



Reigate & Banstead
BOROUGH COUNCIL
Banstead | Horley | Redhill | Reigate

SIGNED OFF BY	Head of Projects and Performance
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TO	Overview and Scrutiny Committee
DATE	Thursday, 6 June 2019
EXECUTIVE MEMBER	Cllr T. Schofield

KEY DECISION REQUIRED	No
WARDS AFFECTED	(All Wards);

SUBJECT	Annual Internal Audit Report & Opinion 2018/19
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RECOMMENDATIONS
(i) That the Committee note the annual internal audit report and opinion attached at annex 1
(ii) That the Committee make any observations and/or recommendations to the Leader of the Council and Chief Executive
REASONS FOR RECOMMENDATIONS
Under the Council's Constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee. As part of this role, and in accordance with the Public Sector Internal Audit Standards governing internal audit in local government, the Committee is asked to receive the annual written report of the Head of Internal Audit.
EXECUTIVE SUMMARY
The Head of Internal Audit is required to provide an annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. For the 12 months ending 31 March 2019, the Head of Internal Audit's opinion for Reigate and Banstead Borough Council is as follows:

'The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective'

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. In accordance with these standards, the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes.
4. 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.
5. 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

6. RSM were the Council's internal auditors for financial year 2018/19. The internal audit opinion attached at annex 1 is in respect of the 12 months ending 31 March 2019.
7. The Council has appointed new internal auditors for 2019/20 onwards. The Southern Internal Audit Partnership (SIAP) will also produce an annual report and opinion.

KEY INFORMATION

8. For the 12 months ending 31 March 2019, a total of 13 assurance and 4 advisory audits were completed. These are set out on page 10 of the final report. With regards to the detailed information contained within these audit reports, the Committee has received these during the year as part of the quarterly performance reporting process. A separate item on the committee's agenda for this meeting details the audits that were concluded in quarter 4.
9. Copies of all the internal audit reports referred to in the report have been made available in the eMembers Room.

10. For the 12 months ending 31 March 2019, the Head of Internal Audit's opinion for Reigate and Banstead Council is as follows:

'The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.'

11. Based on the work that RSM have undertaken up until 31 March 2019, RSM have found that there is generally a sound system of internal control, designed to meet the Council's objectives, and controls are generally being applied consistently. More information can be found on page 3 of the report.

12. This opinion is consistent with the prior year.

13. During the year there were four audits where the Council only received 'partial assurance'. The opinion from these audits have therefore affected the Council's overall opinion for the year – an update on these audits is provided below:

- **Procurement and Contracts** – There is an accepted problem with Council wide compliance with the contract procedure rules. An independent review of the processes around procurement and the application of the rules is planned in the next quarter (it is currently being scoped and costed) with the expectation that the delivery of procurement will be adapted in the coming year to address these points.
- **Creditors** – At the time of the audit in October 2018 there were delays in completing manager checks on changes to supplier bank details. This was contrary to approved control procedures and the internal audit review correctly flagged this as potentially leaving the authority exposed to the risk of fraud. The backlog of checks was eliminated as soon as the situation was highlighted. All checks are now up to date and compliance is being monitored on a monthly basis.
- **Redaction procedures (online representations)** – the audit identified weaknesses around internal guidance on redaction procedures. Since the audit a redaction procedure has been developed and implemented. The audit also identified weaknesses with online representations, where comments on planning applications are available immediately on the Council's website. The Council recognises that there is a delicate balance to strike between representations made on planning applications being immediately available and potentially sensitive information being disclosed. However, there is a clear public expectation that comments made on planning applications will be available immediately in order to confirm that they have been received and to also allow neighbours to be directed to such representations. Although this risks personal and sensitive data being published without it being checked and redacted first, this risk is considered to be relatively low and outweighed by the clear public benefit of having comments available immediately.
- **Grants Funding** – The audit of the Council's grant funding was timed to coincide with the review of how we support our voluntary, community and faith sectors (VCFS). The audit's findings have added weight to the recommendations of our VCFS review. The planned changes to how we support our VCFS, which will be

considered by the Executive in June 2019, will address all of the audit's recommendations in full.

14. The Report (section 2.2) also provides details of the progress made by the Council in implementing previous management actions. Management have agreed to address all of the findings reported by the internal audit service during 2018/19. Further, from monitoring and following up management actions, RSM have confirmed that 'Good' progress has been made in implementing the agreed management actions.

OPTIONS

15. The Committee has two options open to it:
- Option 1: Note the report and make any observations and comments to the Leader of the Council and Chief Executive.
 - Option 2: Note the report and make no observations.

LEGAL IMPLICATIONS

16. The Committee's review of the internal audit annual report and opinion assists in the fulfilment of the Council's statutory duty to maintain an independent and effective internal audit function.
17. The completion of the annual report and opinion on the effectiveness of the control environment will inform the annual governance statement, published with the Council's annual accounts.
18. There are no other legal implications resulting from this report.

FINANCIAL IMPLICATIONS

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

EQUALITIES IMPLICATIONS

20. There are no equality implications arising from this report.

COMMUNICATION IMPLICATIONS

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

HUMAN RESOURCES IMPLICATIONS (if applicable)

22. There are no human resources issues arising from this report

RISK MANAGEMENT CONSIDERATIONS

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

OTHER IMPLICATIONS

24. There are no other implications arising from this report

CONSULTATION

25. The report has been considered by the Council's Corporate Governance Group.

POLICY FRAMEWORK

26. There are no policy issues addressed by this report.

BACKGROUND PAPERS

None