

Signed off by	Interim Head of Finance
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To	Audit Committee
Date	Tuesday, 6 December 2022

Key Decision Required	N
Wards Affected	(All Wards);
Subject	Internal audit - Q2 2022/23 progress report

Recommendations
<p>(i) That the Audit Committee note the Q2 2022/23 internal audit progress report available at annex 1; and,</p> <p>(ii) That Audit Committee make any comments and/or observations on the report to the 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 regular updates on the progress of internal audit plan delivery.
Executive Summary
This report provides an update on the delivery of the 2022/23 internal audit plan at the end of Q2. The report also provides an update on audits from the 2021/22 audit plan that have now concluded.
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] risk

management, control and governance processes, taking into account public sector internal auditing standards or guidance’.

2. These standards are defined in the Public Sector Internal Audit Standards (PSIAS). The standards were last updated in 2017.
3. 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

4. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
5. 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’.
6. 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 are operating effectively.
7. The Council’s response to internal audit activity should lead to the strengthening of the control environment and contribute to the achievement of the organisation’s objectives.
8. The Audit Committee endorsed the 2022/23 internal audit plan in March 2022. The plan details the audit activity that takes place during the year.
9. 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.
10. Under the Council’s Constitution and Internal Audit Charter the Audit Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
11. The attached progress report:
 - Summarises the status of ‘live’ audit reports (an audit is considered to be ‘live’ if there are outstanding management actions);
 - Provides an update on the delivery of the annual audit plan;
 - Summarises internal audit performance, including assurance opinions given; and,
 - Summarises any adjustments made to the audit plan.

Key Information

Assurance opinions

12. 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.

13. SIAP's assurance opinions are categorised as follows:

Opinion	Description
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.

Q2 2022/23 progress update

14. Section 3 of the progress report available at annex 1 details the overall progress in delivering the 2022/23 internal audit plan. Section 7 provides an overview of the work programme for the year.

15. Section 5 of the report also provides a summary of any key observations arising from reviews that conclude with a 'limited' or 'no' assurance opinion. No reviews have concluded in Q2 with limited or no assurance.

16. Full copies of internal audit reports are made available to all members via the ModGov document library.

17. At the end of Q2 the following reviews have concluded:

Review	Opinion
Decision making and accountability	Reasonable
Business continuity	Reasonable

Amendments to the 2022/23 audit plan

18. Since the Q1 progress report was considered by the Committee, no further amendments have been made to the internal audit plan.

2021/22 audit plan update

19. The Q1 2022/23 progress report to the Committee noted that the parking and enforcement t audit from the 2021/22 audit plan was yet to conclude. The audit has now concluded, receiving a reasonable assurance opinion.

Management actions

20. Internal audit's role is to identify potential weaknesses in systems, controls and procedures that may expose the authority to risk. Whilst internal audit highlights these weaknesses, it is the responsibility of management to propose, design and implement actions that address these and, in so doing, control and mitigate risk.
21. Heads of Service are responsible for commissioning and acting on internal audit reviews in their service areas and, as senior officers and members of the management team of the Council, are ultimately responsible for overseeing the implementation of management actions. In so doing, they are able to amend the dates of implementing actions in response, for instance, to competing priorities.
22. The respective priority for individual actions (High, Medium or Low) is assigned by management in consultation with SIAP.
23. In accordance with the Council's Constitution and internal audit Charter, the Committee is required to focus on matters of significance arising from internal audit reviews.
24. As such, SIAP's report – and the part 2 exempt annex – provides detail on overdue high priority management actions, as well as the latest management update. For context, an overview of the number of overdue low and medium priority actions and their revised implementation dates is also provided. Service management are continuing to work in a risk-based way to implement the agreed management actions.

Options

25. The Committee has two options:
26. Option 1: note the report and make any observations on its contents to the Council's Chief Finance Officer.
27. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

Legal Implications

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

Financial Implications

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

Equalities Implications
30. There are no equalities implications arising from this report.
Communication Implications
31. There are no communication implications arising from this report.
Environmental Sustainability Implications
32. There are no environmental sustainability implications arising from this report.
Risk Management Considerations
33. An effective internal audit function is an important part of effectively managing risk.
34. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.
35. There are no other risk management implications.
Other Implications
36. There are no other implications arising from this report.
Consultation
37. This report has been considered by the Council's Corporate Governance Group as part of its governance role.
Policy Framework
38. 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.