

# Internal Audit Progress Report 2021/22

August 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:

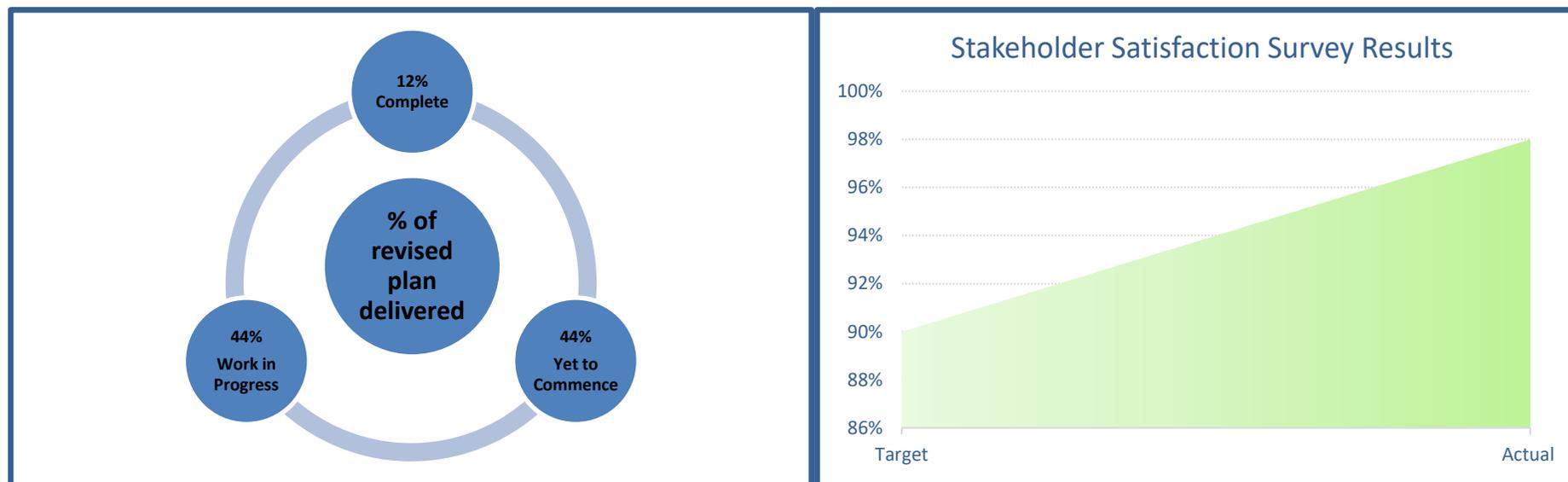
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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 Actions*	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	
Risk Management	03.02.21	HofP&P	Reasonable	3(0)	2(0)	1(0)			
Health and Safety	04.02.21	HofNO	Reasonable	5(3)	0(0)	4(3)		1	
Cyber Security	04.02.21	HofIT	Reasonable	7(4)	2(2)	3(0)			2
Fleet Management	06.04.21	HofNO	Limited	16(3)	4(1)	11(2)		1	
Covid-19 Decision Making and Governance	07.04.21	HofPP	Reasonable	5(0)	2(0)	3(0)			
Procurement	05.05.21	HofF	Limited	8(0)	7(0)	1(0)			
IT Disaster Recovery	27.05.21	HofIT	Limited	8(6)	8(6)	0(0)			
Harlequin Centre, Income Banking and Reconciliation	15.06.21	HofF	Limited	3(3)	2(2)	0(0)			1
Information Security – Data Centre Security	28.06.21	HofIT	Limited	6(2)	2(0)	3(2)		1	
<b>Total</b>				<b>89(26)</b>	<b>29(11)</b>	<b>44(12)</b>	<b>6</b>	<b>7</b>	<b>3</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 has been one new final report published concluding a “Limited” or “No” assurance opinion.

Harlequin Centre – Income, Banking & Reconciliation		
Audit Sponsor	Assurance opinion	Management Actions
Head of Finance	 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; color: black; padding: 5px; text-align: center;">Medium 0</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>This review was completed at the request of the Head of Finance, due to regular anomalies between monies received at the bank and the daily reporting of income received at the Harlequin Centre. This review sought to establish an explanation for these variances.</p> <p>Daily Return spreadsheets, which record the income received at the Harlequin Centre each day, are forwarded to the Finance team to record the income on the finance system. Five Daily Return spreadsheets were reviewed, together with the relevant documentation to support the card payment values being recorded and accounted for. As a result of COVID-19, the Harlequin Centre had a no cash policy during the period of this audit and therefore, the process for banking and recording cash was not included within this review.</p> <p><b><u>Harlequin Centre</u></b></p> <p>The Harlequin Centre’s procedure documentation, to support the processes followed by the Catering and Front of House staff, had not been updated to reflect the change in processes for the recording of income during COVID-19 restrictions.</p> <p>The End of Day reports, which provide totals and a breakdown of sales for the Café, Bar and Kiosk showed the sales recorded did not always agree to the Z till reading totals. This had not been identified by either the quality assurance review by the Duty Manager or by the Admin and Finance Supervisor. The Centre staff were unable to identify why the totals were different, bearing in mind both the Z till reading and the End of Day Report were generated from the till system.</p>		

A review of the Daily Return spreadsheets, for the five days under review, showed several errors. This would suggest there is no consistent independent check of the Daily Return figures, prior to them being forwarded to the Finance team for processing. Values entered on the Daily Tills Control spreadsheet did not agree with the Z till reading and End of Day report for one of the days reviewed.

### **Finance**

A review of the General Ledger transactions, for the Harlequin cost centre and account code combinations, confirmed the values being entered, for the five days under review, were recorded accurately within the finance system based on the data provided within the Daily Return.

However, when the Finance Officer is unable to match the card receipts bank statement lines, with the Daily Returns received from the Harlequin Centre, an additional adjustment line is added to the Daily Return and an additional General Ledger transaction line is created. This action is not reviewed, or quality assured by any other member of the Finance Team. Additional income, or refund, transactions are being generated within the General Ledger, with no supporting documentation. During this review, our testing found that none of the adjustment lines within our sample were necessary and had been added erroneously. These errors were compounded by inaccurate Daily Returns completed by the Duty Managers.

## **6. Planning & Resourcing**

The internal audit plan for 2021-22 was presented to Corporate Governance Group and the Audit Committee in March 2021.

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 2021/22

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
<b>2020/21 Reviews</b>								
HR - Establishment Controls	HofF	✓	✓	✓	✓			Awaiting management response & Senior Management sign off
Environmental Health & Licensing	HofNO	✓	✓	✓	✓			Awaiting management response & Senior Management sign off
<b>2021/22 Reviews</b>								
<b>Corporate</b>								
Financial Resilience	HofF							Q4
Transformation	HofCPP&BA							Q3
<b>Governance</b>								
Contract Management	HofL&G							Q3
HR - Absence Management	HofOD	✓	✓					
Information Governance	HofIT	✓	✓	✓				
Annual Governance Statement	HofF	✓	✓	✓				
Capital Programme	HofF							Q3
<b>IT</b>								
IT Governance	HofIT							Q4
Virtualisation (Networking & Communications)	HofIT	✓	✓	✓				
Payment Card Industry Data Security Standard	HofIT							Q3
<b>Core Financial Reviews</b>								
Accounts Payable	HofF							Q2 – scoping to be booked

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Accounts Receivable & Debt Management	HofF	✓	✓	✓				
Harlequin Centre – Income, Banking & Reconciliation	HofF	✓	✓	✓	✓	✓	Limited	
Compliance & Enforcement Grant	HofF	✓	✓	✓	✓	✓	n/a	Grant certification
Local Government Compensation Scheme	HofF	✓						
<b>Organisation</b>								
Property Management & Maintenance	HofF	✓	✓	✓	✓			
<b>Place</b>								
Parking & Enforcement	HofNO							Q4
Disabled Facility Grants	HofNO	✓	✓	✓	✓			

### Audit Sponsors

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

## 8. Adjustment to the Internal Audit Plan

There has been the following amendment to the plan:

### Plan Variations for 2021/22

Added to the plan	Reason
Compliance & Enforcement Grant	A number of days are included in the Annual Plan to allow for work in relation to Covid. This area of work has now been confirmed and will make use of an element of the agreed allowance and has consequently been added into the plan.
Local Government Compensation Scheme	A number of days are included in the Annual Plan to allow for work in relation to Covid. This area of work has now been confirmed and will make use of an element of the agreed allowance and has consequently been added into the plan.

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

<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.