

**Eden District Council**  
**Accounts and Governance Committee**  
**7 July 2021**

## Internal Audit – Annual Report 2020/21

<b>Portfolio:</b>	None
<b>Report from:</b>	Interim Director of Resources
<b>Wards:</b>	All Wards
<b>OPEN PUBLIC ITEM</b>	

### 1 Purpose

1.1 To present the Internal Audit Annual Report for 2020/21.

### 2 Recommendation

2.1 Note the report and Annual Report 2020/21 from TIAA attached at Appendix 1.

### 3 Report Details

3.1 The Council's Audit Service has since July 2020 been wholly operated by TIAA. Prior to this the function was split partly through an internal senior auditor.

3.2 The report attached at Appendix 1 sets out the Annual Report for 2020/21. This summarises the work undertaken by TIAA and sets out the assurance given on that work completed.

3.3 The overall opinion from TIAA is that the Council "*has reasonable and effective risk management, control and governance processes in place.*"

3.4 Whilst, the overall assurance level is acceptable we need to ensure that audit recommendations are completed to ensure assurance levels are maintained or improved

### 4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Sustainable;
- Healthy, Safe and Secure;
- Connected; and
- Creative.

4.2 This report meets the Quality Council corporate priority.

### 5 Consultation

5.1 There has been no consultation with Ward Councillors or Portfolio Holders.

### 6 Implications

#### 6.1 Financial and Resources

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019-2023 as agreed at Council on 7 November 2019.

6.1.2 There are no financial or resources implications.

## **6.2 Legal**

6.2 There are no Legal implications.

## **6.3 Human Resources**

6.3 There are no Human Resources implications.

## **6.4 Statutory Considerations**

<b>Consideration:</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

## **6.5 Risk Management**

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
Issues raised by Internal Audit are not appropriately actioned by management	Weak systems control, increased risk of theft and fraud.	Reporting of internal audit recommendations publicly to Committee and tracking implementation of these.
Audit programme slippage	Approved programme not delivered, resources not directed as planned and reported.	Regular reporting on internal audit progress.

## **7 Other Options Considered**

7.1 No other options have been considered.

## **8 Reasons for the Decision/Recommendation**

8.1 To keep Members updated on the progress with closedown and the external audit plan.

**Background Papers: None**

**Appendices: Appendix 1 – Summary Progress Report 2020/21**

**Contact Officer: Paul Sutton, Interim Director of Resources**



Internal Audit

FINAL

## Eden District Council

Internal Audit Annual Report

2020/21

June 2021

# Internal Audit Annual Report

## Introduction

This is the 2020/21 Annual Report by TIAA on the internal control environment at Eden 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 Eden 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, Eden 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 Eden District Council from its various sources of assurance.**

## Internal Audit Planned Coverage and Output

The 2020/21 Annual Audit Plan approved by the Accounts and Governance Committee was for 160 days of internal audit coverage in the year.

During the year there were a number of changes to the annual plan, partly due to the contract status of the Leisure and Waste contracts. Each of the deferred reviews has been incorporated in to the 2021/22 Annual Plan. The reviews that were deferred are:

- Cyber Security / Fraud Arrangements;
- Property Management – Landlord Compliance Inc. Heart of Cumbria;
- Leisure Management contract – Pre-Procurement Checks;
- Recycling / Waste contract – Pre-Procurement Checks;
- Recycling / Waste contract – Follow Up Review.

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 nine 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 Eden 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	3
Reasonable Assurance	6	2
Limited Assurance	1	0
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 (0)	24 (12)	8 (13)

### Audit Summary

**Control weaknesses:** There was one area reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

**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	4
Risk Mitigation	0	1	0
Compliance	0	11	4
<b>Delivery</b>			
Performance Monitoring	0	3	0
Financial Constraint	0	0	0
Resilience	0	2	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>	June 2021
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## Annexes

### Annex A

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

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Procurement	Assurance	15	15	Reasonable	Final Report Issued
Creditor Payments	Assurance	10	10	Reasonable	Final Report Issued
Payroll	Assurance	10	10	Reasonable	Final Report Issued
Business Rates	Assurance	10	10	Substantial	Final Report Issued
Risk Management Framework	Assurance	5	5	Limited	Final Report Issued
Civica Upgrade Implementation	Assurance	10	10	Reasonable	Final Report Issued
Cyber Security / Fraud Arrangements	Assurance	10	0	N/A	Deferred to 2021/22
Capital Programmes – Parish Footway and Leisure Renewals	Assurance	10	10	Substantial	Final Report Issued.
Cemetery – Income and Contract Charges	Assurance	5	5	Reasonable	Final Report Issued
Legal Case Management / Land Charges	Assurance	10	10	Reasonable	Final Report Issued
Property Management – Landlord Compliance inc. Heart of Cumbria	Assurance	10	0	N/A	Deferred to 2021/22
Leisure Management contract – Pre-Procurement Checks	Assurance	5	0	N/A	Deferred to 2021/22
Recycling / Waste contract – Pre-Procurement Checks	Assurance	5	0	N/A	Deferred to 2021/22
Recycling / Waste Management – Follow Up Review	Assurance	5	0	N/A	Deferred to 2021/22
Follow Up	Follow Up	12	12	N/A	Final Reports Issued
Contingency / Reactive	Contingency	10	0		Not Required
Annual Plan	Management	4	4		Annual Plan Issued
Annual Report & Head of Internal Audit Opinion	Management	4	4		Annual Report Issued
Audit Management	Management	10	10		
	<b>Total Days</b>	<b>160</b>	<b>115</b>		