



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

SIGNED OFF BY	Interim Head of Finance
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TO	Audit Committee
DATE	Thursday, 26 November 2020

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Internal audit 2020/21 - Q2 progress report
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RECOMMENDATIONS

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

REASONS FOR RECOMMENDATIONS

In accordance with its constitutional responsibilities and the Council's Internal Audit Charter, the Audit Committee is required to receive regular updates on the progress of internal audit plan delivery.

EXECUTIVE SUMMARY

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

The Committee has the authority to approve the above recommendations

STATUTORY POWERS

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

risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

2. The latter standards are defined in the Public Sector Internal Audit Standards (PSIAS) which were last updated in 2017.
3. Under Section 151 of the Local Government Act (1972), the Council’s Chief Financial Officer holds the statutory responsibility for the overall financial administration of the Council’s affairs and is therefore responsible for maintaining an adequate and effective internal audit function.

BACKGROUND

4. The Council’s internal auditors are the Southern Internal Audit Partnership (SIAP).
5. The Partnership is hosted by Hampshire County Council and is comprised of a number of local authorities and other public sector organisations.
6. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
7. The PSIAS defines internal audit as an ‘independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.
8. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and are operating effectively.
9. The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation’s objectives.
10. The Council’s Chief Internal Auditor – the Head of the Southern Internal Audit Partnership – is responsible for the management of the Council’s internal audit activity.
11. The Audit Committee endorsed the 2020/21 internal audit plan at its meeting on 16 July 2020. This would ordinarily have taken place in March 2020 ahead of the new financial year; the situation with COVID-19, however, meant that this was delayed.
12. The plan was fundamentally updated given the change in risk environment that the COVID-19 pandemic caused.
13. Under the Council’s Constitution the Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
14. The attached progress report:
 - Summarises the status of ‘live’ audit reports (an audit is considered to be ‘live’ if there are outstanding management actions);
 - Provides an update on the delivery of the annual audit plan;

- Summarises internal audit performance, including assurance opinions given; and,
- Summarises any adjustments made to the audit plan.

KEY INFORMATION

Q2 2020/21 progress update

15. Section 3 of SIAP's report details the overall progress in delivering the 2020/21 audit plan.
16. Progress continues to be made in delivering the 2020/21 audit plan, with 62% of the plan having commenced.
17. Section 7 of the report provides a detailed overview of the work programme for the year thus far.
18. Internal audit reviews result in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service under review. SIAP's assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

19. So far this year one audit has concluded:

Audit	Assurance opinion
COVID-19: Small business grants	Substantial

Management actions

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

Amendments to the audit plan

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

SIAP External Quality Assessment

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

OPTIONS

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

LEGAL IMPLICATIONS

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

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

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

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

RISK MANAGEMENT CONSIDERATIONS

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

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

OTHER IMPLICATIONS

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

CONSULTATION

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

POLICY FRAMEWORK

39. Internal audit makes a significant contribution to ensuring the adequacy and effectiveness of internal control throughout the Council, which covers all Corporate Plan Priority areas.

BACKGROUND PAPERS

None.