



South Lakeland District Council

Indicative Audit Strategy 2022/25 and Annual Plan 2022/23

2022/23

April 2022

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## OVERVIEW

### Introduction

The Audit Plan for 2022/23 has been informed by a risk assessment carried out across our Local Government clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

### Key Emerging Themes

This year will continue to be another challenging year for Local Government in terms of funding, managing additional recruitment and technological advancement. There are a number of operational issues that have also come to prominence; we have identified a number of key areas which require consideration when planning internal audit coverage.

**Local Government Reorganisation:** Cumbria, its six constituent local authorities and partner organisations are transitioning towards the creation of two new unitary authorities. Key timelines include laying a Structural Changes Order before Parliament in March 2022, the creation of Joint Committees by March 2022 and shadow elections in May 2022 prior to Vesting Day on 1<sup>st</sup> April 2023. Whilst playing a significant part in this transformation, South Lakeland District Council will need to ensure it maintains delivery of current operations and services during this time.

**Staff Wellbeing and Capacity:** The COVID-19 pandemic has undoubtedly brought about changes in working practices, higher absence and changing attitudes towards work. The additional workload and pressures brought about by LGR need to be carefully managed during this period and beyond.

**“Multi-channel” resident engagement:** Partly as a result of COVID-19 but also as process changes through improved technology, councils will need to embrace cutting edge technology. Adopting a multi-channel approach to resident engagement will enable council services to be more readily available, more accessible and more transparent.

**Commercialisation:** Councils are being driven towards being more self-sufficient and cost effective, with pressure to close funding gaps and rebalance budgets. Councils will already be operating in different financial and more commercial environments. The pandemic is likely to have brought significant unforeseen risks to these investments and their underlying assumptions.

**Cyber Security:** As more services move on-line, risks and vulnerabilities are likely to increase. Cyber security is as much about awareness and behaviours as it is about network security. Resilience needs to be regularly and stringently stress tested across the organisation to ensure it is operating effectively.

**Climate Change:** Around 300 councils have declared a climate emergency. Councils are taking action to reduce their own carbon emissions and working with partners and local communities to tackle the impact of climate change on their local area.

### Providing Assurance during the COVID-19 pandemic

From the outset, we successfully transitioned to new and remote ways of working without any diminution of the service and we recognise that many if not all of our clients have had to implement changes in the way that they work. We continue to consider any gaps in control or exposures that have arisen as a result of this. Whilst many measures have largely been relaxed, it is not inconceivable that further measures might be implemented to stem any increases in cases. We continue to adopt a hybrid approach with a mix of remote and on-site working and tailor this approach to client requirements and the nature of each assignment.

### Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2022/23 support the Head of Internal Audit’s annual opinion on the overall adequacy and effectiveness of South Lakeland District Council’s framework of governance, risk management and control as required by TIAA’s charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

# INTERNAL AUDIT PLAN

## Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2022/23, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing South Lakeland District Council in what will be a year of transition. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS).

## Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing South Lakeland District Council. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused.

## Internal Audit Strategy and Plan

Following the risk prioritisation review, the Annual Plan at Appendix A sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and South Lakeland District Council. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where South Lakeland District Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Finance Lead Specialist and S151 Officer and will be clearly set out in the terms of reference for the additional review(s).

## Release of Report

The table below sets out the history of this plan.

<b>Date plan issued:</b>	4 <sup>th</sup> April 2022
<b>Date revised plan issued:</b>	8 <sup>th</sup> April 2022

## APPENDIX A: ANNUAL PLAN – 2022/23

Quarter	Review	Type	Days	High-level Scope
1	Risk Management	Assurance	5	<p>This high-level review will consider the arrangements in place for the identification and management of risks, including the identification of controls and actions designed to mitigate risk.</p> <p>This review forms part of the rolling three-year programme of key financial and governance audits.</p>
1	Data Integrity	Assurance	10	<p>Ahead of transition to the new unitary authority, the review will consider the processes to ensure the integrity, completeness and accuracy of data within selected key systems.</p>
1	Development Control	Assurance	10	<p>The review will consider the arrangements in place to ensure that the Council’s planning function meets its service and enforcement obligations, including: pre-application advice and planning submissions; processing and responding to applications in line with service standards; fees and charges including the Community Infrastructure Levy; dealing with consultations, comments and objections; delegated powers, reserved matters and mandatory member training; the appeals process; monitoring and enforcement; and, complaints relating to the service (not decisions).</p>
2	Procurement	Assurance	20	<p>The review will consider various discrete aspects of the procurement process, including:</p> <ul style="list-style-type: none"> <li>• Direct awards;</li> <li>• Contract extensions;</li> <li>• Use of consultants;</li> <li>• Existence of signed contracts and agreements; and</li> <li>• Planning procurement activity, including compliance with the Section 24 Direction.</li> </ul>
2	Income Management – Car Parking	Assurance	10	<p>Car parking income represents a significant proportion of the Council’s annual income.</p> <p>This review will focus on cash receipts for car parking, taking in to account collection, storage, banking and the insurance arrangements. It will also consider the controls in place around the increasing use of alternative payment methods, such as through mobile phones and other devices.</p> <p>This review forms part of the rolling three-year programme of key financial and governance audits.</p>
2	Land Charges and Building Control.	Assurance	20	<p>The review will consider the application and management of land charges, compliance with legislation including the Local Land Charges Act 1975 and the Infrastructure Act 2015 and controls and processes for raising, registering and reporting land charges. In addition, the review will consider the arrangements in place to ensure that the Council’s building control function meets its service and enforcement obligations, including: pre-application advice and applications; processing and responding to applications in line with service standards; fees and charges; monitoring, including site inspections; and, complaints relating to the service.</p>

Quarter	Review	Type	Days	High-level Scope
2	Council Tax Rebate Payments	Assurance	15	The Council will be issuing approximately £5.5m to residents whose homes falls into Council Tax Band A – D. The review will consider the management and administration of the Council Tax Rebate Payments, including the assessment of eligibility and the measures in place to mitigate fraud.
3	NNDR	Assurance	15	SLDC issues approximately 8,000 National Non-domestic Rates bills each year. The review will consider the calculation and application of business rates, collection, business rate relief and refunds, interest and appeals. This review forms part of the rolling three-year programme of key financial and governance audits.
3	Disabled Facilities Grant	Assurance	10	Disabled Facilities Grants (DFGs) help to fund adaptations to enable people to stay living in their home. Adaptations can include stair lifts, wet floor shower areas and access ramp; DFGs are mandatory for certain essential adaptations. The maximum grant available is £30,000. The review considers the arrangements for managing Disabled Facilities Grants, including the assessment, approval, procurement and payment processes. The review also considers the arrangements for financial and budget monitoring and the achievement of value for money.
3	Cash Receipting	Assurance	20	The review will consider the arrangements in place for receiving and accounting for monies due to the Council This review forms part of the rolling three-year programme of key financial and governance audits.
3	ICT – Asset Management	Assurance	10	The review will consider the processes in place to manage, maintain and confirm the existence of ICT assets. This will include the processes in place for identifying and managing the return of equipment for those leaving their posts.
4	Main Accounting System	Assurance	10	The review will assess procedures and controls within the main accounting systems to ensure that: <ul style="list-style-type: none"> <li>• Control accounts and bank reconciliations are carried out regularly.</li> <li>• Transactions are transferred accurately from feeder systems.</li> <li>• The integrity and security of the main accounting system is maintained.</li> <li>• Responsibilities and processes for journal entries and year end processing are appropriately defined and allocated.</li> <li>• Transactions are accurately valued and allocated correctly within the general ledger.</li> </ul> This audit will focus on the arrangements for the overall governance of the system and the controls and risks related to the general ledger. This review forms part of the rolling three-year programme of key financial and governance audits.
4	Business Continuity	Assurance	10	The review will consider the business continuity arrangements that the Council has in place should it be subject to a cyber-security attack/incident.
1 – 4	Follow-up	Follow up	10	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring South Lakeland District Council is implementing recommendations, and providing reports to the Audit Committee.
1	Annual Planning	Management	3	Assessing South Lakeland District Council’s annual audit needs.

Quarter	Review	Type	Days	High-level Scope
4	Annual Report	Management	3	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1 – 4	Audit Management	Management	14	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
<b>Total days</b>			<b>195</b>	

## APPENDIX C: INTERNAL AUDIT CHARTER

### The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within South Lakeland District Council and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.

### The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to South Lakeland District Council's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

### Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

### Scope

All South Lakeland District Council's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that South Lakeland District Council's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Audit Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

### Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of South Lakeland District Council and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

### Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within South Lakeland District Council and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with South Lakeland District Council's management.

### Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and South Lakeland District Council's requirements.

### Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

### Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of South Lakeland District Council and additional time will be required to carry out such testing. South Lakeland District Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

### Liaison with the External Auditor

We will liaise with South Lakeland District Council’s External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

### Reporting

**Assignment Reports:** A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA’s audit charter and PSIAS/IIA standards.

**Progress Reports:** Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

**Follow-Up Reports:** We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

**Annual Report:** An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA’s audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of South Lakeland District Council’s governance, risk management and operational control processes based on the work completed during the year.

**Other Briefings:** During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

### Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

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.

### Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

### Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

### Audit Committee Responsibility

It is the responsibility of South Lakeland District Council to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee’s requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit Committee is also approving the Internal Audit Charter.

### Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work 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.

### Performance Standards

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA’s audit charter and PSIAS/IIA Standards.	100%