

Signed off by	Interim Head of Finance
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To	Audit Committee
Date	Tuesday, 14 June 2022

Key Decision Required	N
Wards Affected	(All Wards);
Subject	Internal audit - 2021/22 annual report and opinion

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
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.
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 2022, 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 Audit 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. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
8. 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'.
9. 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.

10. 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.
11. 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.
12. The Audit Committee approved the 2021/22 internal audit plan at its meeting on 11 March 2021. The plan details the audit activity that takes place during the year.
13. The audit plan is risk based and determines the priorities of internal audit activity. The plan is kept under close review to ensure that it continues to be relevant to the Council's risk profile and to ensure an appropriate level of audit coverage throughout the year.
14. 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

2021/22 annual report and opinion

15. SIAP's annual report and opinion is available at annex 1.
16. Section 4 provides the annual internal audit opinion for 2021/22.
17. For the 12 months ending 31 March 2022, the annual internal audit opinion of the Council's Chief Internal Auditor 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 the internal control environment.

*In my opinion frameworks of governance, risk management and management control are **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.

18. A separate report on the Committee's agenda for this meeting provides an overview of the progress in delivering the 2021/22 internal audit plan, including the assurance opinions given for individual reviews.

2021/22 observations

19. Section 5 of SIAP's report provides an overview and summary of the key observations arising from the reviews concluding in 2021/22.
20. SIAP's report notes that 'in general, internal audit work found there to be a sound control environment in place across the majority of review areas ... we generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each

review and monitored to completion to ensure that the identified risks and issues are addressed’.

21. The key observations noted by the auditors are detailed in SIAP’s report. A management response to observations arising from reviews that concluded with a ‘limited’ assurance opinion has been included for the Audit Committee’s awareness at annex 2. The management response should be read alongside these observations.
22. It should also be noted that two reviews from the 2020/21 internal audit plan (HR Establishment Controls and Environmental Health and Licensing) did not conclude in time to be reported in the 2020/21 annual report and opinion. They have therefore been included within the 2021/22 annual report and opinion.

Options

23. The Committee has two options:
24. Option 1: note the annual report and opinion and make any observations to the Council’s Chief Finance Officer.
25. Option 2: note the annual report and opinion and make no observations to the Council’s Chief Finance Officer.

Legal Implications

26. There are no legal implications arising from this report.

Financial Implications

27. Internal audit fees are funded through the Council’s annual revenue budget.
28. There are no other financial implications arising from this report.

Equalities Implications

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

Communication Implications

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

Environmental Sustainability Implications

31. There are no environmental sustainability implications arising from this report.

Risk Management Considerations

32. An effective internal audit function is an important part of effectively managing risk.
33. The Council’s strategic and operational risk registers were utilised in the development of the annual internal audit plan.
34. There are no other risk management implications.

Other Implications

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

Consultation

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

Policy Framework

37. 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.