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**Southern Internal  
Audit Partnership**

Assurance through excellence  
and innovation

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**REIGATE AND BANSTEAD BOROUGH COUNCIL**

**Annual Internal Audit Report & Opinion 2022-2023**

**Prepared by: Natalie Jerams, Deputy Head of Partnership**

**August 2023**

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## 1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

*‘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.’*

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 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’.***

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. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

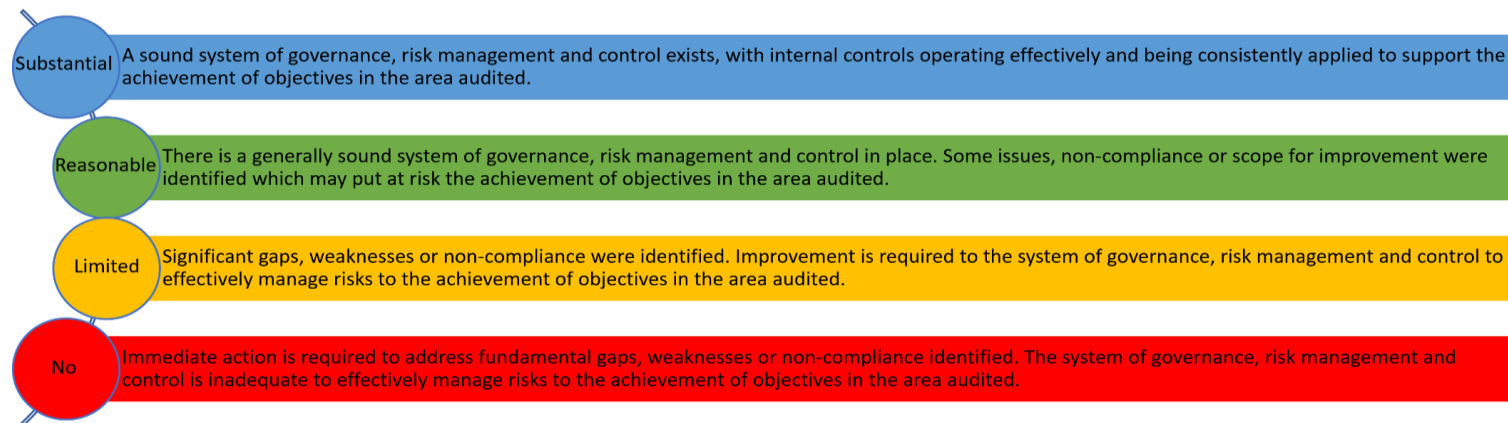
Working practices have been reviewed, modified and agreed with all partners and we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

### 3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Audit Committee in March 2022. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Chief Finance Officer and reported in detail to the Audit Committee in the internal audit progress reports which were reviewed at each meeting.

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:



#### 4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

#### Annual Internal Audit Opinion 2022-23

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.

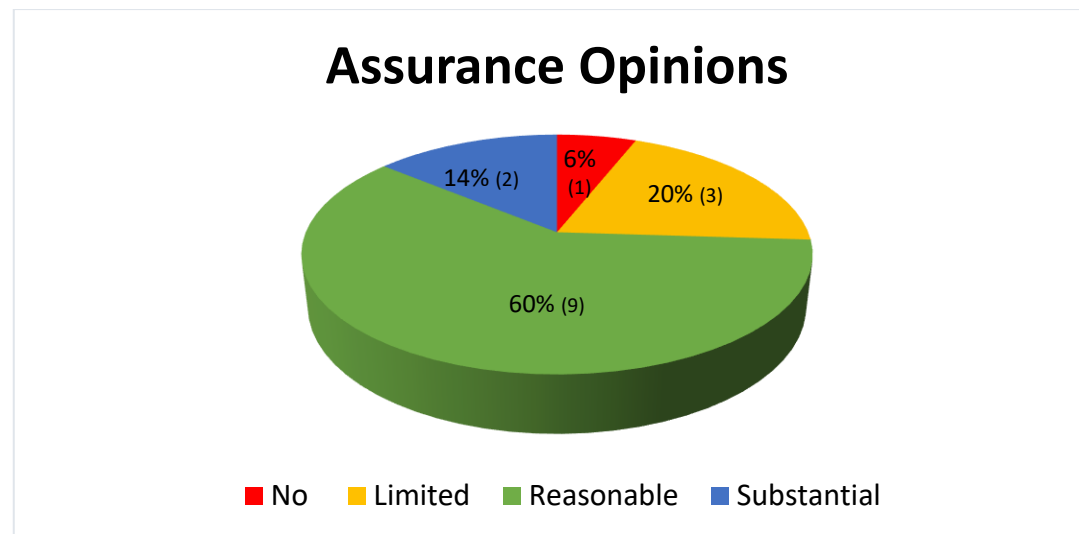
In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

## 5. Governance, Risk Management & Control – Overview & Key Observations

### Assurance opinions for 2022-23 reviews

The findings from our reviews have been reported to the Audit Committee in full throughout the year and a summary of the assurance opinions is outlined below.



*\* Numbers in brackets reflect the number of reviews for each assurance opinion category.*

As at the time of reporting, two audit reviews remain in progress (NNDR and Playgrounds & Wheeled Sports Facilities). The outcome of these reviews will be reported in our next progress report to the Audit Committee and incorporated in the annual opinion for 2023-24. Similarly, two audit reviews from 2021-22 (Contract Management and Parking & Enforcement) were carried forward and have been included within this report.

## Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements.
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2022-23 we undertook reviews of Decision Making and Accountability, concluding with reasonable assurance, Financial Sustainability Programme, concluding with substantial assurance and Health and Safety Governance which concluded with a limited assurance opinion.

The focus of the Health and Safety Governance audit was to review the framework of governance to ensure compliance with the health and safety policy and to seek assurance over the effectiveness of the framework of health and safety across the organisation.

Positively, the authority has a Corporate Health and Safety Advisor in post to co-ordinate health and safety arrangements with other roles and responsibilities across the organisation also defined in the Health & Safety and Welfare Policy and Procedure.

To underpin the main policy, there are a number of other policies that support Health and Safety. Whilst it was clear progress had been made in updating and publishing these on the corporate intranet, there were a number that still required review.

Reporting of incidents/accidents analysis has not been consistent with roles and responsibilities set out within the policy, additionally, risk assessments were being undertaken, however, there were inconsistencies in the way they were completed and recorded, in particular the allocation of responsibility and the delivery date of any actions required.

A Health & Safety Working Group (HSWG) had historically been established and whilst it was encouraging to see this had reconvened in November 2022, meetings have been sporadic over the past three years impacting the effective delivery of the group's terms of reference and planning Health and Safety activities, and monitoring performance.



The absence of effective guidance has led to an inconsistent approach to staff training and the maintenance of training records, albeit we were advised that the Health and Safety Advisor is currently working systematically around the services to risk assess the current training status.

The Health and Safety Advisor has conducted spot checks and quality assurance checks as part of an ongoing consultation programme which we were advised has been scheduled according to assessed risk. However, the programme was not documented or being driven in response to strategic requirements. At the time of our review, not all service areas had been reviewed to establish their current status regarding H&S.

Contract Standing Orders set out that Contract Managers are responsible for ensuring the supplier's compliance with all appropriate Health and Safety obligations, however, there was no reference to managing contracts in respect of Health and Safety in the Corporate Health and Safety & Welfare Policy and Procedure.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit Committee to provide the opportunity for independent consideration and challenge including the in-year update and review of the Code of Corporate Governance and the Annual Governance Statement.

### ***Risk management***

We last reviewed risk management arrangements in the Council in 2020/21 which resulted in a reasonable assurance opinion. The evidence obtained during the review demonstrated that risk management arrangements were sound, documented and embedded within the Council. The Risk Management Strategy was recently updated in December 2022 for the period 2023/24 – 2025/26. An internal audit review of the new risk management arrangements is due to be carried out in 2024/25 to allow time for the new strategy to embed.

In accordance with the constitution, the Audit Committee play a key role in *'monitoring the effective development and operation of risk management in the Council'*. This has been supported throughout the year through the Committees overview of the Risk Management Strategy, including receiving the updated Risk Management Strategy 2023/24 – 2025/26 in December 2022, and overview of the Risk Register which features as a regular agenda item throughout the year.

The risk register is a key document that is taken into account during the development of our risk based internal audit plan, with the planned reviews mapped to the risk register. The information in the risk register is taken into account when scoping each review in detail to ensure that our work is appropriately focussed.

### **Control**

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2022-23 plan that were working effectively to support the delivery of corporate objectives.

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

The key areas of challenge identified or confirmed through our work are outlined below:

#### **HR & OD – Use of Volunteers (No Assurance)**

The two main areas where the Council use volunteers were found to be Community Partnerships and Neighbourhood Operations. Testing was carried out on Community Partnerships' use of volunteers at Community Centres exclusively, as the area was found to have the highest numbers of volunteers, and the volunteers fulfil ongoing specific roles.

Volunteers are an essential commodity to enable the operation of Community Centres across the Borough. As at April 2023, across the three community centres the services of 111 volunteers was retained. However, there are no policies/procedures in place regarding the selection or use of volunteers or work experience candidates/appointees across the council.

There was no central record of volunteers maintained. The spreadsheets that were retained by Community Centre Managers were found to contain personal and confidential information, but no evidence of the records being subject to a sufficient level of security. The HR Document Retention Scheme did not cover volunteers' records specifically, and the areas where they were covered only related to a very limited range of volunteer-related records.

We found that identification checks were not consistently performed on volunteers at the Community Centres at the onboarding stage,

despite the roles being advertised as age specific. DBS (Disclosure and Barring Service) checks are also not performed on volunteers at the Community Centres, despite their roles involving interaction with children and vulnerable adults.

Whilst we were advised that volunteers at the Community Centres are provided with on-the-job training, we found very limited evidence of formal training being provided.

We were advised that volunteers do not have access to systems, however it was confirmed that volunteers have access to tills within all three Community Centres. No evidence of a log of accesses was found to enable overview of access awarded to volunteers to tills, security codes, assets, or similar.

Our review found that volunteers at the Community Centres do not have access to the same wellbeing resources as employees and they do not have access to a relevant grievance scheme.

It is also not clear how poor performance would be managed.

### Income Collection (Limited Assurance)

Key income collection points for the Council are Community Centres, the Harlequin Theatre, the Town Hall and car parking income. Car Parking income was audited more recently, as part of the 2021/22 audit plan, and therefore was excluded from this review.

Financial Regulations are in place to support the receipting, banking, and recording of monies received and these are accessible to all staff who require them. Whilst we found that income is regularly matched to the bank account and finance staff perform regular cash reconciliations and ensure the suspense account is monitored and cleared regularly, there were a number of observations raised where areas of control could be improved, in particular regarding cash collection and record keeping across the Community Centres.

New access to ICON (the Cash Receipting system) is granted by the Finance Operations Manager, who has administration access rights on the system. We were advised that users access rights are removed when they have left the employment of the authority. However, there was no periodic review to ensure that only the relevant staff within RBBC have access and to also ensure that the number of active user accounts does not exceed the number of licences held.

Keycodes to the safes held both at the Town Hall and the Harlequin Theatre have not been regularly changed and no expectation has been set to safe managers which sets out when or how often a keycode for the safe should be changed. Further to this, we also found that the safe limits for the community centres were being regularly exceeded.

Whilst Community Centres have been issued with documented banking procedures, staff and volunteers at the centres have not been issued with procedures for cash handling and income collection.

At the time of testing, income records at the Community Centres were manual and difficult to reconcile. Our testing of a sample of weekly taking spreadsheets identified several discrepancies. The council were in the process of implementing electronic tills across the centres at the time of the audit, but our testing took place prior to this. We also noted that at one Community Centre a service provider was not being charged for use of the facilities in line with Fees and Charges.

There were also some discrepancies on income records sampled for the Harlequin Theatre.

Whilst there are very few cash payments received at the Town Hall and are generally low value, our testing of the two cash transactions received to date during 2022/23 were not supported by a receipt to the payee.

Responsibilities for the contract management of the income collections by a third party contractor sit with Surrey County Council. Any operational issues can be addressed by the Finance Operations Manager direct with the contractor, however there is no established protocol to share any issues or incidents with Surrey County Council, nor does the authority receive routine feedback as to the ongoing overall performance of the contract or the viability of the contractor.

### Contract Management (Limited Assurance)

This audit reviewed corporately prescribed contract management controls and sampled three specific contracts against these. We satisfactorily confirmed that Contract and Financial Procedure Rules, prescribed within the constitution set out roles and responsibilities for contract management.

We verified that signed contracts and a clear specification were held for our sample and confirmed with the Council's Legal Secretary that where paper contracts are retained these are securely archived. For our sampled contracts only one has required a variation. We verified that this was formally documented in Addendums within a revised contract document.

We confirmed that for two of the contracts examined there was reasonable or very good evidence of close monitoring of contract performance through regular meetings and KPIs. However, we note that scheduled monthly meetings with the contractor for one contract do occur but were not recorded. In addition, the current Contract Manager did not hold a copy of the contract specification which would, in normal circumstances, be a prime document for holding the contractor to account.

The Council's Contract register is automatically produced from the Council's InTend software. Our examination of the Contract Register found that the register was incomplete. Omissions in the current Contracts Register has resulted in non-compliance with the Local Government Transparency code that requires local authorities to publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000. Additionally, the published contract register was also only available in 17 separate segmented spreadsheets which impedes a single point of public review and was not updated to reflect contract extensions.

### **Management actions**

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers.

Progress is reported to the Audit Committee throughout the year through the quarterly internal audit progress reports.

## **6. Quality Assurance and Improvement**

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

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

In considering all sources of evidence the external assessment team 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.'*

## 7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

**'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.**

There are no disclosures of Non-Conformance to report.

## 8. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.
- An internal quality assessment against the IPPF, PSIAS & LGAN.

## 9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	91%
Positive customer survey response		
● Reigate & Banstead Borough Council	90%	99%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

*Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2023).*

## 10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Natalie Jerams  
Deputy Head of Southern Internal Audit Partnership



## Summary of Assurance Reviews Completed 2022-23

**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.

- Emergency Planning
- Financial Sustainability Programme Governance

**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.

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Parking and Enforcement (2021/22)</li> <li>• Business Continuity</li> <li>• Housing Delivery Strategy Implementation</li> </ul> | <ul style="list-style-type: none"> <li>• Payment Card Industry Data Security Standard</li> <li>• IT Database Management</li> <li>• Economic Prosperity</li> </ul> | <ul style="list-style-type: none"> <li>• Decision Making &amp; Accountability</li> <li>• Council Tax</li> <li>• Environmental Sustainability</li> </ul> |
|--|---|---|

**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.

- Contract Management (2021/22)
- Health and Safety Governance
- Income Collection

**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.

- HR & OD – Use of Volunteers