



Internal Audit

DRAFT

Eden District Council

Audit Strategy and Annual Internal Audit Plan

2020/21

July 2020

Overview

Introduction

The Audit Plan for 2020/21 has been developed in conjunction with the Director of Corporate Services. It is largely based on the plan approved by the Accounts and Governance Committee at its meeting on 20th February 2020. It is important 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 is proving to be another challenging year for local authorities who were already under pressure in terms of income and service delivery prior to the onset of the global pandemic. We have identified a number of key areas which require consideration when planning internal audit coverage.

Local Government Funding: Funding continues to be challenging for local authorities with increasing cost and demand pressures. This will require most authorities to continue with cost-saving measures.

Covid-19 pandemic: The council is having to respond in many ways to the impact of Covid-19, most obviously in relation to support for small businesses. As a consequence of the lockdown measures, revenue is also directly being affected, compounding the impact on short and medium term financial plans.

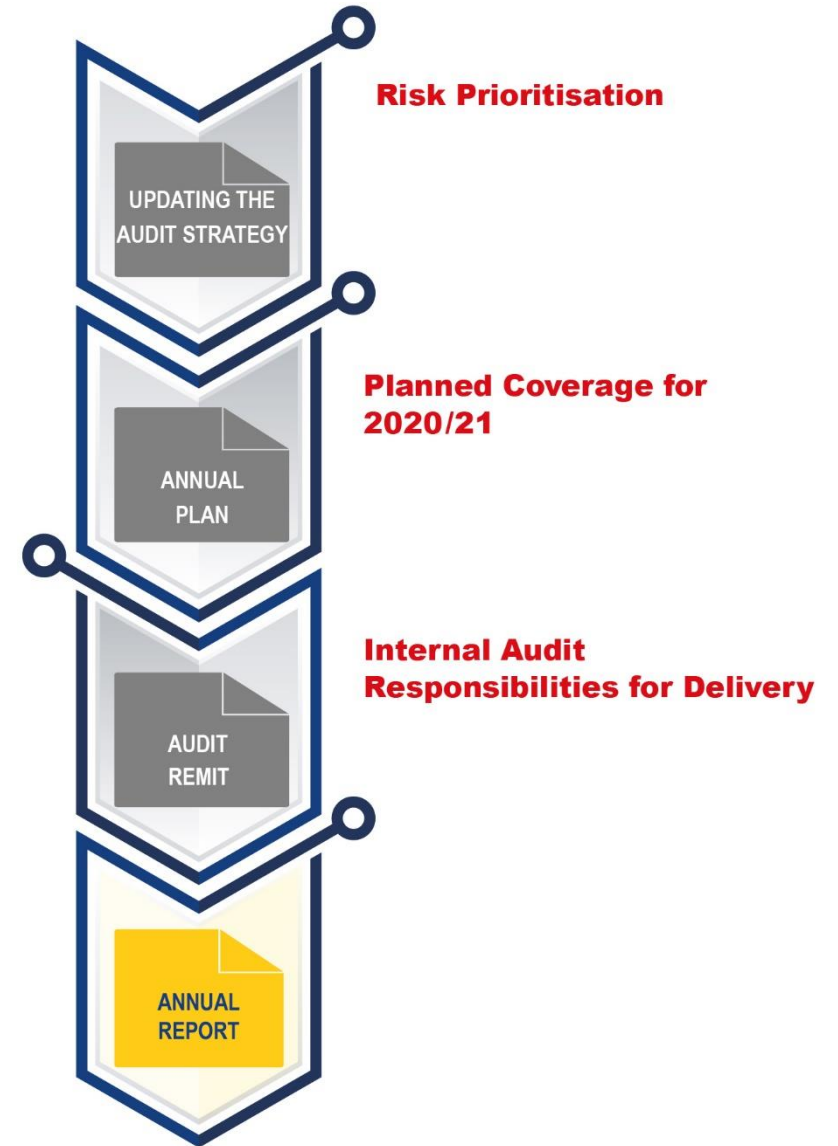
Fraud and cyber security: As ever-present risks, councils must ensure that they have robust controls that operate effectively and continually which are underpinned by organisational awareness and appropriate behaviours. There is evidence that these risks have become more prevalent during recent months, during which there has been changes to ways of working.

Brexit: Negotiations continue with the EU over Brexit, however, uncertainty remains as to the outcomes and how these will impact the country and the council. The council will need to prepare for a wide range of possible outcomes.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2020/21 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the organisation'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.

2020/21 Audit planning process



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 2020/21 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 Eden District Council and those within the sector and has been developed with senior management and Committee. We adopt a proprietary risk based approach (GUARD) to determining your audit needs each year which includes reviewing your risk register and risk management framework, the Regulatory Framework and assessment of Eden District Council. The Audit Strategy is based predominantly on our understanding of the inherent risks facing Eden District Council and those within the sector and has been developed with senior management and Committee. Our approach is based on the guidance stipulated in the IIA UK & Ireland standards.

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing Eden District Council.

Internal Audit Strategy Plan

The Audit Strategy has been updated at Annex A and the Annual Plan found at Annex B sets out the reviews that will be carried out during the year, the planned times and the 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 Accounts and Governance Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of the Annual Plan includes: research, preparation and issue of terms of reference, site work, production and review of working papers and reports.

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 Eden 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 Eden District Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Director of Corporate Services and will be clearly set out in the terms of reference for the additional review(s).

Audit Remit/Charter

The Audit Remit/Charter at Annex C formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Eden District Council and defines the scope of internal audit activities.

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 the IIA UK & Ireland standards.

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

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and the IIA UK & Ireland standards. The Annual Report will include a summary opinion of the effectiveness of Eden 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.

Providing Assurance

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance assessment process is set out in Annex D.

Liaison with the External Auditor

We will liaise with Eden 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.

Performance

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

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed in time allocation.	100%
Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
	Final report issued within 10 working days of receipt of responses.	95%
Professional Standards	Compliance with TIAA's audit charter and the IIA UK & Ireland Standards.	100%

Conflict of Interest

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 the IIA UK & Ireland standards, Eden District Council's requirements and TIAA's internal policies.

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 Eden District Council and additional time will be required to carry out such testing. Eden 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.

Accounts and Governance Committee Responsibility

It is the responsibility of the Accounts and Governance Committee 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.

Release of Report

The table below sets out the history of this plan.

Date plan issued:	8 th July 2020
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Annex A: Rolling Strategic Plan

Review Area	Type	2020/21	2021/22	2022/23
Fundamental Financial Systems				
Procurement	Assurance	15		15
Creditor Payments	Assurance	10		
Payroll	Assurance	10		
Main Accounting System	Assurance		15	
Debtors	Assurance		10	
Income Collection	Assurance		10	
Treasury Management	Assurance			10
Budgetary Control	Assurance			10
Business Rates	Assurance	10		
Council Tax	Assurance		10	
Benefits	Assurance			10
Risk Management				
Risk Management Framework		5		
Insurance	Assurance		10	
Risk Management – Controls Effectiveness	Assurance			10
ICT				
Civica Upgrade Implementation	Assurance	10		
Cyber Security / Fraud Arrangements	Assurance	10		
ICT Service Level Agreement	Assurance		10	
Management of ICT Assets	Assurance			10
Risk Based Audits				
Capital Programmes – Parish Footway and Leisure Renewals		10		
Cemetery – Income and Contract Charges	Assurance	5		

Review Area	Type	2020/21	2021/22	2022/23
Legal Case Management / Land Charges	Assurance	10		
Property Management – Landlord Compliance inc. Heart of Cumbria	Assurance	10		
Leisure Management contract – Pre-Procurement Checks	Assurance	5		
Recycling / Waste contract – Pre-Procurement Checks	Assurance	5		
Recycling / Waste Management – Follow Up Review	Assurance	5		15
Leisure Management – Contract Review	Assurance		15	
Licensing	Assurance		15	
Code of Local Governance	Assurance		10	
Development Control	Assurance		15	
Performance Monitoring	Assurance			15
Building Control	Assurance			15
Safeguarding	Assurance			10
Contingency				
Contingency / Reactive		10	10	10
Follow Up				
Follow Up	Follow Up	12	12	12
Management and Planning				
Annual Plan	Management	4	4	4
Annual Report & Head of Internal Audit Opinion	Management	4	4	4
Audit Management	Management	10	10	10
Total		160	160	160

Quarter	Review	Type	Days	Risk, Rationale and Scope
2	Property Management – Landlord Compliance Inc. Heart of Cumbria	Assurance	10	<p><u>Risk</u></p> <p>Landlords do not sufficiently understand or comply with the various legal requirements bestowed upon them, resulting in fines or other legal issues.</p> <p><u>Rationale</u></p> <p>The Council can only maximise its income stream from its property management if landlords comply with legislation and provide a valuable service for tenants.</p> <p><u>Scope</u></p> <p>This review considers landlords' compliance with legislation and related guidance, including provisions of the Housing Act 2004 and the various gas, electrical, fire, furniture and furnishings regulations, whether tenants' deposits are protected under a licensed government scheme and also compliance with recent energy efficiency minimum standards.</p>
2	Leisure Management contract – Pre-Procurement Checks	Assurance	5	<p><u>Risk</u></p> <p>Pre-procurement checks are not properly carried out, resulting in legal challenge or other issues.</p> <p><u>Rationale</u></p> <p>Pre-procurement checks are an integral part of the procurement process and must be properly managed and controlled.</p> <p><u>Scope</u></p> <p>The review will consider the adequacy and effectiveness of controls in place to ensure that pre-procurement checks applicable to the Leisure Management contract comply with the Council's policies and procedures and statutory regulations and related guidance, including the Public Services (Social Value) Act 2012 and the Public Contracts Regulations 2015.</p>
2	Recycling / Waste contract – Pre-Procurement Checks	Assurance	5	<p><u>Risk</u></p> <p>Pre-procurement checks are not properly carried out, resulting in legal challenge or other issues.</p> <p><u>Rationale</u></p> <p>Pre-procurement checks are an integral part of the procurement process and must be properly managed and controlled.</p> <p><u>Scope</u></p> <p>The review will consider the adequacy and effectiveness of controls in place to ensure that pre-procurement checks applicable to the Recycling / Waste contract comply with the Council's policies and procedures and statutory regulations and related guidance, including the Public Services (Social Value) Act 2012 and the Public Contracts Regulations 2015.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
2	Civica Upgrade Implementation	ICT	10	<p><u>Risk</u></p> <p>The Civica Upgrade Implementation is not properly managed, controlled or implemented.</p> <p><u>Rationale</u></p> <p>The Civica software package is essential to many areas of the Council's operations. It is therefore imperative that any significant modification or upgrade to the package is managed in a proper, logical and timely manner.</p> <p><u>Scope</u></p> <p>The review considers the controls and processes relating to the Civica Upgrade Implementation, including project governance, timescales, milestones and overall implementation.</p>
2	Legal Case Management / Land Charges	Assurance	10	<p><u>Risk</u></p> <p>Controls over land charges are inadequate to properly address the Council's legal obligations and to provide a well-managed service.</p> <p><u>Rationale</u></p> <p>Legislation surrounding land charges must be complied with and the processes and resulting income properly managed and controlled.</p> <p><u>Scope</u></p> <p>The review considers 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.</p>
3	Payroll	Assurance	10	<p><u>Risk</u></p> <p>Payroll arrangements do not meet legislative requirements or current best practice.</p> <p><u>Rationale</u></p> <p>Payroll is the biggest cost to the Council. It is essential that employees and third parties are paid accurately and in a timely manner based on properly approved transactions.</p> <p><u>Scope</u></p> <p>The review considers the arrangements for: the creation, amendment and deletion of payroll records; payment of allowances and pay awards; and payment of salaries. The review also includes travel and subsistence payments.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
3	Business Rates	Assurance	10	<p><u>Risk</u> Business rates do not comply with legislative requirements.</p> <p><u>Rationale</u> Business rates are a significant income source for the Council and should be properly managed and controlled, ensuring that bills are raised in accordance with current legal requirements and that payments are received in a timely manner.</p> <p><u>Scope</u> The review will test the controls in place for Business Rates. The review will consider the calculation and application of Business Rates, collection, business rate relief and refunds, interest and appeals. This is one of the fundamental financial systems identified to be reviewed under the new cyclical plan approach.</p>
3	Cyber Security / Fraud Arrangements	ICT	10	<p><u>Risk</u> Controls surrounding cyber security attacks or incidents are insufficient to properly mitigate such risks.</p> <p><u>Rationale</u> Cyber security attacks or incidents represent potentially major risks to the Council and a comprehensive set of up-to-date and agile measures to effectively mitigate these risks must be in place.</p> <p><u>Scope</u> The review considers the arrangements in place to prevent or deter cyber security attacks or incidents, focussing on both the network and staff awareness and training, including arrangements and controls in place to prevent, detect and report suspected fraud.</p>
3	Capital Programmes – Parish Footway and Leisure Renewals	Assurance	10	<p><u>Risk</u> Capital programmes are insufficient to fully comply with the Council’s legal and other obligations relating to parish footways and leisure renewals.</p> <p><u>Rationale</u> Parish footways and leisure renewals must attract sufficient, properly targeted and timely capital investment to satisfy the Council’s ongoing public health and safety obligations.</p> <p><u>Scope</u> The review will consider the programme of capital investment including identification of the need for investment, appraisal criteria, programme delivery and monitoring, resource implications and reporting.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
4	Procurement	Assurance	15	<p><u>Risk</u></p> <p>The Council is not complying with procurement legislation, internal policies and procedures or best value requirements.</p> <p><u>Rationale</u></p> <p>Procurement is a significant area of the Council's operations and therefore should be properly managed and controlled, whilst observing all legislative requirements.</p> <p><u>Scope</u></p> <p>The review will consider the procurement practices adopted by the Council in obtaining goods and services, ensuring procurement exercises deliver value for money and are in line with EU procurement rules.</p>
4	Creditor Payments	Assurance	10	<p><u>Risk</u></p> <p>Creditor payments are not properly managed and controlled.</p> <p><u>Rationale</u></p> <p>The volume of creditor payments undertaken by the Council requires that they be properly managed and controlled to ensure that statutory and other deadlines are met and that the Council pays only for properly approved goods and services.</p> <p><u>Scope</u></p> <p>The review will assess the arrangements in place for processing creditor payments, including the process of authorisation and the measures in place to guard against internal and external fraud.</p>
4	Risk Management Framework	Assurance	5	<p><u>Risk</u></p> <p>The Council's risk are not adequately identified, properly reported and sufficiently mitigated.</p> <p><u>Rationale</u></p> <p>Risk management is pervasive and its proper control is essential to the going concern of the Council.</p> <p><u>Scope</u></p> <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>
4	Cemetery – Income and Contract Charges	Assurance	5	<p><u>Risk</u></p> <p>The Council does not comply with legislative requirements and does not properly manage and control its Cemetery Income and Contract Charges.</p> <p><u>Rationale</u></p> <p>Cemeteries contribute an important income stream for the Council, as well as imposing legal requirements on the Council. It is essential that proper arrangements are in place.</p> <p><u>Scope</u></p> <p>The review will consider the arrangements for collecting and accounting for Cemetery Income and Contract Charges received by the Council, including a review of related strategies, policies and procedures and compliance with legislation including the Local Authorities' Cemeteries Order 1977.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
4	Recycling / Waste Management – Follow Up Review	Assurance	5	<p><u>Risk</u></p> <p>Recommendations raised in the Recycling / Waste contract – Pre-Procurement Checks review have not been implemented. Other issues arising may not have been properly addressed. Both could lead to sub-optimal service performance.</p> <p><u>Rationale</u></p> <p>Recycling and Waste Management is an important duty of the Council. Proper systems, processes and controls must be in place to ensure legislation and best practice arrangements are followed.</p> <p><u>Scope</u></p> <p>The review follows up on any recommendations raised in the Recycling / Waste contract – Pre-Procurement Checks review to assess implementation. It also reviews current arrangements and controls including compliance, recording and reporting relating to the contract.</p>
3-4	Follow-up	Follow up	12	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Council is implementing recommendations, and providing reports to the Accounts and Governance Committee.
1	Annual Planning	Management	4	Assessing the Council's annual audit needs – requirement of Internal Audit Standards.
4	Annual Report	Management	4	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	Contingency / Reactive	Management	10	To be allocated as advised.
1-4	Client Portal			The client portal provides a one stop shop of internal audit reports, progress and recommendation tracker as well as briefings, fraud alerts, fraud updates and committee briefings.
1-4	Management, Planning & Accounts and Governance Committee Reporting/Support	Management	10	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Accounts and Governance Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
			Total days	160

Role

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 Eden District Council framework of governance, risk management and control. TIAA is responsible for giving assurance to Eden District Council “Governing Body” (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of Eden District Council risk management, control and governance processes.

Scope

All Eden District Council 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 Eden District Council 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, Accounts and Governance Committee or the nominated officer (being the post responsible for the day to day liaison with the 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 Eden 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.

Standards and Approach

TIAA’s work will be performed with due professional care, in accordance with the requirements of the Chartered Institute of Internal Auditors – UK & Ireland standards.

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 Eden 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 Accounts and Governance 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 Eden District Council management.

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.

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.

Corporate Assurance Risks

We consider four corporate assurance risks; directed; compliance; operational and reputational, and tailor the type of audit accordingly. For all types of audit we also taken into account value for money considerations and any linkages to the organisational Assurance Framework. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

Assurance Assessment Gradings

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

LEVELS OF ASSURANCE PROVIDED



Benchmarking

Where a similar review is carried out at a number of our clients we will subsequent to the completion of the review at each of the clients we will where relevant provide a benchmarking and lessons learned digest. This digest will include Operational Effectiveness Matters for the Eden District Council to consider.

Types of Audit Review

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.

