO	Limited	12(0)	8(0)	4(0)			
HR – Use of Volunteers	16.08.23	SHofO&T	No	19(6)	13(6)	6(0)			
Income Collection	16.08.23	CFO	Limited	10(1)	7(0)	3(1)			
Total				106(21)	46(7)	47(10)	0	9	4

*Total number of actions (total number of high priority actions)

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

There have been three new reports published concluding a “Limited” or “No” assurance opinion since the last progress report in July 2023.

Health and Safety Governance				
Audit Sponsor	Assurance opinion	Management Actions		
Head of Neighbourhood Operations				
Summary of key observations:				
<p>The focus of the Health and Safety Governance audit was to review the framework of governance to ensure compliance with the health and safety policy and to seek assurance over the effectiveness of the framework of health and safety across the organisation.</p> <p>Positively, the authority has a Corporate Health and Safety Advisor in post to co-ordinate health and safety arrangements with other roles and responsibilities across the organisation also defined in the Health & Safety and Welfare Policy and Procedure.</p> <p>To underpin the main policy, there are a number of other policies that support Health and Safety. Whilst it was clear progress had been made in updating and publishing these on the corporate intranet, there were a number that still required review.</p> <p>Reporting of incidents/accidents analysis has not been consistent with roles and responsibilities set out within the policy, additionally, risk assessments were being undertaken, however, there were inconsistencies in the way they were completed and recorded, in particular the allocation of responsibility and the delivery date of any actions required.</p> <p>A Health & Safety Working Group (HSWG) had historically been established and whilst it was encouraging to see this had reconvened in November 2022, meetings have been sporadic over the past three years impacting the effective delivery of the group’s terms of reference and planning Health and Safety activities, and monitoring performance.</p>				

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The absence of effective guidance has led to an inconsistent approach to staff training and the maintenance of training records, albeit we were advised that the Health and Safety Advisor is currently working systematically around the services to risk assess the current training status.

The Health and Safety Advisor has conducted spot checks and quality assurance checks as part of an ongoing consultation programme which we were advised has been scheduled according to assessed risk. However, the programme was not documented or being driven in response to strategic requirements. At the time of our review, not all service areas had been reviewed to establish their current status regarding H&S.

Contract Standing Orders set out that Contract Managers are responsible for ensuring the supplier's compliance with all appropriate Health and Safety obligations, however, there was no reference to managing contracts in respect of Health and Safety in the Corporate Health and Safety & Welfare Policy and Procedure.

RBBC's management response (provided by the Head of Neighbourhood Operations):

While there are no concerns about how the Council's health and safety responsibilities are fulfilled, this audit has highlighted some areas for improvement regarding the supporting governance of these arrangements. In particular

- the importance of holding regular H&S Working Group meetings;
- ensuring that identification and provision of mandatory or required H&S training to employees; and
- the documentation of audit schedules and policy / procedure reviews and evidencing that they are both being driven by strategic requirements and H&S priorities.





Historically the Council held regular Health and Safety Committee meetings, however these were paused for a period of time due to the H&S Advisor role not being consistently in post. Following the current H&S Advisor's appointment in September 2019, the Health and Safety Working Group was set up. There were periods of time where the group was unable to meet and as indicated within the audit report this was something that was accepted and resolved promptly. COVID-19 in particular impacted the groups' ability to meet, however H&S matters, during this time, were escalated through the Incident Management Team when required.

The Health and Safety Advisor had been undertaking policy and procedure reviews since their appointment in 2019, however the COVID-19 pandemic then impacted their ability to undertake reviews in a timely fashion manner due to their work being refocussed on other H&S priorities during the pandemic.

The audit also highlighted that both the H&S Working Group and the Corporate Governance Group should receive regular updates on plans for carrying out H&S reviews, rather than solely documenting these plans within the H&S Advisor's personal performance agreement.

The audit also highlighted that there is no current requirement for managers to ensure that required or mandatory training is provided to employees. Whilst training is being provided throughout the Council, it is accepted that a guidance document will be useful to managers on best practice such as how to identify, deliver and record training and would provide added assurance.

Overall, the audit findings have enabled the Council and the H&S Advisor to identify areas in the governance of H&S that require improvement and to implement plans and actions to rectify them. The H&S Advisor has already completed several of the actions and is working towards a timely conclusion of the remainder.

Income Collection				
Audit Sponsor	Assurance opinion	Management Actions		
Chief Finance Officer (S151 Officer)				

Summary of key observations:
 Key income collection points for the Council are Community Centres, the Harlequin Theatre, the Town Hall and car parking income. Car Parking income was audited more recently, as part of the 2021/22 audit plan, and therefore was excluded from this review.

Financial Regulations are in place to support the receipting, banking, and recording of monies received and these are accessible to all staff who require them.

Whilst we found that income is regularly matched to the bank account and finance staff perform regular cash reconciliations and ensure the suspense account is monitored and cleared regularly, there were a number of observations raised where areas of control could be improved, in particular regarding cash collection and record keeping across the Community Centres.

New access to ICON (the Cash Receipting system) is granted by the Finance Operations Manager, who has administration access rights on the system. We were advised that users access rights are removed when they have left the employment of the authority. However, there was no periodic review to ensure that only the relevant staff across the Council have access and to also ensure that the number of active user accounts does not exceed the number of licences held.

Keycodes to the safes held both at the Town Hall and the Harlequin Theatre have not been regularly changed and no expectation has been set to safe managers which sets out when or how often a keycode for the safe should be changed. Further to this, we also found that the safe limits for the Community Centres were being regularly exceeded.

Whilst Community Centres have been issued with documented banking procedures, staff and volunteers at the centres have not been issued with procedures for cash handling and income collection.

At the time of testing, income records at the Community Centres were manual and difficult to reconcile. Our testing of a sample of weekly taking spreadsheets identified several discrepancies. The Council were in the process of implementing electronic tills across the centres at the time of the audit, but our testing took place prior to this. We also noted that at one Community Centre a service provider was not being charged for use of the facilities in line with Fees and Charges.

There were also some discrepancies on income records sampled for the Harlequin Theatre.

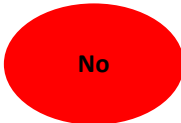
Whilst there are very few cash payments received at the Town Hall and are generally low value, our testing of the two cash transactions received to date during 2022/23 were not supported by a receipt to the payee.

Responsibilities for the contract management of the income collections by a third party contractor sit with Surrey County Council. Any operational issues can be addressed by the Finance Operations Manager direct with the contractor, however there is no established protocol to share any issues or incidents with Surrey County Council, nor does the authority receive routine feedback as to the ongoing overall performance of the contract or the viability of the contractor.

RBBC's management response (provided by the Chief Finance Officer):

As acknowledged in the audit report, the value of cash received by the Council compared to other forms of income each year is now relatively low. The audit has confirmed that controls and procedures at the Town Hall are generally operating as expected; also that the issues identified in the previous audit of income collection at the Harlequin Theatre have been resolved. The management actions in response to SIAP's observations in these areas are on target to be completed by the due dates.

The audit of income collection at the Community Centres took place at a time of considerable change during a service-wide transformation programme. Whilst improvements were already planned as part of that programme, such as the introduction of electronic tills and improved financial control and reporting processes, these had not yet been implemented which resulted in several of the observations as set out in the audit report. Work is now underway to complete the transformation improvements and the audit has helped the service to confirm the priority areas for attention.

HR – Use of Volunteers		
Audit Sponsor	Assurance opinion	Management Actions
Strategic Head of Organisation and Transformation		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 1</div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;">Medium 12</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 6</div> </div>

Summary of key observations:

The two main areas where the Council use volunteers were found to be Community Partnerships and Neighbourhood Operations. Testing was carried out on Community Partnerships’ use of volunteers at Community Centres exclusively, as the area was found to have the highest numbers of volunteers, and the volunteers fulfil ongoing specific roles.

Volunteers are an essential commodity to enable the operation of Community Centres across the Borough. As at April 2023, across the three community centres the services of 111 volunteers was retained. However, there are no policies/procedures in place regarding the selection or use of volunteers or work experience candidates/appointees across the council.

There was no central record of volunteers maintained. The spreadsheets that were retained by Community Centre Managers were found to contain personal and confidential information, but no evidence of the records being subject to a sufficient level of security. The HR Document Retention Scheme did not cover volunteers’ records specifically, and the areas where they were covered only related to a very limited range of volunteer-related records.

We found that identification checks were not consistently performed on volunteers at the Community Centres at the onboarding stage, despite the roles being advertised as age specific. DBS (Disclosure and Barring Service) checks are also not performed on volunteers at the Community Centres, despite their roles involving interaction with children and vulnerable adults.

Whilst we were advised that volunteers at the Community Centres are provided with on-the-job training, we found very limited evidence of formal training being provided.

We were advised that volunteers do not have access to systems, however it was confirmed that volunteers have access to tills within all three Community Centres. No evidence of a log of accesses was found to enable overview of access awarded to volunteers to tills, security codes, assets, or similar.

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Our review found that volunteers at the Community Centres do not have access to the same wellbeing resources as employees and they do not have access to a relevant grievance scheme.

It is also not clear how poor performance would be managed.

RBBC's management response (provided by the Strategic Head of Organisation and Transformation):

RBBC welcomes the detailed response to our proactive request of the audit of use of volunteers, which was prompted by RBBC's own concerns.

We are pleased that SIAPs report confirms that all management actions, once implemented, should mitigate the risks identified. A RBBC task and finish group was established in June 2023 to address our own concerns with regard to the use of volunteers, with great progress being made against a number of the management actions already, namely volunteer mapping, and policy & procedure creation.

We thank our partners at SIAP for facilitating this audit, highlighting the value of audit as a tool to support proactive remedy of concerns.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to Corporate Governance Group and the Audit Committee in March 2023.

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	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
2022/23 Reviews								
Health and Safety Governance	HofNO	✓	✓	✓	✓	✓	Limited	
Financial Sustainability Programme Governance	CFO	✓	✓	✓	✓	✓	Substantial	
HR – Use of Volunteers	HofOD	✓	✓	✓	✓	✓	No	
Income Collection	CFO	✓	✓	✓	✓	✓	Limited	
NNDR	HofRB&F	✓	✓	✓				Close of audit scheduled for 18/8/23.
Playgrounds & Wheeled Sports Facilities	HofNO	✓	✓	✓				Close of audit meeting held, report pending.
Fleet Management – Follow Up	HofNO	✓	✓	✓	✓	✓	n/a	
2023/24 Reviews								
Corporate								
Financial Sustainability Programme	CFO							Q3
Governance								
Fraud Framework	HofRB&F							Q3
Contract Management	SHofL&G							Q4
Procurement	SHofL&G							Q4
Human Resources	HofOD&HR							Q4
Ethical Governance	SHofL&G							Q3
IT								
IT Disaster Recovery	HofIT							Q4
Cyber Security – Managed Security Service Platform	HofIT							Q3

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Core Financial Reviews								
Main Accounting	CFO	✓	✓					
Treasury Management	CFO							Q2
Payroll	CFO							Q3
Organisation								
Property Management & Maintenance	CFO							Q2
People								
Housing Allocations	HofH	✓	✓	✓				
Place								
Refuse, Recycling and Street Cleaning	HofNO	✓	✓	✓				
Environmental Health and Licensing	HofNO							Q2
Development Management & Planning Policy	HofP							Q2
Other								
Homes England Grant – Rough Sleeping Accommodation Programme (RSAP)	CFO	✓	✓	✓	n/a	✓	n/a	Grant certification.

Audit Sponsors			
D	Director	SHofO&T	Strategic Head of Organisation and Transformation
CFO	Chief Finance Officer (S151 Officer)	SHofL&G	Strategic Head of Legal and Governance
HofCPP&P	Head of Corporate Policy, Projects & Performance	HofL&C	Head of Leisure and Culture
HofOD	Head of Organisational Development & HR	HofCP	Head of Community Partnerships
HofIT	Head of IT	HofCCCD&I	Head of Communications, Customer Contact, Data & Insight
HofH	Head of Housing	HofP	Head of Planning
HofRB&F	Head of Revenues, Benefits and Fraud	HofPD	Head of Place Delivery
HofNO	Head of Neighbourhood Operations	HofEP	Head of Economic Prosperity

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8. Adjustments to the Internal Audit Plan

There has been the following amendment to the plan:

Plan Variations for 2023/24	
Added to the plan	Reason
Homes England Grant – Rough Sleeping Accommodation Programme (RSAP)	The grant conditions required an independent review and report ahead of Chief Finance Officer sign off.

Annex 1

Overdue 'High Priority' Management Actions

IT Disaster Recovery – Limited Assurance			
Observation: Please see separate report.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Please see separate report.			

Overdue 'Low & Medium Priority' Management Actions

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Fleet Management	06.04.2021	Limited	Medium	31.12.2021	01.10.2023
Procurement	05.05.2021	Limited	Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
			Medium	31.12.2021	31.12.2023
Information Governance	06.12.2021	Reasonable	Medium	30.09.2022	30.09.2023

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Reigate and Banstead Borough Council Audit Committee Work Programme

Published: 29/08/23



Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
6 December 2023								
<i>Luke Harvey, Project & Performance Team Leader,</i> C1	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	Risk management - Q2 2023/24 Risk management update for Quarter 2 of the 2023/24 financial year.		14 Dec 2023		Part exempt	
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	Internal audit - Quarter 2 2023/24 progress report To receive the Q2 2023/24 internal audit progress report.				Open	
<i>Alex Vine, Democratic and Electoral Services Manager</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	Update of the Code of Corporate Governance To adopt the updated Code of Corporate Governance.				Open	

Agenda Item 7

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
13 March 2024								
<i>Luke Harvey, Project & Performance Team Leader</i>	Portfolio Holder for Corporate Policy and Resources	Head of Corporate Policy, Projects and Performance	<p>Risk management - Q3 2023/24</p> <p>Risk management update for Quarter 3 of the 2023/24 financial year.</p>		21 Mar 2024		Open	
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p>Internal audit - Quarter 3 2023/24 progress report</p> <p>To receive the Q3 2023/24 internal audit progress report.</p>				Part exempt	
<i>Tom Borer, Policy Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p>Internal audit plan and charter - 2024/25</p> <p>To receive the internal audit plan and Charter for 2023/24.</p>				Open	
<i>Liane Dell, Democratic Services Officer</i>	Portfolio Holder for Corporate Policy and Resources	Strategic Head of Legal and Governance	<p>Audit Committee Annual Report 2023/24 and Forward Work Programme 2024/25</p> <p>To consider the Audit Committee's Annual Report and forward work programme for 2024/25.</p>				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
Meeting date TBC for 2020/21 reports								
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	Final Annual Governance Statement 2020/21 To consider the Final Annual Governance Statement 2020/21				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	External Auditor Report (ISA 260) 2020/21 To consider the external auditor's conclusions and any significant issues arising from the audit of the Statement of Accounts 2020/21.				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	Statement of Accounts 2020/21 To consider the Audited Statement of Accounts 2020/21.				Open	
Meeting Date TBC for 2021/22 reports								
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	Final Annual Governance Statement 2021/22 To consider the Final Annual Governance Statement 2021/22.				Open	

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Agenda Item 7

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p>External Auditor Report (ISA 260) 2021/22</p> <p>To consider the external auditor's conclusions and any significant issues arising from the audit of the Statement of Accounts 2021/22.</p>				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p>Statement of Accounts 2021/22</p> <p>To consider the audited Statement of Accounts 2021/22</p>				Open	
Meeting Date TBC for 2022/23 reports								
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p>Final Annual Governance Statement 2022/23</p> <p>To consider the Final Annual Governance Statement 2022/23.</p>				Open	
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	<p>External Auditor Report (ISA 260) 2022/23</p> <p>To consider the external auditor's conclusions and any significant issues arising from the audit of the Statement of Accounts 2022/23.</p>				Open	

Report Author(s)	Lead Member(s)	Officer sign off	Subject	O&S	Executive	Council	Open / Exempt	Key
<i>Pat Main, Chief Finance Officer</i>	Deputy Leader and Portfolio Holder for Finance, Governance and Organisation	Chief Finance Officer	Audited Statement of Accounts 2022/23 To consider the Audited Statement of Accounts 2022/23.				Open	

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Action Tracker – Audit Committee 2023/24

Meeting 2023/24	Subject and Request	Action	Who	Status	Response
19 July 2023	All relevant items	All relevant items The Committee will be made aware of reports that are considered at other Committees but relate to the work of the Audit Committee.	All	In progress	A schedule of background papers will be circulated in advance of each meeting.
19 July 2023	Item 4 – Risk Management (Minute 12)	IT – OR4 (exempt) A written response from the Head of IT regarding testing would be sent to members of the Committee.	Head of IT	Completed	A response was emailed to members on 20 July 2023.
19 July 2023	Item 6 – Draft Annual Governance Statement (Minute 14)	Asset Register (exempt) The quarterly Asset Performance report that was shared presented with to the Partner, Shareholder and Trustee Sub-Committee would be shared with the Committee.	Chief Finance Officer	Completed	Circulated to Committee Members on 03 August 2023

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