



SIGNED OFF BY	Head of Projects and Performance
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TO	Audit Committee
DATE	Wednesday, 9 September 2020

KEY DECISION REQUIRED	N
WARDS AFFECTED	(All Wards);

SUBJECT	Internal audit 2020/21 - Q1 progress report
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RECOMMENDATIONS
<p>(i) That the Committee note the Internal Audit Progress Report attached at annex 1;</p> <p>(ii) That the Committee make any comments and/or observations on the report to the Council's Chief Financial Officer.</p>

REASONS FOR RECOMMENDATIONS
In accordance with its constitutional responsibilities and Internal Audit Charter, the Audit Committee is required to receive regular updates on the progress of internal audit plan delivery.

EXECUTIVE SUMMARY
<p>This report provides an update on the delivery of the 2020/21 internal audit plan.</p> <p>The audit plan was approved by the Audit Committee on 16 July 2020. Due to the Council's response to COVID-19, no audits have concluded in Q1. However, the delivery of the plan agreed by the Audit Committee on 16 July remains on track.</p>

The Committee has the 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. Under Section 151 of the Local Government Act (1972), the Council's Chief Financial Officer holds the 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 internal audit contract.

BACKGROUND

4. The Council's internal auditors are the Southern Internal Audit Partnership (SIAP).
5. The Partnership is hosted by Hampshire County Council and is comprised of a number of local authorities and other public sector organisations.
6. A professional, independent and objective internal audit service is a key element of ensuring good corporate governance.
7. The PSIAS defines internal audit 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'.
8. 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 are operating effectively.
9. 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.
10. The Council's Chief Internal Auditor – the Head of the Southern Internal Audit Partnership – is responsible for the management of the Council's internal audit activity.
11. The Audit Committee endorsed the 2020/21 internal audit plan at its meeting on 16 July 2020. This would ordinarily have taken place in March 2020 ahead of the new financial year; the situation with COVID-19, however, meant that this was delayed.
12. The plan was fundamentally updated given the change in risk environment that the COVID-19 pandemic caused.
13. Under the Council's Constitution the Committee is responsible for reviewing internal audit progress reports and monitoring delivery of the annual audit plan.
14. 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

Q1 2020/21 progress update

15. Section 3 of SIAP’s report details the overall progress in delivering the 2020/21 audit plan.
16. In accordance with the audit plan, no audits concluded in Q1 2020/21.
17. However, progress has been made in delivering the plan agreed by the Committee, with the majority of audits due to take place in Q2 having been scoped.

Overdue management actions

18. Section 4 of the report sets out the management actions from audits undertaken in 2019/20 that are overdue implementation.
19. The Council has been required to focus efforts on responding to the COVID-19 pandemic. As such, outstanding management actions will be addressed in the coming quarters where practicable.

OPTIONS

20. The Committee has two options:
21. Option 1: Note the report and make any observations and comments on its contents to the Council’s Chief Financial Officer.
22. Option 2: Note the report and make no observations to the Council’s Chief Financial Officer.

LEGAL IMPLICATIONS

23. 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.
24. There are no other legal implications resulting from this report.

FINANCIAL IMPLICATIONS

25. There are no financial implications arising from this report. Internal audit fees are funded within the annual revenue budget.

EQUALITIES IMPLICATIONS

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

COMMUNICATION IMPLICATIONS

27. There are no communications implications arising from this report.

RISK MANAGEMENT CONSIDERATIONS

28. An effective internal audit function is an important part of effectively managing risk.

29. The Council's strategic and operational risk registers were utilised in the development of the annual internal audit plan.

OTHER IMPLICATIONS

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

CONSULTATION

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

POLICY FRAMEWORK

32. 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.