



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

Signed off by	Interim Head of Finance
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To	Audit Committee
Date	Thursday, 10 June 2021

Key Decision Required	N
Wards Affected	(All Wards);

Subject	Internal audit - 2020/21 annual report and opinion
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Recommendations
<p>(i) That the Committee note the annual internal audit report and opinion available at annex 1; and,</p> <p>(ii) That the Committee make any comments and/or observations on the report to the Council's Chief Finance Officer.</p>
Reasons for Recommendations
<p>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.</p>
Executive Summary
<p>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.</p> <p>For the 12 months ending 31 March 2021, the opinion of the Council's Chief Internal Auditor is as follows:</p> <p><i>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 Reigate & Banstead Borough Council's internal control environment.</i></p>

In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is '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 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] 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. 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 responsible for maintaining an adequate and effective internal audit function.

Background

6. The Council's internal auditors are the Southern Internal Audit Partnership (SIAP).
7. The Partnership is hosted by Hampshire County Council and is comprised of a number of local authorities and other public sector organisations.
8. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
9. 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'.
10. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance

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

11. 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.
12. 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.
13. The Audit Committee approved the 2020/21 internal audit plan at its meeting on 16 July 2020.
14. The audit plan is risk based and determines the priorities of internal audit activity. Ahead of its approval by the Audit Committee the plan was fundamentally updated given the change in risk environment that the Covid-19 pandemic caused. The plan has similarly been kept under close review so as to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage.
15. As SIAP's report at annex 1 notes, the pandemic has had a significant impact on the way that the auditors have worked and interacted, with a new 'virtual' operating model implemented. As section 2 of the report at annex 1 notes, the Chief Internal Auditor is confident that the revised operating model has not compromised quality or SIAP's ability to complete assurance work.
16. The Audit Committee receives regular quarterly updates on the progress of delivery of the audit plan, including any agreed amendments to the audit plan. This report should therefore be read alongside the Q4 progress report (also on the agenda of this Audit Committee meeting).

Key Information

2020/21 annual report and opinion

17. SIAP's annual report and opinion is available at annex 1, with additional information set out in the exempt part 2 annex.
18. Section 3 of SIAP's report details the annual internal audit opinion for 2020/21, whilst section 4 provides an overview of audit coverage and output.
19. For the 21 months ending 31 March 2020, the annual internal audit opinion 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 Reigate & Banstead Borough Council's internal control environment.

In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is '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.

20. In delivering this opinion the Council's internal auditors have undertaken 21 reviews. One review did not culminate in an audit opinion as it related to a review of the Local Government Compensation Scheme claims (related to government support for Covid-19 response).
21. Three reviews are yet to complete (HR: Establishment controls, Information security and Environmental Health and Licensing) and will therefore carry over into 2021/22. The Audit Committee will continue to be updated on the progress on the delivery of these audits.
22. 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.

23. Of the 17 audits that have concluded and which resulted in an assurance opinion, 6 received 'substantial assurance', 7 received 'reasonable assurance' and 4 received 'limited assurance'.
24. Section 5 of SIAP's report provides a summary of the key observations made for the year, including audits that culminated with a 'limited' assurance opinion. Further information is also available in the part 2 exempt annex.
25. Additional information on management actions in response to the reviews is available in the Q4 internal audit progress report, which is a separate item on the Committee's agenda.
26. Completed internal audit reports are available to members via the ModGov document library.

Options
27. The Committee has two options: 28. Option 1: note the annual report and opinion and make any observations on its contents to the Council's Chief Finance Officer. 29. Option 2: note the annual report and opinion and make no observations to the Council's Chief Finance Officer.
Legal Implications
30. There are no legal implications arising from this report.
Financial Implications
31. Internal audit fees are funded through the Council's annual revenue budget. 32. There are no other financial implications arising from this report.
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. 37. There are no other risk management implications.
Other Implications
38. There are no other implications arising from this report.
Consultation
39. This report has been considered by the Council's Corporate Governance Group as part of its governance role.
Policy Framework
40. 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

None.