

South Lakeland District Council
Audit Committee
Thursday, 17 September 2020
Internal Audit Annual Plan 2020/21

Portfolio:	Not applicable
Report from:	Finance Lead Specialist and S151 Officer
Report Author:	Peter Harrison - Internal Audit Manager, Regional Managing Director, TIAA Limited
Wards:	Corporate Issue
Forward Plan:	Not applicable

1.0 Expected Outcome

1.1 Internal Audit is required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk based audit plan for approval by the Audit Committee.

2.0 Recommendation

2.1 It is recommended that the Audit Committee:

(1) Approves the Internal Audit Annual Plan 2020-21 which is attached at Appendix 1.

3.0 Background and Proposals

3.1 The Chartered Institute of Internal Auditors describes internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal audit helps the Council to achieve its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.”

3.2. The Accounts and Audit Regulations requires the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices in relation to internal control. Proper Practices are now defined within the Public Sector Internal Audit Standards (PSIAS) which became mandatory for all UK public sector internal auditors from 1st April 2013.

3.3. The PSIAS affirm the need for annual risk based audit plans to be developed in order that the Head of Internal Audit can form an annual opinion on the Council’s systems of risk management, governance and internal control.

3.4 The draft Internal Audit Annual Plan attached at Appendix 1 has been prepared following review of corporate documents including the Council’s Corporate Risk Register, corporate plans and recent internal audit coverage.

3.5 In the light of the recent Covid-19 pandemic, it is important that the plan remains flexible to respond to changing priorities during the course of the year.

4.0 Internal Audit Service Delivery

- 4.1 The PSIAS require that the Internal Audit plan sets out a high level statement of how the Internal Audit Service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.
- 4.2 Internal Audit for South Lakeland District Council is delivered by TIAA Limited under a contractual arrangement since 1st April 2016.
- 4.3 Internal Audit supports the delivery of the Council Priorities as set out in the Council Plan by providing independent assurance over the arrangements in place across the Council to deliver priorities and objectives.
- 4.4 It is a requirement of the PSIAS that the Council has an Internal Audit Charter which has been approved by senior management and the Audit Committee. The Charter, approved by the Committee at its meeting in July 2017 and reviewed annually, sets out the arrangements for the delivery of the Internal Audit service to South Lakeland District Council (the Council).

Roles of Management and of Internal Audit

- 5.1 It is the role of management to establish effective systems of governance, risk management and internal controls in order to:
 - safeguard the Council's resources and prevent fraud;
 - ensure the completeness and reliability of records;
 - monitor adherence to laws, regulations, policies and procedures;
 - promote operational efficiency demonstrate the achievement of value for money; and
 - manage risk.
- 5.2 It is the responsibility of management to establish the checks and balances needed to confirm that their systems are working effectively, that all information within them is accurate, that they are free from fraud or error.
- 5.3 Internal audit's role is to provide assurance that management are undertaking the appropriate checks over their systems to confirm that they are working effectively. It is not the role of internal audit to re-perform management's checks or to undertake such checking on management's behalf.
- 5.4 In order to safeguard its independence, Internal Audit does not have any operational responsibilities and is not responsible for any of the decision making, policy setting or monitoring of compliance within the Council.

6.0 Internal Audit Resources

- 6.1 The Finance Lead Specialist and S151 Officer has contracted with TIAA Limited to deliver 190 days of Internal Audit time in 2020-21. In addition, 15 days are included to carry out the review of NNDR that was deferred from 2019/20. This is deemed a sufficient number of audit days in which to provide an opinion on the systems of governance, risk and internal control in line with the PSIAS and in order to support the preparation of the Annual Governance Statement.

- 6.2 The PSIAS also reflect the requirement for internal audit plans to be flexible in order to respond to new and emerging risks to the organisation. The Plan will be subject to regular review to ensure it remains appropriate and may be subject to revision. In this event, revisions would be considered and agreed by the Finance Lead Specialist and S151 Officer and reported to the Audit Committee, including the need for any additional audit resources if appropriate. Any request for significant consulting activity by Internal Audit would be approved by the Audit Committee in line with the requirements of the PSIAS.

7.0 Categories of Internal Audit Work

- 7.1 Corporate Reviews – these are reviews which are strategic in nature or which cut across the entire Council. These reviews are designed to provide assurance that the Council has effective governance and risk management arrangements to mitigate strategic risks.
- 7.2 Departmental Risk-Based Audit Reviews – these reviews have been identified in consultation with senior management and following review of corporate plans and the Corporate Risk Register. These reviews are spread across service areas following a risk assessment to ensure that Internal Audit resources are targeted at the areas where the greatest benefit will be achieved.
- 7.3 Financial System Reviews – A three-year programme has been devised which will ensure that each main financial system is reviewed in depth at least once every three years.
- 7.4 Governance System Reviews – a provision is included for cyclical reviews of key governance systems.
- 7.5 Computer Audit – the Plan includes provision for computer audit work which will provide assurance over the technical controls in place for key IT systems and processes.
- 7.6 Audit Management, Advice and Guidance – capacity has been built into the Plan for audit management, planning and reporting. This also includes some provision for formal advice and guidance to all services across the Council.
- 7.7 The follow up of previous audit requirements is a key requirement of the Public Sector Internal Audit Standards to provide assurance on the successful implementation of agreed recommendations. Where an audit has received a lower level assurance rating (i.e. partial or limited assurance) in the previous year, Internal Audit will now undertake a formal follow up of the management actions which have been undertaken to address the agreed audit recommendations; this will include formal interviewing, audit testing and reporting to provide senior officers and members with the required independent assurance that key areas for improvement address have been addressed.

8.0 Alternative Options

- 8.1 The production of a risk based audit plan is a key requirement of the PSIAS. There are no alternative options.

9.0 Links to Council Priorities

- 9.1 Internal Audit supports the delivery of the Council Priorities as set out in the Council Plan by providing independent assurance over the arrangements in place across the Council to deliver priorities and objectives.

10.0 Implications

Financial, Resources and Procurement

10.1 There are no direct financial implications to this report.

Human Resources

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

Legal

10.3 There are no direct legal implications to this report.

Health, Social, Economic and Environmental

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

10.5 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

10.6 Have you completed an Equality Impact Analysis? No

10.7 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
Internal Audit coverage does not address the high risk areas of Council activity.	Internal Audit coverage does not address the high risk areas of Council activity.	Non-delivery of the agreed Audit Plan. Unplanned work which arises in year which requires audit attention.
The Council would be more vulnerable to risk.	The Council does not receive adequate assurance over the internal control environment.	Potential breach of the statutory requirement to maintain an adequate and effective system of internal control. Risk based annual audit planning. Regular progress reporting to senior management and Audit Committee each quarter. A degree of flexibility in the Plan to accommodate unplanned work.

Contact Officers

Report Author: Peter Harrison, Regional Managing Director, TIAA Limited.

Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Internal Audit Annual Plan 2020-21

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 Lead Specialist	03/09/2020
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