



Internal Audit

FINAL

APPENDIX 1

## South Lakeland District Council

Internal Audit Annual Report

2020/21

July 2021

# Internal Audit Annual Report

## Introduction

This is the 2020/21 Annual Report by TIAA on the internal control environment at South Lakeland District Council. The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report, which incorporates CIPFA guidance on the potential limitation of scope brought about by the impact of COVID-19, is designed to assist the Council in making its annual governance statement.

## Limitations on our opinion arising from Covid-19

The impact of COVID-19 on all public sector services has been significant including changes to ways of working, reprioritising services, redeploying staff and stretching capacity; the impact has been present throughout the whole of 2020/21 in varying degrees.

For internal audit, it has raised the question of whether they have been able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) when issuing their annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the organisation relies on for its Annual Governance Statement. Factors that need to be taken in to account in reaching a conclusion include:

- Has any reduction in coverage compared to what was planned resulted in insufficient assurance work?
- Have any limitations in the scope of individual assignments resulted in it only being possible to place partial assurance on the outcome?
- Have changes in ways of working led to gaps in the governance, risk management and control arrangements?

TIAA understands the considerable challenges and the difficult decisions that organisations are having to deal with, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope.

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

## What this means for South Lakeland District Council

There has been minimal or no impact on the delivery of the internal audit work for 2020/21 as a result of the COVID-19 pandemic. There have been no changes to the planned work as a result of COVID-19; any changes to the plan were based on purely on business/operational need.

### HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

**TIAA is satisfied that, for the areas reviewed during the year, South Lakeland District Council has reasonable and effective risk management, control and governance processes in place.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the South Lakeland District Council from its various sources of assurance.**

## Internal Audit Planned Coverage and Output

The 2020/21 Annual Audit Plan approved by the Audit Committee was for 205 days of internal audit coverage in the year.

During the year there were two changes to the Audit Plan. The reviews of Project Management and Customer Connect – My Account were deferred to 21/22 at the request of management.

The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

No extra work was carried out which was in addition that set out in the Annual Audit Plan.

## Assurance

TIAA carried out 12 reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve South Lakeland District Council's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

| Assurance Assessments | Number of Reviews | Previous Year |
|-----------------------|-------------------|---------------|
| Substantial Assurance | 2                 | 2             |
| Reasonable Assurance  | 10                | 8             |
| Limited Assurance     | 0                 | 1             |
| No Assurance          | 0                 | 0             |

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2020/21. The numbers in brackets relate to 2019/20 recommendations

| Urgent | Important | Routine |
|--------|-----------|---------|
| 0 (2)  | 22 (30)   | 18 (19) |

## Audit Summary

**Control weaknesses:** There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

| Risk Area              | Urgent | Important | Routine |
|------------------------|--------|-----------|---------|
| <b>Directed</b>        |        |           |         |
| Governance Framework   | 0      | 7         | 8       |
| Risk Mitigation        | 0      | 0         | 0       |
| Compliance             | 0      | 10        | 8       |
| <b>Delivery</b>        |        |           |         |
| Performance Monitoring | 0      | 2         | 2       |
| Financial Constraint   | 0      | 0         | 0       |
| Resilience             | 0      | 3         | 0       |

## Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

## Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

| Performance Measure  | Target | Attained |
|--|--------|----------|
| Completion of Planned Audits                                       | 100%   | 100%     |
| Audits Completed in Time Allocation                                | 100%   | 100%     |
| Final report issued within 10 working days of receipt of responses | 95%    | 100%     |
| Compliance with Public Sector Internal Audit Standards             | 100%   | 100%     |

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards and relevant guidance issued by the Accounts & Audit Regulations 2015.

### Release of Report

The table below sets out the history of this Annual Report.

|                            |                            |
|----------------------------|----------------------------|
| <b>Date Report issued:</b> | 14 <sup>th</sup> July 2021 |
|----------------------------|----------------------------|

## Annexes

### Annex A

#### Actual against planned Internal Audit Work 2020/21

| System  | Type              | Planned Days | Actual Days | Assurance Assessment | Comments             |
|---|-------------------|--------------|-------------|----------------------|----------------------|
| Payroll   | Assurance         | 15           | 15          | Reasonable           | Final Report Issued  |
| Creditor Payments                                 | Assurance         | 10           | 10          | Reasonable           | Final Report Issued  |
| Corporate Governance – Compliance with Local Code | Assurance         | 20           | 20          | Reasonable           | Final Report Issued  |
| Performance Management                            | Assurance         | 10           | 10          | Substantial          | Final Report Issued  |
| NNDR  | Assurance         | 10           | 10          | Reasonable           | Final Report Issued  |
| Asset Management                                  | Assurance         | 10           | 10          | Reasonable           | Final Report Issued  |
| Council Tax                                       | Assurance         | 10           | 10          | Reasonable           | Final Report Issued  |
| Insurance   | Assurance         | 15           | 15          | Substantial          | Final Report Issued  |
| Members Interests and Declarations                | Assurance         | 5            | 5           | Reasonable           | Final Report Issued  |
| Disabled Facilities Grants                        | Assurance         | 10           | 10          | Reasonable           | Final Report Issued  |
| Project Management                                | Assurance         | 20           | -           | N/A                  | Deferred to 2021/22  |
| Lake Services                                     | Assurance         | 15           | 15          | Reasonable           | Final Report Issued  |
| Customer Connect – ‘My Account’                   | Assurance         | 10           | -           | N/A                  | Deferred to 2021/22  |
| Bereavement Services                              | Assurance         | 15           | 15          | Reasonable           | Final Report Issued  |
| Follow-up   | Follow up         | 10           | 10          | N/A                  | Final Reports Issued |
| Audit Management                                  | Management        | 20           | 20          |                      |                      |
|   | <b>Total Days</b> | <b>205</b>   | <b>175</b>  |                      |                      |