



<b>SIGNED OFF BY</b>	Head of Projects and Performance
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<b>TO</b>	Overview and Scrutiny Committee
<b>DATE</b>	Thursday, 19 March 2020

<b>KEY DECISION REQUIRED</b>	N
<b>WARDS AFFECTED</b>	(All Wards);

<b>SUBJECT</b>	Internal audit 2019/20 - Q3 progress report
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<b>RECOMMENDATIONS</b>
<p>(i) <b>That the Committee note the internal audit progress report attached at annexe 1; and,</b></p> <p>(ii) <b>That the Committee make any comments and/or observations on the report to the Council's Chief Financial Officer.</b></p>

<b>REASONS FOR RECOMMENDATIONS</b>
<p>Under the Council's constitution the Overview and Scrutiny Committee fulfils the role of the of the Audit Committee. As part of this role the Committee is required to review the quarterly internal audit progress report which details the progress of delivering the audit plan for 2019/20.</p>

<b>EXECUTIVE SUMMARY</b>
<p>This report provides a progress update on the delivery of the 2019/20 internal audit plan and is presented to the Committee in its role as the Council's Audit Committee. At the end of Q3 2019/20 delivery of the audit plan continues to be on track. Additional detail is available within the body of the report and in the report of the Council's internal auditors which is made available to the Committee at annexe 1.</p>

<b>The Committee has authority to approve the above recommendations</b>
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## **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. The latter standards are defined in the Public Sector Internal Audit Standards (PSIAS) which were last updated in 2017.
3. The Council's Chief Finance Officer (Section 151) holds 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. The Head of Projects and Performance has day to day responsibility for managing the SIAP contract.
4. In accordance with these standards and the Council's internal audit Charter, the internal auditors are required to provide regular progress reports to the Council's senior management and Audit Committee.

## **BACKGROUND**

5. The Southern Internal Audit Partnership (SIAP) are the Council's internal auditors, having taken over from the previous provider on 1 April 2019.
6. The Council has entered into a Partnership Agreement with SIAP for the provision of internal audit services. The Council has joined SIAP as a Key Stakeholder Partner and, in so doing, has discharged its internal audit function as permitted under section 101 (5) of the Local Government Act (1972).
7. Under the Council's constitution the Overview and Scrutiny Committee fulfils the role of the Audit Committee. The Committee is therefore receiving this report in its role as the Audit Committee which is distinct from its scrutiny function.
8. The role of scrutiny is to review Council policy and challenge whether the Executive has made the right decisions in delivering policy goals. The Audit Committee and function, however, is charged with providing independent assurance of the adequacy of the risk management framework and the associated control environment, as well as independent scrutiny of the Council's financial and non-financial performance insofar as it affects the Council's exposure to risk.
9. CIPFA's guidance on the role of the Audit Committee in Local Government (2018) provides further background and context to this requirement.
10. In accordance with its responsibilities as set out in Part 3a of the Council's constitution, the Overview and Scrutiny Committee endorsed the SIAP internal audit plan for 2019/20 on 14 March 2019 (agenda item 4).
11. In this vein, the Committee is also responsible for reviewing internal audit progress reports and monitoring delivery of the annual internal audit plan.
12. In facilitating the latter, progress reports on internal audit plan delivery are provided to the Committee on a quarterly basis.
13. 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

### Q3 progress update

14. Section 3 of SIAP's report details the overall progress of delivering the 2019/20 internal audit plan.
15. The audits on Ethical Governance, System Development and Implementation and Main Accounting commenced during Q3 though are yet to conclude. These are expected to conclude within Q4 and before the end of the financial year.
16. In summary, good progress has been made and the delivery of the 2019/20 plan is on track.
17. 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 area under review. SIAP's assurance opinions are categorised as follows:

<b>Substantial</b>	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
<b>Adequate</b>	Basically a sound framework of internal control with opportunities to improve controls and/or compliance with the control framework. No significant risks to the achievement of systems objectives have been identified.
<b>Limited</b>	Significant weaknesses identified in the framework of internal control and/or compliance with the control framework which could place the achievement of system objectives at risk.
<b>No</b>	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives.

18. The table below details the assurance opinions on the audits that have concluded by the end of Q3 2019/20:

<b>Audit</b>	<b>Assurance opinion</b>
Corporate Plan	Substantial
Decision making and Accountability	Substantial
Human Resources and Organisational Development	Adequate
Income collection	Adequate
Investments	Adequate
Refuse, Recycling and Street Cleansing	Adequate
Council Tax	Adequate
NNDR	Adequate
Programme and Project Management	Opinion statement

19. Section 4 of SIAP's report provides an overview of the management actions that have been agreed following the conclusion of individual audit assignments as well as progress as to their implementation.
20. Section 8 of SIAP's report details the revisions made to the audit plan for the year.
21. Further detail can be found in SIAP's report which is available at annexe 1.
22. Moreover, individual audit assignments are available to Members via eMembers.

### **OPTIONS**

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

### **LEGAL IMPLICATIONS**

26. The Committee's review of the quarterly progress report assists in the fulfilment of the Council's statutory duty to maintain an independent and effective internal audit function.
27. There are no other legal implications arising from this report.

### **FINANCIAL IMPLICATIONS**

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

**EQUALITIES IMPLICATIONS**

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

**COMMUNICATION IMPLICATIONS**

30. There are no communication implications arising from this report.

**RISK MANAGEMENT CONSIDERATIONS**

- 31. An effective internal audit function is an important part of effectively managing risk.
- 32. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.

**OTHER IMPLICATIONS**

33. There are no other implications arising from this report.

**CONSULTATION**

34. This report has been considered by the Council's Corporate Governance Group as part of its governance role in monitoring audit performance.

**POLICY FRAMEWORK**

35. 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 PAPERS**

None.