

Internal Audit Progress Report 2021/22

October 2021 (Q2)

Reigate & Banstead Borough Council



**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:

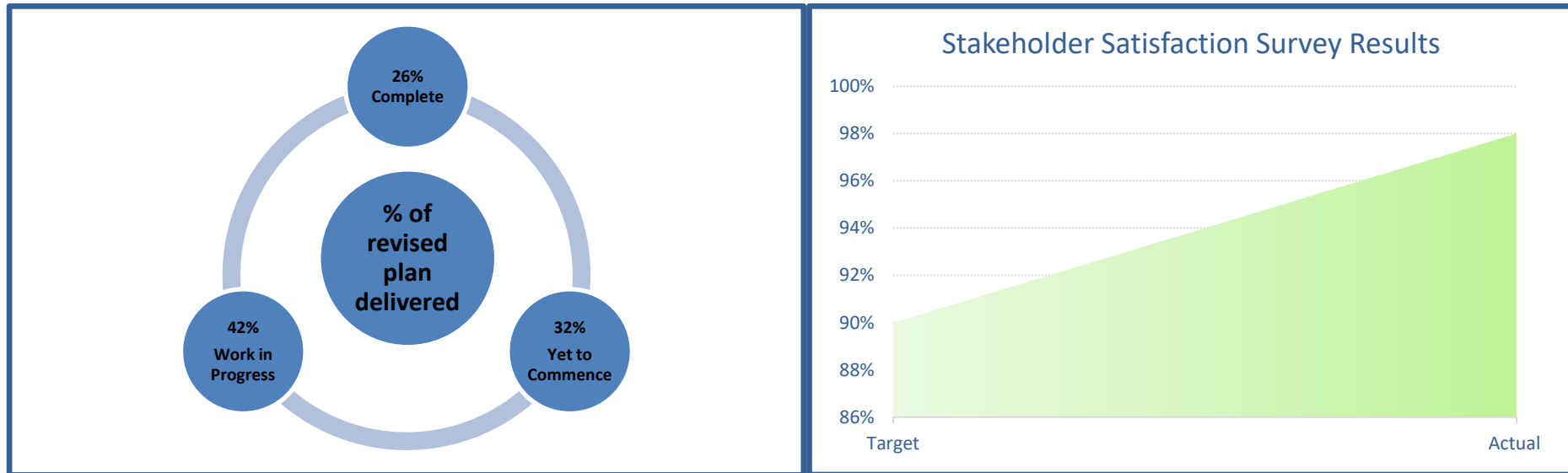
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

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:

| | |
|--------------------|--|
| 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. |

** 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 3*

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 | | |
| Council Tax | 05.02.20 | HofRB&F | Adequate | 6(2) | 0(0) | 5(2) | | 1 | |
| 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) | 1(1) | 5(2) | | | 1 |
| Fleet Management | 06.04.21 | HofNO | Limited | 16(3) | 1(0) | 15(3) | | | |
| 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) | 7(5) | 1(1) | | | |
| Harlequin Centre, Income Banking and Reconciliation | 15.06.21 | HofF | Limited | 3(3) | 1(1) | 1(1) | | | 1 |
| Information Security – Data Centre Security | 28.06.21 | HofIT | Limited | 6(2) | 1(0) | 4(2) | | 1 | |
| Disabled Facilities Grants | 21.10.21 | HofNO | Reasonable | 6(1) | 1(0) | 5(1) | | | |
| Environmental Health & Licensing | 25.10.21 | HofNO | Limited | 13(1) | 13(1) | 0(0) | | | |
| HR – Establishment Controls | 09.11.21 | HofF | Limited | 6(2) | 6(2) | 0(0) | | | |
| Total | | | | 99(27) | 42(10) | 46(15) | 6 | 3 | 2 |

*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 two new final report published concluding a “Limited” or “No” assurance opinion.

| Environmental Health & Licensing | | |
|--|--|--|
| 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 3</div> <div style="background-color: yellow; padding: 5px; text-align: center;">Medium 9</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 1</div> </div> |
| <p>Summary of key observations:</p> <p>This review focussed on the licensing process for premises to ensure annual fees had been issued in accordance with legislation, payment had been collected and reconciled. Debt Recovery action is undertaken outside of Environmental Services and is completed centrally within the Revenues Team.</p> <p>Testing confirmed that invoices were raised accurately and in a timely manner, however, of those sampled, payment for 33% were overdue at the time of testing. It was confirmed that licensing had not been notified and therefore they had not been suspended (in accordance with legislative requirements). Debt recovery was not actively carried out during Covid-19 and may have impacted this.</p> <p>When there is a change of billing/correspondence address on a license, the licensing team are required to update their licensing system (Uniform) and inform finance to ensure invoices are sent to the correct address. Of the invoices sampled 33% found that the address within Uniform did not match the address within Agresso.</p> <p>It was confirmed that access to BWO (Agresso) was available to the licensing team, however, they were unaware of reporting available within the system to determine the status of invoices that would enable them to build efficiencies into their processes.</p> <p>There were no performance indicators in the Environmental Health Business Plan for licensing. An independent review of the Environmental Service in October 2018 highlighted that <i>‘there are few performance indicators in the business plans and can result in a lack of clear focus on priorities’</i>. No action plans are currently in place to address this.</p> <p>The procedures for the licensing and debt recovery process, owned by the Revenues Team were found to be out of date.</p> | | |

RBBC's management response:


The systems used to record licence details, send invoices and recover fees rely on manual processes rather than automation. In their current form there is no two-way communication between these systems and as such, useful changes in legislation cannot be easily introduced. The report's findings which are very welcome act as a fresh pair of eyes which have enabled an introduction to automation, cross checking of data, training to staff members and documenting the revised process reducing the number of teams involved. It is important to note that the points raised in the report are concerned with time and efficiency rather than a loss of revenue.

While the team concentrated on keeping licensed businesses going, 2020/21 was a particularly challenging year for the licensing team due to the health and wellbeing of key staff and the challenges of working remotely due to COVID 19. This did lead to some data entry omissions and system generated errors which have been urgently cross checked and corrected.

This audit has highlighted areas for improvement in how the Council's procedures for ensuring premises licence fees and subsequent actions are processed. Initial discussions are in progress with the debt recovery team on implementing a completely new compatible and automated system with relevant staff access and training.

This audit also highlights some important areas for improvement in timing and updating systems both within licensing and in updating relevant teams which is being addressed through a new suite of system generated templates.

The proposed management actions will ensure that the weaknesses and areas for improvement that the audit identified are addressed. Procedures are being updated and new systems introduced to automate actions following non-payment of a fee. These will be implemented in other areas and internal indicators created to report on outstanding fees and processing time. Implementation of the management actions will help to continue to ensure the delivery of a robust licensing function.

| HR - Establishment Controls | | |
|--|---|--|
| 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; padding: 5px; text-align: center;">Medium 4</div> <div style="background-color: red; color: white; padding: 5px; text-align: center;">High 2</div> </div> |
| <p>Summary of key observations:</p> <p>The audit reviewed the processes in place for agreeing the number of posts within service areas, and how the relevant senior managers ensure that the agreed establishment posts in their areas are adhered to. The review included the use of off payroll resources (agency workers) as increased reliance has been placed on this resource over recent years to support delivery of the Council’s objectives and address skills gaps.</p> <p>The Council carries out a comprehensive annual service planning and budget process that includes detailed discussions between Finance, HR and Heads of Service to identify areas of growth and/or savings for the forthcoming year. Additional posts or posts that can be deleted as no longer required are identified as part of this process and the associated budget growth and savings are then built into the budget proposals for approval by the Council. Detailed reports on staffing are presented to the Executive and Council as part of the budget planning and approval process. These reports are also subject to detailed review by the Overview and Scrutiny Committee (Budget Scrutiny Panel) prior to being presented to the Executive and Council for approval.</p> <p>If a Head of Service requires an additional post to be created as part of their establishment, they are required to complete a formal request for this post, and this is considered by a panel of senior management. As part of the request, Finance are required to confirm that there is funding in place for the post requested, however, there is no similar process for hiring agency workers in situations where they are not covering a specific post on the establishment.</p> <p>Our review found that there is no documented process / procedure for commissioning officers to follow in the appointment of agency workers.</p> <p>Whilst reported as part of the overall budget monitoring for the Council, any monitoring of the total cost of agency workers is difficult due to the number of different expenditure headings under which payments for agency workers may be recorded and the inconsistency to which payments are attributed to these expenditure codes.</p> <p>A fixed term contracts report is available from the iTrent HR system, discussions with three Heads of Service identified that 10 out of 19 staff selected from the report were permanent staff, therefore the report is unreliable.</p> | | |

RBBC's management response:

In addition to the Council's permanent workforce and fixed term contracts of employment the Council makes use of agency workers to build in flexibility to resourcing plans. For example: to cover planned absences such as maternity leave; to cover unplanned absences such as long-term sickness; to cover roles that are challenging to recruit on a permanent basis; also to help supplement the baseline establishment, for example where there are significant new service demands, backlogs or service development needs. In particular, a small number of services find it challenging at times to recruit suitably qualified and experienced local authority professionals (e.g. Finance, Planning) therefore use of an agency resource may be the only option while trying to attract permanent candidates. This is all permissible within established Council HR procedures.

2020/21 was a particularly challenging year due to the additional demands on permanent staff capacity as a consequence of the COVID-19 pandemic. A number of staff were seconded from their substantive roles to assist with the Council's pandemic response with inevitable impacts on 'business as usual' capacity as a consequence leading to the requirement to bring in agency workers as 'backfill' resources at times.

All expenditure on agency workers during the year has been reported as part of the quarterly budget monitoring to Management, Overview & Scrutiny and Executive and the costs of these resources have been funded within the approved Revenue Budget; use of agency workers did not result in a budget overspend.

This audit has highlighted areas for improvement in how the Council's procedures for procuring agency workers have been applied in practice. Specifically the lack of consolidated guidance and procedures for hiring managers and scope for mis-alignment with the Contract Procedures Rules in the Constitution with regard to how agency suppliers are appointed. The procedures do exist; the issue is that they are not clearly communicated to managers leading to a risk of non-compliance. The audit also flags a lack of guidance on how managers should maintain records to evidence that the procedures have been complied with.

This audit also highlights some important areas for improvement in how fixed term contracts are recorded in the HR/Payroll system. New controls and reports are being implemented to remedy the errors identified.

The planned Management Actions will ensure that the weaknesses and areas for improvement that the audit identified are addressed. Procedures are being updated and communicated again to hiring managers and new monitoring reports and controls are being added to the HR/Payroll system.

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 |
|----------------------------------|-----------|---------|---------------|-----------|--------------|--------------|-------------------|--|
| 2020/21 Reviews | | | | | | | | |
| HR - Establishment Controls | HofF | ✓ | ✓ | ✓ | ✓ | ✓ | Limited | |
| Environmental Health & Licensing | HofNO | ✓ | ✓ | ✓ | ✓ | ✓ | Limited | |
| 2021/22 Reviews | | | | | | | | |
| Corporate | | | | | | | | |
| Financial Resilience | HofF | | | | | | | Q4 |
| Transformation | HofCPP&BA | | | | | | | Q3 – key contacts to be established and scoping meeting to be arranged |
| Governance | | | | | | | | |
| Contract Management | HofL&G | | | | | | | Q3 – scoping meeting booked for 02/12/21 |
| HR - Absence Management | HofOD | ✓ | ✓ | ✓ | | | | |
| Information Governance | HofIT | ✓ | ✓ | ✓ | ✓ | | | Awaiting management response |
| Annual Governance Statement | HofF | ✓ | ✓ | ✓ | ✓ | ✓ | Substantial | |
| Capital Programme | HofF | | | | | | | Q3 – scoping meeting booked for 17/11/21 |

| Audit Review | Sponsor | Scoping | Audit Outline | Fieldwork | Draft Report | Final Report | Assurance Opinion | Comment |
|---|----------------|----------------|----------------------|------------------|---------------------|---------------------|--------------------------|------------------------------|
| IT | | | | | | | | |
| IT Governance | HofIT | ✓ | ✓ | | | | | |
| Virtualisation (Networking & Communications) | HofIT | ✓ | ✓ | ✓ | | | | |
| Payment Card Industry Data Security Standard | HofIT | | | | | | | Q4 |
| Core Financial Reviews | | | | | | | | |
| Accounts Payable | HofF | ✓ | ✓ | ✓ | | | | |
| 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 | ✓ | ✓ | ✓ | ✓ | ✓ | n/a | |
| Cultural Recovery Fund | HofF | ✓ | | | | | | |
| Organisation | | | | | | | | |
| Property Management & Maintenance | HofF | ✓ | ✓ | ✓ | ✓ | | | Awaiting management response |
| Place | | | | | | | | |
| Parking & Enforcement | HofNO | | | | | | | Q4 |
| Disabled Facility Grants | HofNO | ✓ | ✓ | ✓ | ✓ | ✓ | Reasonable | |

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 have been the following amendments 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. |
| Cultural Recovery Fund | 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. |

Overdue 'High Priority' Management Actions

| Cyber Security – Reasonable Assurance | | | |
|---|-------------------|------------------|-----------------------|
| Observation: Please see separate report. | | | |
| Management Action | Original Due Date | Revised Due Date | Latest Service Update |
| Please see separate report. | | | |

| Harlequin Centre, Income Banking and Reconciliation – Limited Assurance | | | |
|--|-------------------|------------------|--|
| Management Actions (to address all the observations raised within the report) | Original Due Date | Revised Due Date | Latest Service Update |
| Train all relevant Finance and Harlequin staff in the updated income management processes and ensure that everyone is aware of their responsibilities. | 31.10.21 | 30.11.21 | Delayed due to the project lead having to take unexpected leave at short notice, resulting in rescheduling of planned training dates. On track for completion by the revised date. |

Overdue 'Low & Medium Priority' Management Actions

| Audit Review | Report Date | Opinion | Priority | Due Date | Revised Due Date |
|--|-------------|------------|----------|------------|------------------|
| Human Resources and Organisational Development | 03.10.2019 | Adequate | Low | 30.04.2020 | 01.12.2021 |
| | | | Low | 30.04.2020 | 01.12.2021 |
| | | | Low | 30.04.2020 | 01.12.2021 |
| | | | Low | 30.04.2020 | 01.12.2021 |
| | | | Low | 30.04.2020 | 01.12.2021 |
| | | | Low | 30.04.2020 | 01.12.2021 |
| Council Tax | 05.02.2020 | Adequate | Medium | 01.04.2020 | 31.03.2022 |
| Health and Safety | 04.02.2021 | Reasonable | Medium | 28.02.2021 | 30.01.2022 |
| Information Security – Data Centre Security | 28.06.2021 | Limited | Medium | 30.09.2021 | 31.01.2022 |

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

- Substantial** A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
- Adequate** 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.
- Limited** 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.
- No** 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.