

# Internal Audit Progress Report 2020/21

May 2021

Reigate & Banstead Borough Council



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**Southern Internal  
Audit Partnership**

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## 1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

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

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

*‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.*

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

## 2. Purpose of report

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

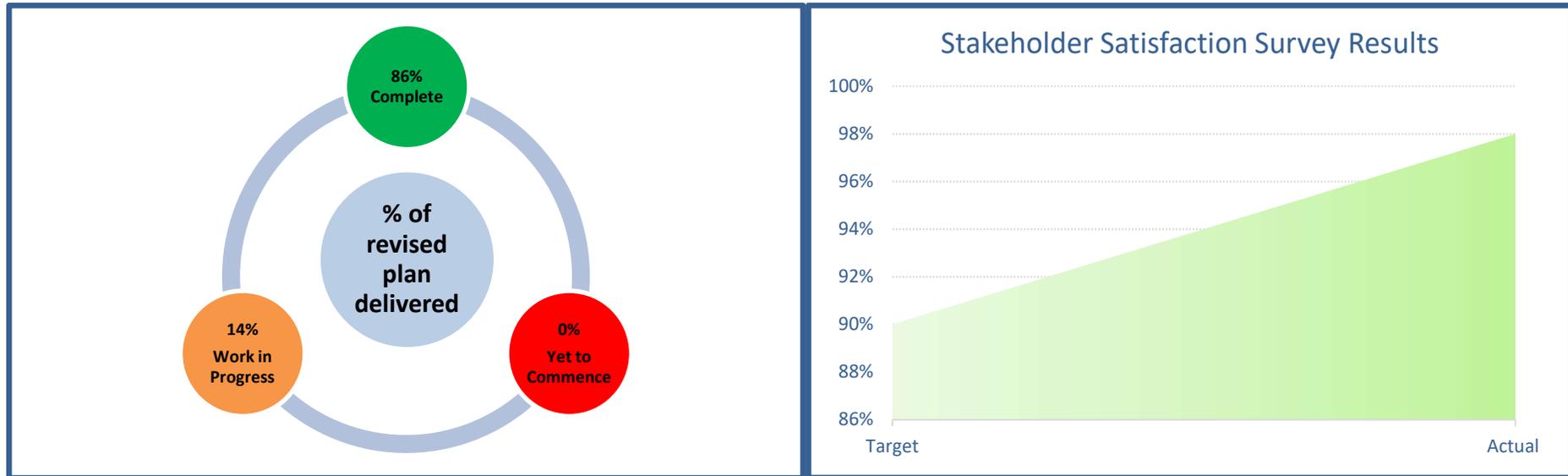
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

<b>Substantial</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>No</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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

### 3. Performance dashboard



#### Compliance with Public Sector Internal Audit Standards

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

*'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles. We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'*

## 4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due*	Complete*	Overdue		
							L	M	H
Human Resources and Organisational Development	03.10.19	HofOD	Adequate	7(0)	0(0)	1(0)	6		
Refuse, Recycling and Street Cleansing	15.10.19	HofNO	Adequate	15(3)	0(0)	14(3)		1	
Council Tax	05.02.20	HofRB&F	Adequate	6(2)	0(0)	3(2)		3	
Ethical Governance	01.04.20	HofL&G	Adequate	5(0)	0(0)	3(0)	2		
Risk Management	03.02.21	HofCP	Reasonable	3(0)	2(0)	1(0)			
Cyber Security	04.02.21	HofIT	Reasonable	7(4)	5(3)	1(0)			1
Housing Benefits	04.02.21	HofRB&F	Substantial	1(0)	1(0)	0(0)			
Health and Safety	04.02.21	HofNO	Reasonable	5(3)	0(0)	4(3)		1	
Fleet Management	06.04.21	HofNO	Limited	16(3)	5(1)	11(2)			
Covid-19 - Decision Making and Governance	07.04.21	HofPP	Reasonable	5(0)	2(0)	3(0)			
Treasury Management	05.05.21	HofF&A	Reasonable	2(0)	2(0)	0(0)			
Procurement	05.05.21	HofL&G	Limited	8(0)	7(0)	1(0)			
Procurement – Credit Cards	05.05.21	HofF&A	Limited	19(19)	7(7)	12(12)			
IT Disaster Recovery	27.05.21	HofIT	Limited	8(6)	8(6)	0(0)			
<b>Total</b>				<b>107(40)</b>	<b>39(17)</b>	<b>54(22)</b>	<b>8</b>	<b>5</b>	<b>1</b>

\*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 four new final reports and one draft report published concluding a “limited” or “no” assurance opinion since our last progress report.

Fleet Management		
Audit Sponsor	Assurance opinion	Management Actions
Head of Neighbourhood Operations	 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 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 13</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 3</div> </div>
<p><b>Summary of key observations:</b></p> <p>The Fleet/Transport Team is responsible for the ongoing maintenance and repair of all fleet assets, operator license compliance as well as the MOT and inspection of licenced taxis. The fleet comprises of eight cars, 43 light goods vehicles, 37 heavy goods vehicles and several road registered plant/mowers.</p> <p>Our review confirmed that the safety inspection intervals for Council vehicles adhered to DVSA guidelines that helped to ensure road worthiness and compliance with the Operator’s Licence. It was further confirmed that the Transport Manager oversaw an effective tachograph compliance system to manage compliance with HGV driver hour rules.</p> <p>However, testing of a sample of 20 vehicles from the Council’s fleet highlighted one was found not to have a current MOT in place, despite being signed-off internally as having had so. Further analysis confirmed that 11 of the 20 vehicles sampled required LOLER (Lifting Operations and Lifting Equipment Regulations) external inspection to ensure equipment safety. Whilst all 11 had current and in-date inspections, two had previously lapsed for 16 and 19 days respectively before being recertified as safe for use.</p> <p>The Fleet Driving Policy had not been formally reviewed or amended since 2013. In its current form the Fleet Driving Policy required Council drivers to have driving assessments at least every two years. All five drivers sampled were found to be non-compliant with this requirement. Additionally, four were also found to be non-compliant with the requirement for them to sign a copy of the Fleet Driving Policy, which</p>		

outlines requirements and expectations placed on staff and facilitates disciplinary action for non-compliance.

Fleet drivers are also subject to regular licence checks carried out by an external agency. One of those sampled was found not to have been added to the licence checking service list and therefore did not have an up-to-date licence check on file.

The Staff Handbook requires all staff to show a current and valid full driving licence before they drive any vehicle – including their own – on Council business. Seven from the above sample of ten employees had no driving licence check carried out. From the remaining three with a licence it was not possible to confirm when the check was carried out.

There was found to be no overarching Fleet Management Strategy clearly linking with the Council's broader strategies, such as the Environmental Sustainability Strategy and its goal to move towards a fleet powered by clean energy. Additionally, progress towards overarching Fleet Management objectives were not being measured.

Procurement		
Audit Sponsor	Assurance opinion	Management Actions
Head of Legal & Governance	 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; padding: 5px; text-align: center;">Medium 7</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 0</div> </div>
<p><b>Summary of key observations:</b></p> <p>The Constitution clearly articulated the Council’s Financial Regulations and Contract Procedure Rules (CPR’s). At the time of the review these were being revised to take account of Brexit developments and updates to UK procurement regulations.</p> <p>A dedicated e-procurement system (InTend) was in place to provide compliance for relevant procurement legislation and local Contract Procedure Rules. The e-Tendering module forms the basis of the system and provides a complete electronic trail of the contract invitation, tender opening and award processes.</p> <p>The Council had entered into a shared Service Partnership (Orbis) to supplement procurement support and resourcing and a clear contracted Service level Agreement was found to be in place. We note that Orbis are working alongside RBBC Officers to provide commercial insight, expertise and advice where relevant and at the time of the audit were directed to support procurement processes for expenditure between £25,001 and the regulatory threshold.</p> <p>Audit testing confirmed that a procurement strategy (2010) was held but has not been used as a point of reference for some considerable time. The absence of an overarching corporate procurement strategy weakens assurances that the objectives and key required outcomes for the Council’s procurement function have been defined, supported or delivered.</p> <p>There is currently no annual or cyclical report to senior officers or members to provide assurance on the performance of the Council’s procurement function and there are currently no performance indicators to enable monitoring that would provide assurance that key outcomes are being delivered.</p> <p>Analytical review of spend data across a 12-month period identified 120 Suppliers, each with an aggregated spend higher than £25k, where contract arrangements would be expected to be in place.</p>		

A waiver register, in respect of those areas of procurement not required to comply with CPR's, was not in place to provide a central point of reference and consistent review of the waiver process. We also noted that when waivers were granted, they were not timebound.

The Contracts register was not found to be proactively used to identify contracts expiring that may require review and possible renewal.

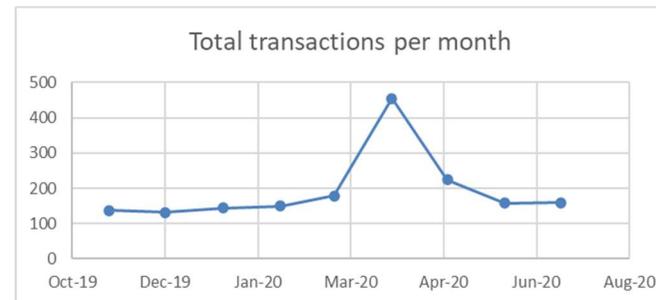
At the time of the audit, it was noted that the Procurement Intranet page was unavailable and was to be redesigned to take into account the new working arrangements with Orbis. Consequently, there were no procurement intranet pages available to provide guidance to staff and officers were unable to confirm when they would be restored.

Procurement – Credit Cards		
Audit Sponsor	Assurance opinion	Management Actions
Head of Finance		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 0</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 19</div> </div>

**Summary of key observations:**

This review was included within the audit plan at the request of the Interim Head of Finance and S151 Officer and has focused on an analysis of expenditure made on credit cards over a nine-month period (November 2019 to July 2020) to analyse the impact of changes to working practices and urgent spending during COVID-19 compared to prior usage.

As at the time of the audit the Council had 26 corporate credit cards assigned to individual Officers, and the number of cards did not increase during the pandemic. Pre COVID (November 2019 to March 2020) the Council had an average spend of £21,000 per month across all the cards combined. With the exception of April 2020, the average spend did not significantly increase during May 2020 to July 2020.



As part of this review, assurance was further sought that expenditure was in accordance with relevant policies/ business need and that transactions were authorised and accurately recorded.

There was found to be an up-to-date Credit Card Policy available to all cardholders and all expenditure was found to be updated on the system against the relevant budget codes.

However, the workflow within the financial system allowed for cardholders to approve their own expenditure resulting in a lack of segregation of duties and the risk of misuse going undetected. Where the expenditure was approved by another member of staff, we were advised that the process did not include a review of the expenditure to ensure it was appropriate and supported by valid receipts.

Analytical review and testing highlighted:

- Credit card applications and agreements were not always held for cardholders.
- Purchases were not routinely supported by a receipt or invoice.
- VAT was not consistently accounted for correctly and receipts were not always held centrally to support purchases made.
- The credit card agreement referred to using the list of preferred suppliers when making a purchase, however, the Finance Team were unaware of such a list existing. We were advised that there is no restriction on the use of suppliers when making a credit card purchase.
- Occasions where the purchase should have taken place through a purchase order via the Accounts Payable system.
- Instances where cardholders had allowed other Officers to use their cards for purchases.
- Increases of monthly or transaction credit card limits were not supported by evidence of authorisation. It was also found that credit limits were not regularly reviewed to ensure that they remain appropriate and in line with Officer's delegated limits.

A comprehensive action plan has been put in place to address the audit observations with many of the actions already implemented by management.

Information Security – Data Centre Security (Draft Report – factual accuracy agreed)		
Audit Sponsor	Assurance opinion	Management Actions
Head of IT		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low TBC</div> <div style="background-color: yellow; color: black; padding: 5px; text-align: center;">Medium TBC</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High TBC</div> </div>
<p><b>Summary of key observations:</b></p> <p>Our review sought assurance that the IT infrastructure was secure from unauthorised physical and logical access or alteration. The review highlighted that roles, responsibilities and the approval process for computer room access were not formally documented. The high number of employees with permanent access to the computer suite provided an increased risk to ICT infrastructure. Computer room access permissions on contractor cards and management of temporary staff cards was inconsistent, and no regular reviews of access rights had taken place.</p> <p>Whilst the Net2 door security system retains a detailed record of all access to all doors of the computer suite for 12 months, there were limitations with reports from the system and customised reports were not available, therefore, reports could not show who could access specific doors. Due to the reporting limitations, we were not able to test that card access permissions on a sample of staff had been granted in compliance with the stated procedure.</p> <p>Staff ICT training did not specifically include physical security related to access to ICT areas, or server rooms. Visitor handling security instructions were not documented or formally communicated to the relevant staff. External visitors to the server rooms were not recorded, and those visitors as well as contractors were not required to formally agree to the security requirements before accessing server rooms.</p> <p>The Earlswood Depot server room was secured with a combination padlock. Although convenient, a combination padlock has a weak mechanism that can be forced and can also be decrypted. The number of staff needing to access the room means the combination must be widely shared. Holders of the padlock combination were not formally identified and recorded, and the combination had not been changed on a regular basis or when staff leave.</p> <p>It was also found that the CCTV cameras in the Town Hall do not cover the entrance or the path to the server room, and the Earlswood Depot has no internal CCTV cameras.</p>		

IT Disaster Recovery		
Audit Sponsor	Assurance opinion	Management Actions
Head of IT		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="background-color: green; color: white; padding: 5px; text-align: center;">Low 0</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 2</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 6</div> </div>
<p><b>Summary of key observations:</b></p> <p>Please see Annex 2 for details.</p>		

**6. Planning & Resourcing**

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

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

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

## 7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>Corporate</b>								
Programme & Project Management	HofP&P	✓	✓	✓	✓	✓	Substantial	
Financial Resilience	HofF	✓	✓	✓	✓	✓	Reasonable	
<b>Governance</b>								
Risk Management	HofP&P	✓	✓	✓	✓	✓	Reasonable	
Procurement	HofL&G	✓	✓	✓	✓	✓	Limited	
Procurement – Credit Cards	HofF	✓	✓	✓	✓	✓	Limited	
Health & Safety	HofNO	✓	✓	✓	✓	✓	Reasonable	
COVID-19: Small Business Grants	HofF	✓	✓	✓	✓	✓	Substantial	
COVID-19: Discretionary Payments	HofF	✓	✓	✓	✓	✓	Substantial	
COVID-19: Decision Making & Governance	HofPP	✓	✓	✓	✓	✓	Reasonable	
COVID-19: Emergency Response & Recovery	HofCP & HofPP	✓	✓	✓	✓	✓	Reasonable	
<b>IT</b>								
Information Security	HofIT	✓	✓	✓	✓			Draft report issued 11/5/21
Cyber Security	HofIT	✓	✓	✓	✓	✓	Reasonable	
IT Disaster Recovery	HofIT	✓	✓	✓	✓	✓	Limited	
<b>Core Financial Reviews</b>								
Housing Benefits	HofRB&F	✓	✓	✓	✓	✓	Substantial	
Local Government Compensation Scheme (LGCS)	HofF	✓	✓	✓	n/a	n/a	n/a	Verification of the claims submitted. (Claim 1 and 2)
Payroll	HofOD	✓	✓	✓	✓	✓	Substantial	
Treasury Management	HofF	✓	✓	✓	✓	✓	Reasonable	

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
HR - Establishment Controls	HofF	✓	✓	✓				
<b>People</b>								
Homelessness	HofH	✓	✓	✓	✓	✓	Substantial	
<b>Place</b>								
Environmental Health & Licensing	HofNO	✓	✓	✓	✓			Draft report issued 4/5/21
Fleet Management	HofNO	✓	✓	✓	✓	✓	Limited	

#### Audit Sponsors

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

## 8. Adjustment to the Internal Audit Plan

There have been the following amendments to the plan:

Plan Variations for 2020/21	
Removed from the plan	Reason
Working in Partnership	Defer in order to prioritise new risk areas relating to COVID-19
Community Safety	Defer in order to prioritise new risk areas relating to COVID-19
Business Continuity & Emergency Planning	Scope refocused to prioritise lessons learnt from COVID-19 and recovery processes in place.
IT Governance	Defer in order to prioritise new risk areas relating to COVID-19
Economic Prosperity	Defer in order to prioritise new risk areas relating to COVID-19
Income Generation & Commercialisation	Replaced with the review of Financial Resilience.
Treasury Management	Defer in order to prioritise new risk areas relating to COVID-19.
Information Governance	Defer at the request of the client due to staff availability during Q4.
Contract Management	Defer at the request of the client due to staff availability during Q4. To be replaced with a review of Commissioning & Procurement in 2020/21.
Payment Card Industry Data Security Standard	Defer to take account of system changes due to be implemented and therefore look to provide assurance post implementation.
Added to the plan	Reason
Information Security	Deferred from 2019/20
COVID-19: Small Business Grants	Prioritised due to implications of COVID-19.
COVID-19: Discretionary Payments	Prioritised due to implications of COVID-19.
COVID-19: Decision Making & Governance	Prioritised due to implications of COVID-19.
Cyber Security	Prioritised due to implications of COVID-19.
Financial Resilience	Prioritised due to implications of COVID-19.
COVID-19: Emergency Response & Recovery	Prioritised due to implications of COVID-19.
Local Government Compensation Scheme (LGCS)	Prioritised due to implications of COVID-19.
HR – Establishment Controls	Included within the plan through discussions with the Interim Head of Finance and Assets to review the processes in place to monitor establishment vs budgets across the organisation.
Commissioning & Procurement	Incorporated to replace the deferred contract management review and optimise availability of key staff.
Treasury Management	Originally deferred from the 2020/21 plan in order to prioritise new risks relating to COVID-19. However, this has been reincorporated as a replacement for the Payment Card Industry Security Standard review.

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

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020/21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report, issued prior to the 1 April 2020) that refer to SIAPs former assurance ratings which are detail below.

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