

**South Lakeland District Council**  
**Audit Committee**  
**Thursday, 17 September 2020**  
**Internal Audit Annual Report 2019/20**

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| <b>Portfolio:</b>     | Not applicable   |
| <b>Report from:</b>   | Finance Lead Specialist and S151 Officer                     |
| <b>Report Author:</b> | Peter Harrison - Internal Audit Manager (Director, TIAA Ltd) |
| <b>Wards:</b>         | Corporate Issue  |
| <b>Forward Plan:</b>  | Not applicable   |

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**1.0 Expected Outcome**

1.1 This report provides a summary of the outcomes of the work of the internal audit provided by TIAA Limited for South Lakeland District Council for 2019/20 and includes the Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

**2.0 Recommendation**

**2.1 Members of the Audit Committee are asked to note:**

**(1) The Head of Internal Audit's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31st March 2020 set out in Appendix 1;**

**(2) The progress achieved in 2019/20 in delivering the Audit Plan and the outcomes of completed audit reviews set out in Appendix 1;**

**(3) The Head of Internal Audit's declaration of Internal Audit independence as required by the mandatory PSIAS; and**

**(4) The Head of Internal Audit's declaration of conformance with the mandatory PSIAS.**

**3.0 Background and Proposals**

3.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that the Council undertakes an effective Internal Audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS).

3.2 Internal Audit is responsible for providing independent assurance to the Council's senior management and to the Audit Committee on the systems of governance, risk management and internal control.

3.3 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal

control and should set in place policies and procedures to ensure that controls are operating effectively.

#### **INTERNAL AUDIT OPINION**

- 3.4 The purpose of this report is to give my opinion as the Head of Internal Audit for South Lakeland District Council on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31st March 2020.
- 3.5 This report contributes to the Council's Annual Governance Statement.
- 3.6 In giving this opinion, it should be noted that assurance can never be absolute and it is not possible to give complete assurance that there are no major control weaknesses. My opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of any follow up work undertaken.
- 3.7 I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control.
- 3.8 Eleven risk based audits have been completed in the year of which two have resulted in substantial assurance, eight have resulted in reasonable assurance and one has resulted in a limited assurance assessment. There were no reviews which resulted in a no assurance assessment.
- 3.9 The delivery of the internal audit work for 2019/20 has been impacted by the global Covid-19 pandemic which has taken hold during this accounting period. As a result, we were not able to complete the review of Non-Domestic Rates which was scheduled to commence just at the time that the pandemic was declared. The review of ERDF grant funding was not required due to the level of claims during the year. There have been no other changes to the Annual Plan during the year.
- 3.10 The Covid-19 pandemic has also had an impact on the finalising of draft reports with management comments; we will work with management to ensure these are updated, monitored and implementation is reported through to the Audit Committee. The fact that some reports remain at draft stage has not had an adverse impact on the Head of Internal Audit opinion.
- 3.11 My opinion takes into account the outcomes of all audit work together with the management responses of the Council which I consider to have been appropriate and demonstrate the Council's commitment to addressing the issues raised.
- 3.12 I can also report that there has been no threat to the independence of internal audit that would impact on the provision of my annual opinion statement.
- 3.13 My opinion is that I can provide reasonable assurance over the Council's the systems of governance, risk management and internal control.
- 3.14 The Annual Report at Appendix 1 shows the individual assurance opinions against each audit area.

#### **STATEMENT OF CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 3.16 Internal audit conducts all its work using a risk based audit methodology which has been designed to ensure conformance with the Public Sector Internal Audit Standards. I can confirm that all work has been carried out in accordance with these Standards.

#### **4.0 SUMMARY AND CONCLUSION**

- 4.1 Internal audit work has been carried out in accordance with the mandatory standards for internal audit.

4.2 The work of internal audit is considered to be sufficient to provide an opinion on the systems of governance, risk management and internal control.

4.3 There have been no threats to internal audit independence that would impact on the provision of an annual opinion statement.

4.4 The annual opinion has concluded reasonable assurance over the systems of governance, risk management and internal control.

## 5.0 Alternative Options

5.1 There are no alternative options; the Accounts and Audit Regulations 2015 require that the Council undertakes an effective Internal Audit to evaluate the effectiveness of its risk management, internal control and governance processes, taking into account the Public Sector Internal Auditing Standards (PSIAS).

## 6.0 Links to Council Priorities

6.1 Internal Audit provides independent assurance on the Council's arrangements for governance, risk management and internal control in support of delivery of the Council's strategic priorities.

## 7.0 Implications

### Financial, Resources and Procurement

7.1 There are no direct financial implications to this report.

### Human Resources

7.2 There are no direct human resource implications to this report.

### Legal

7.3 There are no direct legal implications to this report.

### Health, Social, Economic and Environmental

7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons:

This report relates to a corporate governance issue and has no direct health, social, economic or environmental impacts.

### Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Assessment, please explain your reasons:

This report relates to a corporate governance issue and has no direct equality or diversity impacts.

### Risk

| Risk  | Consequence   | Controls required   |
|---|---|---|
| The Council does not comply with legislative requirements as laid out under the Accounts and Audit Regulations 2015 | Adverse impact on the Council in respect of conformance with expected auditing standards and on the assurances delivered by internal audit regarding adequate and effective | A complete and thorough self-assessment undertaken with supporting details to illustrate the effectiveness of internal audit against the PSIAS and LGAN requirements. |

| Risk | Consequence                    | Controls required |
|------|--------------------------------|-------------------|
|      | internal control arrangements. |                   |

### Contact Officers

Report Author: Peter Harrison, Director, TIAA Limited.

### Appendices Attached to this Report

| Appendix No. | Name of Appendix   |
|--------------|--|
| 1            | Internal Audit Annual Report 2018/19 including the Head of Internal Audit's opinion. |

### Background Documents Available

| Name of Background document | Where it is available |
|-----------------------------|-----------------------|
| None                        |                       |

### Tracking Information

| Signed off by       | Date sent  |
|---------------------|------------|
| Legal Services      | N/A        |
| Section 151 Officer | 03/09/2020 |
| Monitoring Officer  | N/A        |
| SMT                 | N/A        |

| Circulated to           | Date sent  |
|-------------------------|------------|
| Finance Services Lead   | 03/03/2020 |
| Human Resources Manager | N/A        |
| Communications Team     | N/A        |
| Leader                  | N/A        |
| Committee Chairman      | N/A        |
| Portfolio Holder        | N/A        |
| Ward Councillor(s)      | N/A        |
| Committee               | 17/09/2020 |
| Executive (Cabinet)     | N/A        |
| Council                 | N/A        |