

Annual Internal Audit Report & Opinion

2019 - 20

Reigate & Banstead Borough Council



Southern Internal Audit Partnership

Assurance through excellence
and innovation

Contents

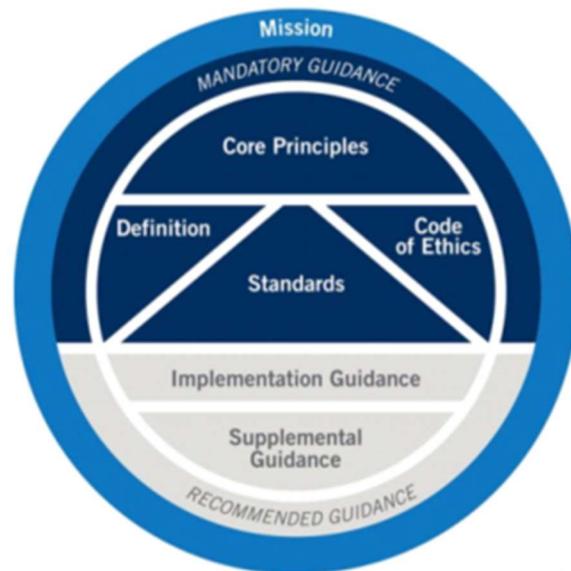
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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].



The role of internal audit is best summarised through its definition within the Standards, 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’.

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.

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.

2. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

A full range of internal audit services is provided in forming the annual opinion.

The approach to each review is determined by the Head of the Southern Internal Audit Partnership and will depend on the:

- Level of assurance required;
- Significance of the objectives under review to the organisation's success;
- Risks inherent in the achievement of objectives; and
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



3. Internal Audit Opinion

The Head of the Southern Internal Audit Partnership is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

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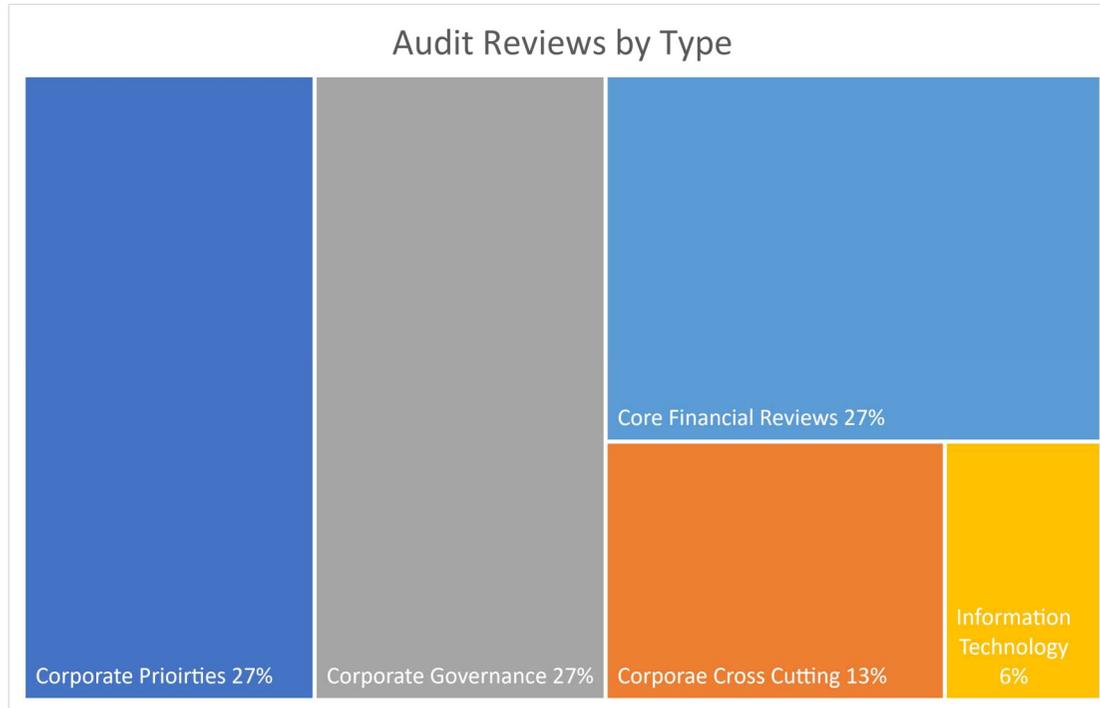
"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Reigate & Banstead Borough Council's internal control environment.

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."

4. Internal Audit Coverage and Output

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council’s activities and to support the preparation of the Annual Governance Statement.



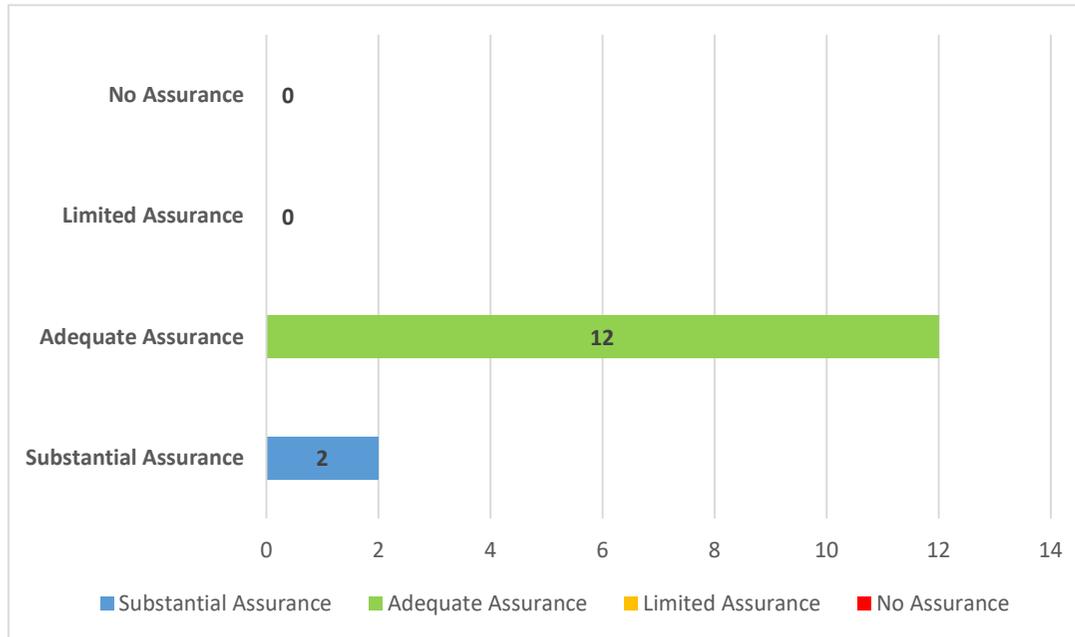
Work has been planned and performed so as to obtain sufficient information and explanation considered necessary in order to provide evidence to give reasonable assurance that the internal control system is operating effectively.

The 2019-20 Internal audit plan, approved by the Overview & Scrutiny Committee in March 2019, was informed by internal audits own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation.

The plan has remained fluid throughout the year to maintain an effective focus.

In delivering the internal audit opinion internal audit have undertaken 15* reviews during the year ending 31 March 2020.

The revised 2019-20 internal audit plan has been delivered in full. The opinion assigned to each internal audit review is summarised below:



Substantial – There is a sound system of control designed to achieve the objectives. Compliance with the control process is considered to be of a high standard and few or no material errors or weaknesses were found;

Adequate - While there is a basically sound system, there are weaknesses, which put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk;

Limited - Weaknesses in the system of controls are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk; or

No - Control is generally weak, leaving the system open to significant error or abuse, and/or significant non-compliance with basic controls leaves the system open to error or abuse.

*1 review did not culminate in an audit opinion as it concluded with a position statement.

A list of the 2019-20 assurance reviews undertaken and their respective opinions is provided in Annex 1

5. Key Observations

Due to the timely delivery of the internal audit plan, we are pleased to report that despite the significant impact and subsequent challenges posed by the coronavirus pandemic both to the way we work and the delivery of Council services, this has not inhibited our ability to provide an opinion on the Council's framework of risk, governance and control for 2019-20.

Our coverage of Information Technology is the only area during the year that has been impacted, with our review of Information Security deferred at the Council's request due to service prioritisations in responding to COVID-19. We will look to enhance audit focus in this area during 2020-21.

Internal Audit work found there to be a generally sound control environment in place across all review areas during the year, which were found to be working effectively to support the delivery of corporate priorities. There were no significant issues identified arising from the work completed during 2019-20, however, there was the following area of weakness that was common across a range of reviews:

- **Policies/Procedure Notes** – A number of reviews carried out across the year identified that policy or procedure notes were not consistently in place or were overdue for review and therefore may not reflect the current working practices for the service. This is particularly pertinent given the impact of COVID-19 on resourcing Council services particularly as and when staff are required to work independently or across areas that they are less experienced in.

At the request of the Interim Head of Finance and Assets we were commissioned to review the Main Accounting system with a focus on the processing of journals and timeliness of bank reconciliations. At the time of audit testing the reconciliation of the income bank account was two months behind schedule, however, we can now confirm that the high priority actions relating to the completion of the bank reconciliation have been addressed and all 2019/20 bank reconciliations were completed by 30th April 2020.

One report (Programme and Project Management) was issued in the form of a 'position statement', this review looked at the governance arrangements in place following the establishment of a Programme Management Office (PMO) and the development of a Project Management Framework Policy. A future audit is scheduled to review compliance against the framework and provide an assurance opinion on this area.

6. Quality Assurance and Improvement

The Quality Assurance and Improvement Programme (QAIP) is a requirement within ‘the Standards’.

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a QAIP to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

An ‘External Quality Assessment’ of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2015.

In considering all sources of evidence the external assessment team concluded:

“It is our view that the Southern Internal Audit Partnership (SIAP) service generally conforms to all of the principles contained within the International Professional Practice Framework (IPPF); the Public Sector Internal Audit Standards (PSIAS); and the Local Government Application Note (LAGN).

There are no instances across these standards where we determined a standard below “generally conforms”, and 4 instances where the standard is assessed as “not applicable” due to the nature of SIAP’s remit.”

In accordance with PSIAS, annual self-assessments have been completed since the external inspection concluding that the Southern Internal Audit Partnership continues to comply with all aspects of the IPPF, PSIAS and LGAN.

7. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments] which requires ‘an external quality assessment to be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the organisation’ I can confirm endorsement from the Institute of Internal Auditors that:

‘the Southern Internal Audit Partnership conforms to the, Definition of Internal Auditing; the Code of Ethics; and the Standards’

There are no disclosures of Non-Conformance to report.

8. Quality control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2019-20 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success;
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach;
- A tailored audit approach using a defined methodology and assignment control documentation;
- Review and quality control of all internal audit work by professional qualified senior staff members; and
- A self-assessment against the Public Sector Internal Audit Standards.

9. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

| Performance Indicator | Target | 2018-19 Actual | 2019-20 Actual |
|--|-----------|----------------|----------------|
| Percentage of internal audit plan delivered | 95% | n/a | 100% |
| Positive customer survey response | | | |
| <ul style="list-style-type: none"> Reigate & Banstead Borough Council | 90% | n/a | 97% |
| <ul style="list-style-type: none"> SIAP – all Partners | 90% | 99% | 98% |
| Public Sector Internal Audit Standards | Compliant | Compliant | Compliant |

Customer satisfaction has been assessed through response to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process throughout the year.

10. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
 Head of Southern Internal Audit Partnership
 May 2020

2019-20 Audit Reviews and Opinions

| Substantial Assurance | Adequate Assurance | Limited Assurance | No Assurance |
|--|--|-------------------|--------------|
| Corporate Plan Decision Making & Accountability | Fraud & Irregularities Human Resources & OD Ethical Governance System Development & Implementation Main Accounting Council Tax Income Collection NNDR Investments Housing Delivery Strategy Refuse, Recycling & Street Cleansing Planning - Enforcement | None | None |