



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, 11 June 2020

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Internal audit 2019/20 - annual report and opinion
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RECOMMENDATIONS

- (i) That the Committee note the annual internal audit report and opinion attached at annexe 1; and,
- (ii) That the Committee make any comments and/or observations to the Council's Chief Financial Officer.

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 the Committee is required to receive the annual internal audit opinion of the Council's Chief Internal Auditor.

EXECUTIVE SUMMARY

The Council's Chief Internal Auditor is responsible for the delivery of an annual audit opinion (available at annexe 1) which provides a view on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

For the 12 months ending 31 March 2020, the opinion of the Council's Chief Internal Auditor is as follows:

'Reigate & Banstead Borough Council's framework of governance, risk management and control is 'Adequate' 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.'

The Committee has authority to approve the above recommendations.

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 on the delivery of the annual internal audit plan and to similarly provide an annual report and opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
5. The annual report and opinion informs the Council's Annual Governance Statement.

BACKGROUND

6. The Southern Internal Audit Partnership (SIAP) are the Council's internal auditors, having taken over from the previous provider on 1 April 2019.
7. 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).
8. 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.
9. 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.
10. CIPFA's guidance on the role of the Audit Committee in Local Government (2018) provides further background and context to this requirement.
11. 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).

12. The audit plan was prepared on a risk-based approach in order to give due focus to the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement.
13. In this vein, the Committee is also responsible for reviewing internal audit progress reports and receiving the annual report and opinion of the Council's Chief Internal Auditor.
14. The Committee has received progress reports for Q1-Q3; the Q4 progress report and annual opinion take the form of one report.

KEY INFORMATION

2019/20 annual report and opinion

15. SIAP's annual report and opinion is available at annexe 1.
16. Section 3 of SIAP's report details the annual internal audit opinion for 2019/20 as well as an overall summary of audit activity for the year.
17. In delivering their annual opinion the Council's internal auditors have undertaken 15 reviews.
18. For the 12 months ending 31 March 2020, the annual internal audit opinion is as follows:

"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 Reigate & Banstead Borough Council's internal control environment.

In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is 'Adequate' 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."

19. In delivering this opinion the Council's internal auditors have completed 15 reviews during 2019/20.
20. 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:

Substantial	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate	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.
Limited	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.
No	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.

21. Of the 15 audits completed, 12 received 'adequate' assurance, with 2 receiving 'substantial' assurance.
22. One audit (Programme and Project Management) was issued in the form of a 'position statement' with no assurance level therefore being given. A future audit is scheduled to review compliance against the framework and provide an assurance opinion on this area.
23. Annex 1 of SIAP's report provides a full list of all audits undertaken – and the assurance opinion given – during 2019/20.
24. Section 5 of SIAP's report provides a summary of key observations made for the year.
25. As summarised in section 5 of SIAP's report, the planned audit on information security was impacted by the COVID-19 pandemic; SIAP will be reviewing this area in the 2020/21 internal audit plan.

OPTIONS

26. The Committee has two options:
27. Option 1: note the annual report and opinion and make any observations on its contents to the Council's Chief Finance Officer/
28. Option 2: note the report and make no observations to the Council's Chief Finance Officer.

LEGAL IMPLICATIONS

29. 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.
30. The annual opinion informs the Council's annual governance statement.
31. There are no other legal implications arising from this report.

FINANCIAL IMPLICATIONS

32. Internal audit fees are covered within the Council's base budget.
33. There are no other financial implications arising from this report.

EQUALITIES IMPLICATIONS
34. There are no equalities implications arising from this report.
COMMUNICATION IMPLICATIONS
35. There are no communication implications arising from this report..
RISK MANAGEMENT CONSIDERATIONS
36. An effective internal audit function is an important part of effectively managing risk. 37. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.
OTHER IMPLICATIONS
38. There are no other implications arising from this report.
CONSULTATION
39. This report has been considered by the Council's Corporate Governance Group as part of its governance role in monitoring audit performance.
POLICY FRAMEWORK
40. 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.