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<b>TO</b>	OVERVIEW & SCRUTINY COMMITTEE
<b>DATE</b>	14 MARCH 2019
<b>EXECUTIVE MEMBER</b>	CLLR T. SCHOFIELD

<b>KEY DECISION REQUIRED</b>	YES
<b>WARDS AFFECTED</b>	ALL WARDS

<b>SUBJECT</b>	INTERNAL AUDIT PLAN 2019/20-2021/22 AND INTERNAL AUDIT CHARTER 2019/20
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<b>RECOMMENDATIONS</b>
(i) That the Overview & Scrutiny Committee approve the Internal Audit Plan for 2019/20-2021/22 and Internal Audit Charter as set out in annexes 1 & 2.
<b>REASONS FOR RECOMMENDATIONS</b>
The Council has a statutory requirement to undertake an adequate and effective internal audit function. The approval of the Internal Audit Plan and Charter is conducive to achieving this objective.
<b>EXECUTIVE SUMMARY</b>
Under the Council's Constitution the Overview & Scrutiny Committee fulfils the role of an Audit Committee and is responsible for setting and monitoring the Council's Internal Audit Plan and Charter.  The Internal Audit Plan & Charter (attached as annexe 1 and 2 respectively) will provide independent and objective assurance that the systems and processes identified for review are appropriate, operating effectively and provide sufficient control for the purposes of risk management, internal control and governance.
<b>The Overview &amp; Scrutiny Committee has the authority to approve the above</b>

## recommendations.

### STATUTORY POWERS

1. The requirement for 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. The latter standards are defined in the Public Sector Internal Audit Standards (updated in 2017).
3. The Local Government Act (1972) also requires local authorities maintain an independent internal audit function which ensures that the Council operates within the law and has effective control procedures in place to make certain that public money is spent effectively and efficiently.
4. The Council's Chief Financial Officer holds the statutory responsibility for overall financial administration of the Council's affairs and is therefore responsible for maintaining an adequate and effective internal audit function.

### BACKGROUND

5. On 18 October 2018 (agenda item 6), the Executive resolved that the Council will enter into a Partnership Agreement with Southern Internal Audit Partnership (SIAP) for the provision of internal audit services.
6. SIAP will take over from the existing provider, RSM, with effect from 1 April 2019.
7. The Council will join SIAP as a Key Stakeholder Partner and, in so doing, discharge its internal audit function as permitted under section 101 (5) of the Local Government Act (1972).

### KEY INFORMATION

#### Internal audit

8. The internal audit function is a key element in the management and delivery of effective corporate governance.
9. The Public Sector Internal Audit Standards 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'.
10. 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.

11. 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.

### **The internal audit plan and Charter**

12. Under the code of practice that governs how local authorities should undertake their internal audit function, it is recommended best practice that an internal audit plan and Charter are established which set out a programme of audits that will ensure that all areas of key risks are reviewed on a regular basis.
13. The internal audit plan provides the mechanism through which the internal auditors are able to ensure the most appropriate use of resources in order to provide a clear statement of assurance on risk management, internal control and governance arrangements.
14. The Council's Constitution delegates consideration of internal audit matters to the Overview and Scrutiny Committee.
15. The purpose of this report is therefore to seek the Committee's approval of the Internal Audit Charter 2019/20 and the Audit Plan for 2019/20-2021/22.
16. In approving the plan and Charter the Committee is confirming its agreement that these documents are sufficient to monitor the organisation's risk profile and provide assurance that the Council's risk management framework and controls are robust and fit for purpose.

### **OPTIONS**

17. The Overview and Scrutiny Committee has two available options:
18. Option 1: approve the Internal Audit Plan for 2019/20-2021/22 and Charter as set out in annexes 1 and 2 respectively.
19. Option 2: defer the approval and ask for further work to be carried out. This will cause delay and could impact on the ability of SIAP to deliver the 2019/20 programme to schedule.

### **LEGAL IMPLICATIONS**

20. The adoption of the internal audit plan and charter will fulfil the Council's statutory duty to maintain an independent and effective internal audit function.
21. An effective internal audit function supports good governance which, in turn, reduces the risk of the Council being subject to a successful legal challenge.

22. There are no other legal implications resulting from this report.

### **FINANCIAL IMPLICATIONS**

23. The cost of funding the Audit Plan is covered within the Council's base budget.

24. The cost of any additional work (including, for instance, ad-hoc consultancy) that is not provided for within the audit plan will be funded from the service area that requires additional support.

### **EQUALITIES IMPLICATIONS**

25. There are no equality issues arising from this report.

### **COMMUNICATION IMPLICATIONS**

26. There are no communications issues arising from this report.

### **RISK MANAGEMENT CONSIDERATIONS**

27. An effective internal audit function is an important part of risk management.

28. The Council's strategic and operational risk registers have influenced the shaping of the audit plan.

### **OTHER IMPLICATIONS**

29. There are no other implications resulting from this report.

### **CONSULTATION**

30. The plan and charter has been developed alongside the Council's Corporate Governance Group, Heads of Service and Management Team.

### **BACKGROUND PAPERS**

1. Internal Audit Partnership Agreement, Executive Report, Agenda item 6, 18 October 2018 - <https://reigate-bansteadintranet.moderngov.co.uk/documents/s2228/Part%201%20Report%20-%20Internal%20Audit%20Partnership%20Agreement%20-%20181018%20-%20FINAL.pdf>