



Appendix 1

Internal Audit

FINAL

South Lakeland District Council

Assurance Review of Members' Interests and Declarations

2020/21

April 2021

Executive Summary

<p>OVERALL ASSESSMENT</p>	<p>KEY STRATEGIC FINDINGS</p>								
 <p>The diagram shows a central yellow circle labeled 'REASONABLE ASSURANCE' surrounded by a blue ring with the text 'Adequate & effective governance, risk and control processes'. To the right is a legend with four levels: Substantial Assurance (green), Reasonable Assurance (yellow), Limited Assurance (orange), and No Assurance (red).</p>	<ul style="list-style-type: none">  At the time audit work was conducted, there was a lack of evidence of retention of signed agreements to the Code of Conduct. This was being promptly addressed.  Gifts and Hospitality disclosures are reported to the Standards Committee annually in September. The last report to the Committee was in September 2018.  Current guidance to members regarding reporting of gifts and hospitality might lead to confusion regarding the need to report declined gifts. 								
<p>ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE</p>	<p>GOOD PRACTICE IDENTIFIED</p>								
<p>9. Essential strategic partnerships required to deliver the Council Plan do not operate effectively, 21 Accountable Body for large value schemes.</p>	<ul style="list-style-type: none">  Contents of the Risk Register, and of meeting minutes, indicate that the Council has continued to operate effectively during the Covid-19 pandemic, and to manage its impact.  The Council reacted positively to requests for increased on-line training, and the identification of mandatory training, made in October 2019. 								
<p>SCOPE</p>	<p>ACTION POINTS</p>								
<p>Councillors have a duty to maintain high standards of conduct; the standards that members are expected to observe is set out in the Code of Conduct and includes requirements for openness and transparency. The review considered the arrangements for managing declarations of interest, and recording gifts and hospitality. The review included induction, training and awareness, annual declarations, in-year recording, and reporting.</p>	<table border="1"> <thead> <tr> <th>Urgent</th> <th>Important</th> <th>Routine</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">2</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>	Urgent	Important	Routine	Operational	0	2	1	0
Urgent	Important	Routine	Operational						
0	2	1	0						

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	It was noted that, at the time audit work was conducted, there was a lack of evidence of retention of signed agreement to the Code of Conduct. This was addressed towards the end of the audit process.	As intended by the Legal, Governance and Democracy Specialist (Monitoring Officer), all members be asked to confirm that they have read and understood the Code of Conduct. A separate form be included as part of the induction process to evidence this going forward.	2	<i>A new process has been introduced to address the need for members to say they have read and understood the member code of conduct.</i>	03/03/21	Linda Fisher
3	Delivery	Gifts and Hospitality are reported to the Standards Committee annually in September. The last report to the Committee was in September 2018. There have been disclosures since that date, although they have been few. Discussions with the Legal, Governance and Democracy Specialist (Monitoring Officer) indicated it is intended that a report will be taken to the next Standards Committee, which will also include Declarations of Interest.	As planned, regular reporting of Gifts and Hospitality to the Standards Committee be resumed.	2	<i>A report will be presented to the 20th April 2021 Standards Committee.</i>	20/04/21	Linda Fisher

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	A review of the Code of Conduct for Members, and two documents provided as part of the induction pack: Guidance notes on Gifts and Hospitality, and Guidance for Members on the Code of Conduct indicated a disparity in detail and potential confusion regarding the need to report declined gifts.	The Code of Conduct be expanded to include the necessary detail, including the recording of declined gifts and hospitality, and consideration of the cumulative effect of small gifts. Guidance provided as part of the induction process be reviewed.	3	<i>This will be picked up as part of the review of the members code of conduct.</i>	20/04/21 Standards Committee	Linda Fisher

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	2	-

Other Findings



The Council's Constitution was last revised in November 2019. It sets out how the Council operates and makes decisions, along with the procedures it follows to ensure its efficiency, transparency and accountability.



The Constitution includes a Code of Conduct, adopted by the Council, which members and co-opted members are expected to comply with. The Code of Conduct includes specific requirements relating to: registering and declaring disclosable pecuniary and other registrable interests such as the receipt of gifts and hospitality.



The Council reacted positively to requests for increased on-line training made at its meeting in October 2019. The Monitoring Officer has also prepared a revised Member Development Strategy and associated Training Matrix to be discussed by Council.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	3	-
FC	Financial Constraint	The process operates within the agreed financial budget for the year.	Out of scope	-	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings



Council business has continued using virtual meetings during the Covid-19 pandemic, and a review of the Risk Register indicates that the impact of Covid-19, and how to maintain control, is actively considered.



A review of meetings indicated that Declarations of Interest is a Standard Agenda item and that appropriate action is taken and minutes retained.

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	26 th October 2020	26 th October 2020
Draft Report:	1 st February 2021	1 st April 2021
Final Report:	6 th April 2021	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	South Lakeland District Council		
Review:	Members' Interests and Declarations		
Type of Review:	Assurance	Audit Lead:	Sally Hunter

Outline scope (per Annual Plan):	Councillors have a duty to maintain high standards of conduct; the standards that members are expected to observe is set out in the Code of Conduct and includes requirements for openness and transparency. The review will consider the arrangements for managing declarations of interest and recording gifts and hospitality. The review will include induction, training and awareness, annual declarations, in-year recording, and reporting.		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

Planned Start Date:	26/11/2020	Exit Meeting Date:	25/01/2021	Exit Meeting to be held with:	Legal, Governance and Democracy Specialist (Monitoring Officer)
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N