



REIGATE AND BANSTEAD BOROUGH COUNCIL

Annual Internal Audit Report 2018/2019

Issued 16 April 2019

April 2019

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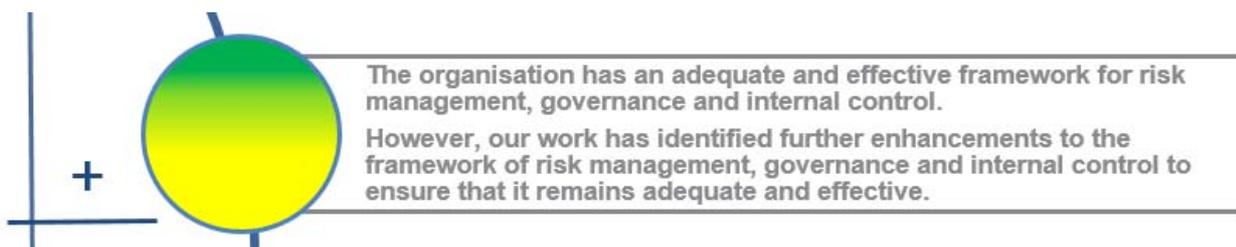
1 THE HEAD OF INTERNAL AUDIT OPINION

In accordance with Public Sector Internal Audit 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. The opinion should contribute to the organisation's annual governance statement.

1.1 The opinion

For the 12 months ended 31 March 2019, the head of internal audit opinion for Reigate and Banstead Borough Council is as follows:

Head of internal audit opinion 2018/19



This is consistent with the prior year and reflective of the balance of individual assignment opinions outlined in Appendix B.

Please see appendix A for the full range of annual opinions available to us in preparing this report and opinion.

1.2 Scope and limitations of our work

The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Overview and Scrutiny Committee, our opinion is subject to inherent limitations, as detailed below:

- the opinion does not imply that internal audit has reviewed all risks and assurances relating to the organisation;
- the opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. As such, the assurance framework is one component that the Council takes into account in making its annual governance statement (AGS);
- the opinion is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management / lead individual;
- the opinion is based on the testing we have undertaken, which was limited to the area being audited, as detailed in the agreed audit scope;

- where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance;
- due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to attention; and
- it remains management's responsibility to develop and maintain a sound system of risk management, internal control and governance, and for the prevention and detection of material errors, loss or fraud. The work of internal audit should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

1.3 Factors and findings which have informed our opinion

Based on the work undertaken up until 31 March 2019, there is generally a sound system of internal control, designed to meet the Borough Council's objectives, and controls are generally being applied consistently. We have provided either a substantial or reasonable level of assurance in the majority of areas reviewed.

As noted above, the Council can take reasonable or substantial assurance for the following areas reviewed in the period:

- Treasury Management (Substantial)
- Property Maintenance (Substantial)
- Main Accounting (Reasonable)
- Dog Warden Services (Reasonable)
- Debtors (Reasonable)
- Community and Infrastructure Level & S106 (Reasonable)
- Payroll (Substantial)
- Governance and Risk Management (Substantial)
- Redaction Procedures – excluding online representations (Reasonable)

However, for the following four areas the Council can only take 'partial assurance':

Procurement and Contracts:

In the last audit report for this area (2015/16), it was noted that "procurement was an on-going area of development" for the Council. The Procurement Officer had just been appointed and systems were in the process of being embedded. Since that time work has progressed although we note that further progress is required in order to ensure corporate wide compliance with prescribed contract procedure rules. In addition, there remains room for further development, specifically in relation to ensuring that the Council creates more robust reporting channels between the procuring officers, the Procurement Officer and senior management. We raised one high, three medium and one low priority actions during this review, details of which can be found in the full reports.

Creditors:

In response to attempted fraudulent activity several years ago to request changes to supplier bank account details, robust controls were put in place requiring a manager to sign off on all such amendments. In our testing we found that these controls were not operating as anticipated. We raised two high and one medium priority actions during this review, details of which can be found in the full reports.

Redaction Procedures (online representations)

Our review of Redaction Procedures found that there were weaknesses around internal guidance on what information to redact, a lack of cross checking / quality assurance and no formal redaction procedure. There is a weakness with online representations (comments received in support or opposition to a planning application) as these have a risk of personal and sensitive data being publicly available immediately. Therefore, the Council can only take 'partial assurance' for online representations (although as noted above in other areas it can take reasonable assurance). We raised four medium priority actions during this review, details of which can be found in the full reports.

Grants Funding

We raised one 'High' and six 'Medium' priority management actions in relation to the design and application of the control framework. The actions raised are across the areas of procedural guidance for grant schemes, the assessment of grant applications received and in the monitoring of awarded grants.

We have additionally completed advisory reviews of: Commercial Governance Framework (Part 1), General Data Protection Regulation Governance and Governance Arrangements for Property Investment Company

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

1.4 Topics judged relevant for consideration as part of the annual governance statement

There are no areas that we are aware of through our work or from wider sector knowledge that have impacted your AGS.

2 THE BASIS OF OUR INTERNAL AUDIT OPINION

As well as those headlines discussed at paragraph 1.3, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

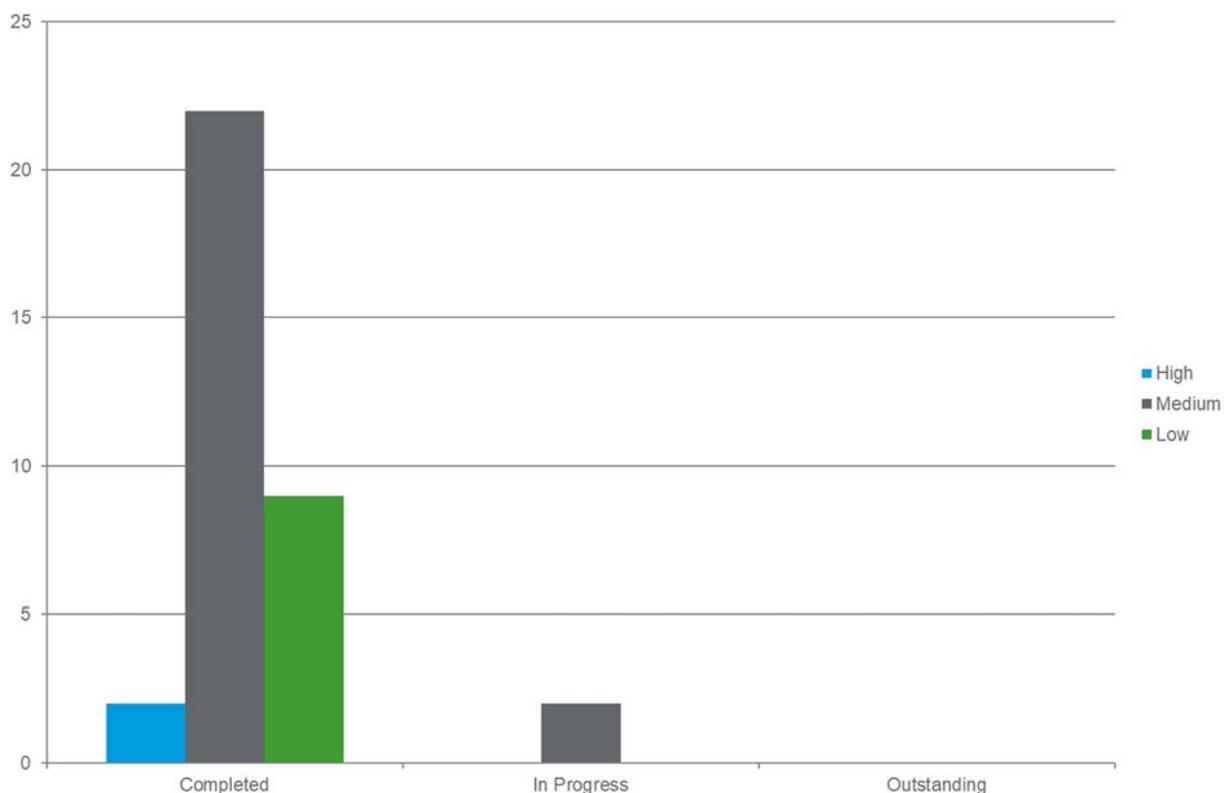
2.1 Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2018/2019.

2.2 Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in place. During the year progress has been reported to the Corporate Governance Group, with the validation of the action status confirmed by internal audit on a rolling basis.

Our follow up of the actions agreed to address previous years' internal audit findings, as well as those reports finalised in Q1 and Q2 of 2018/19 shows that the organisation had made good progress in implementing the agreed actions.



It should be noted that the two medium priority actions in progress have been categorised in line with their priority when originally raised; one of these has a revised priority of 'low' in our latest follow up report reflecting the work done towards implementing this.

2.3 Working with other assurance providers

In forming our opinion we have not placed any direct reliance on other assurance providers.

3 OUR PERFORMANCE

3.1 Wider value adding delivery

In the last year we have:

- highlighted actions for management throughout our audit reports based on our knowledge and experience in the local government sector to provide areas for consideration;
- provided regular contact and ad-hoc telephone calls and responded to queries from senior staff throughout the year.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2018/2019 that would lead us to declare any conflict of interest.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Public Sector Internal Audit Standards (PSIAS).

Under PSIAS, internal audit services are required to have an external quality assessment every five years. Our risk assurance service line commissioned an external independent review of our internal audit services in 2016 to provide assurance whether our approach meets the requirements of the International Professional Practices Framework (IPPF) published by the Global Institute of Internal Auditors (IIA) on which PSIAS is based.

The external review concluded that “there is a robust approach to the annual and assignment planning processes and the documentation reviewed was thorough in both terms of reports provided to Overview and Scrutiny Committee and the supporting working papers.” RSM was found to have an excellent level of conformance with the IIA’s professional standards.

The risk assurance service line has in place a quality assurance and improvement programme to ensure continuous improvement of our internal audit services. Resulting from the programme, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

3.4 Quality assurance and continual improvement

To ensure that RSM remains compliant with the PSIAS framework we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams.

This is in addition to any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments.

3.5 Client Care Standards

A number of client care standards were agreed with the Overview and Scrutiny Committee. Our performance against those standards is as follows:

Delivery	Quality			Quality	Quality		
	Target	Actual	Notes (ref)		Target	Actual	Notes (ref)
Audits commenced in line with original timescales	Yes	No	1	Conformance with PSIAS	Yes	Yes	
Debrief meeting will be held with audit sponsor at the end of fieldwork or within a reasonable time frame	Yes	Yes		% of staff with CCAB/CMIIA qualifications	>50%	>50%	
Draft reports issued within two weeks of debrief meeting	100%	50%	2	Respond to emergencies or notifications of potential fraud within one working day	100%	N/a	3
Final report issued within 3 days of management response	100%	100%		Turnover rate of staff	<10%	<10%	
% of High & Medium actions followed up	100%	100%		Respond to general enquiries for assistance within 2 working days	100%	100%	
Liaison with external audit.	Yes	Yes					

Notes

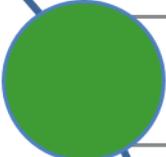
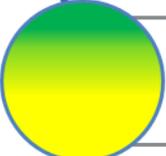
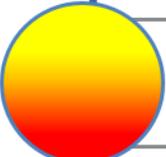
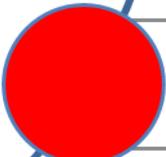
1 – All changes were at the request of Council management

2 – 10 working days is the RSM target per the client care standards, the contractual target is 20 working days which was achieved for 93% of reviews.

3 – No such notifications.

APPENDIX A: ANNUAL OPINIONS

The following shows the full range of opinions available to us within our internal audit methodology to provide you with context regarding your annual internal audit opinion.

Annual opinions	Factors influencing our opinion
 <p>The organisation has an adequate and effective framework for risk management, governance and internal control.</p>	<p>The factors which are considered when influencing our opinion are:</p> <ul style="list-style-type: none"> • inherent risk in the area being audited;
<p>+</p>  <p>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.</p>	<ul style="list-style-type: none"> • limitations in the individual audit assignments;
<p>-</p>  <p>There are weaknesses in the framework of governance, risk management and control such that it could become, inadequate and ineffective.</p>	<ul style="list-style-type: none"> • the adequacy and effectiveness of the risk management and / or governance control framework;
 <p>The organisation does not have an adequate framework of risk management, governance or internal control.</p>	<ul style="list-style-type: none"> • the impact of weakness identified; • the level of risk exposure; and • the response to management actions raised and timeliness of actions taken.

APPENDIX B: SUMMARY OF INTERNAL AUDIT WORK COMPLETED 2018/2019

Assignment	Audit sponsor	Assurance level	Actions agreed		
			H	M	L
Treasury Management	Helen Stocker - Finance Manager	Substantial	0	1	0
Redaction Procedures	Andrew Benson - Head of Planning Chris Phelan - Democratic Services Manager	Partial (online representations), Reasonable (other areas)	0	4	0
Property Maintenance	Steve McLeod, Principal Asset Manager	Substantial	0	1	1
Procurement and Contracts	Kuldip Channa - Solicitor, Litigation and Commercial Manager	Partial	1	3	1
Main Accounting	Helen Stocker – Finance Manager	Reasonable	2	1	0
Payroll	Karen Mullet - Payroll Officer	Substantial	0	0	0
Follow Up – Part 1 (October 2018)	Yvonne Parish - Project and Performance Officer	Advisory	0	1	3
Dog Warden Services	Ben Murray – Senior Manager for Leisure & Regulation	Reasonable	0	3	5
Debtors	Martin Trenaman - Transactions Manager	Reasonable	0	3	0
Creditors	Martin Trenaman - Transactions Manager	Partial	2	1	0
Community and Infrastructure Levy & S106	Andrew Benson – Head of Planning Helen Stocker – Finance Manager	Reasonable	1	0	1
Governance and Risk Management	Doula Pont - Head of Projects and Performance	Substantial	0	0	1
Commercial Governance Framework	Caroline Waterworth - Head of Legal	Advisory	7 ungraded		
Grants Funding	Justine Chatfield – Head of Community Partnerships	Partial	1	6	0

Assignment	Audit sponsor	Assurance level	Actions agreed		
			H	M	L
Governance Arrangements for Property Investment Company	Caroline Waterworth, Head of Legal	Advisory	0	0	2
Follow Up - Part 2 (March 2019)	Yvonne Parish - Project and Performance Officer	Advisory	1	2	0
GDPR Governance	Alan Mills - Digital Delivery Manager	Advisory	4 ungraded		

All of the assurance levels and outcomes provided above should be considered in the context of the scope, and the limitation of scope, set out in the individual Assignment Report.

We use the following levels of opinion classification within our internal audit reports. Reflecting the level of assurance the board can take:



FOR FURTHER INFORMATION CONTACT

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The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of Reigate and Banstead Borough Council, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

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We have no responsibility to update this report for events and circumstances occurring after the date of this report.

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