

Eden District Council  
Accounts and Governance

9 June 2022

**Internal Audit: Annual Report 2021/22**

|                         |                                 |
|-------------------------|---------------------------------|
| <b>Portfolio:</b>       | None                            |
| <b>Report from:</b>     | Assistant Director Finance & HR |
| <b>Wards:</b>           | All Wards                       |
| <b>OPEN PUBLIC ITEM</b> |                                 |

**1 Purpose**

- 1.1 To inform the Committee for the Council's Internal Audit Annual Report for 2021-2022.

**2 Recommendation**

It is recommended that the Committee notes the Internal Audit Annual report and Summary Internal Controls Assurance (SICA) Report 2021/22 from TIAA attached at Appendices 1 and 3.

**3 Report Details**

- 3.1 TIAA deliver our internal audit function. The Internal audit plan for 2021/22 was approved by this Committee on 15 April 2021.
- 3.2 Appendix 1 (Summary Internal Controls Assurance Report) provides an update on the internal audit progress against the 2021/22 plan up to 26 May 2022.

Of the 14 audits planned for this year:

Complete – 11

Cancelled – 2 (due to current contracts being extended)

Draft Report Issued – 1

- 3.3 Appendix 2 provides the finalised reports completed since the last report to this committee in March 2022.

Cyber Security/Fraud Arrangements Assurance Review  
Sundry Debtors Assurance Review  
Leisure Management Contract Review  
Council Tax Investigation – Compliance Review  
Income Collection Assurance Review

One priority 1 recommendation has been made since the previous report. This was in the Leisure Management Contract.

An investigation report was also carried out in relation to the Homelessness contract. The report is included in Appendix 2, but as it was not in the original

plan, it is not covered by the TIAA Summary Internal Controls Assurance Report or the Annual Report.

- 3.4 Appendix 3 is the Internal Audit Annual Report for 21/22 and summarises the outcomes of the reviews over the whole year. It also includes the Head of Internal Audit's Annual Opinion on the risk management, control and governance processes in place. This states:

*"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..."* The full opinion is available on page 1 of the Internal Audit Annual Report.

## 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 our Sustainable 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 proposals in this report that would reduce or increase resources.

### 6.2 Legal

- 6.2.1 There are no legal implications.

### 6.3 Human Resources

- 6.3.1 There are no Human Resource implications.

### 6.4 Environmental

- 6.4.1 There are no environmental implications including significant effects on carbon emissions and ecosystems.

### 6.5 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<br>Environmental and<br>Economic Impact | There are no implications  |

|                           |  |
|---------------------------|--|
| <b>Consideration:</b>     | <b>Details of any implications and proposed measures to address:</b> |
| Crime and Disorder        | There are no implications  |
| Children and Safeguarding | There are no implications  |

## 6.6 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 of internal audit.

### Tracking Information

| <b>Governance Check</b>                  | <b>Date Considered</b> |
|--|------------------------|
| <b>Chief Finance Officer (or Deputy)</b> | N/A                    |
| <b>Monitoring Officer (or Deputy)</b>    | N/A                    |
| <b>Relevant Assistant Director</b>       | 27 May 2022            |

**Background Papers:** None

**Appendices:** Appendix 1 - TIAA Summary Internal Controls Assurance (SICA) Report 2021/22

Appendix 2 – TIAA Finalised Reports

Appendix 3 – TIAA Annual Internal Audit Report 2021/22

**Contact Officer:** Marianne Bastille, Assistant Director Finance & HR



## Eden District Council

### Summary Internal Controls Assurance (SICA) Report

2021/22

May 2022

## Summary Internal Controls Assurance

### Introduction

1. This summary report provides the Accounts and Governance Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Eden District Council as at 26th May 2022.

### Audits completed since the last SICA report to the Accounts and Governance Committee

2. The table below sets out details of audits finalised since the previous meeting of the Accounts and Governance Committee.

*Audits completed since previous SICA report*

| Review                               | Evaluation  | Key Dates    |                    |              | Number of Recommendations |   |   |     |
|--------------------------------------|-------------|--------------|--------------------|--------------|---------------------------|---|---|-----|
|                                      |             | Draft issued | Responses Received | Final issued | 1                         | 2 | 3 | OEM |
| Debtors                              | Reasonable  | 01/04/2022   | 05/05/2022         | 09/05/2022   | -                         | 5 | 2 | -   |
| Income Collection                    | Substantial | 23/03/2022   | 23/03/2022         | 23/02/2022   | -                         | - | - | -   |
| Council Tax                          | Substantial | 14/04/2022   | 06/05/2022         | 09/05/2022   | -                         | - | 1 | -   |
| ICT – Cyber Security                 | Reasonable  | 17/05/2022   | 23/05/2022         | 24/05/2022   | -                         | - | 2 | -   |
| Leisure Management – Contract Review | Limited     | 21/03/2022   | 25/05/2022         | 25/05/2022   | 1                         | 4 | 1 | -   |

### Progress against the 2021/22 Annual Plan

3. Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

### Changes to the Annual Plan 2021/22

4. The Pre-Procurement and Follow Up reviews of the Recycling / Waste Contract have been cancelled as the recommendation made to Councillors is to extend the existing contracts.

### Progress in actioning priority 1 recommendations

5. We have made one Priority 1 recommendation (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA.

### Frauds/Irregularities

6. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

### Other Matters

7. We have issued a number of briefing notes and fraud digests, shown in Appendix B, since the previous SICA report.

### Responsibility/Disclaimer

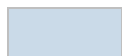
8. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. 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.


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## Progress against Annual Plan

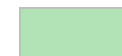
| System  | Planned Quarter | Current Status | Comments   | Date to Committee |
|---|-----------------|----------------|--|-------------------|
| Property Management – Landlord Compliance inc. Heart of Cumbria | 1               | Complete       | Final Report Issued                                  | July 2021         |
| Recycling / Waste Contract – Pre Procurement Checks             | 1               | Cancelled      | Review cancelled – current contracts being extended  | N/A               |
| Licencing   | 1               | Complete       | Final Report Issued                                  | July 2021         |
| Local Code of Governance  | 2               | Complete       | Final Report Issued                                  | March 2022        |
| Cyber Security / Fraud Arrangements                             | 2               | Complete       | Final Report Issued                                  | June 2022         |
| Development Control   | 2               | Complete       | Final Report Issued                                  | December 2021     |
| Insurance   | 3               | Complete       | Final Report Issued                                  | December 2021     |
| Debtors   | 3               | Complete       | Final Report Issued                                  | June 2022         |
| Main Accounting Systems   | 3               | Complete       | Final Report Issued                                  | December 2021     |
| ICT Service Level Agreement                                     | 3               |                | Draft Report Issued 25 <sup>th</sup> April 2022      |                   |
| Leisure Management – Contract Review                            | 3               | Complete       | Final Report Issued                                  | June 2022         |
| Income Collection   | 4               | Complete       | Final Report Issued                                  | June 2022         |
| Council Tax   | 4               | Complete       | Final Report Issued                                  | June 2022         |
| Recycling / Waste Management – Follow Up Review                 | 4               | Cancelled      | Review cancelled – current contracts being extended. | N/A               |
| Follow Up   | 1 - 4           | Complete       | Final Reports Issued                                 | All               |

### KEY:

 To be commenced

 Site work commenced



 Draft report issued

 Final report issued

## Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk and Control which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and Fraud Alerts issued in the last three months which may be of relevance to Eden District Council is given below. Copies of any CBNs are available on request from your local TIAA team.

### Summary of recent Client Briefing Notes (CBNs)

| CBN Ref     | Subject   | Status   | TIAA Comments  |
|-------------|---|--|--|
| CBN - 22014 | Deadline for Withdrawal of Old Style £20 and £50 Notes                        |  | This is for information purposes. All staff within affected service lines such as cashiers, retail assistants and other should be made aware of the process for handling withdrawn notes. All relevant notes held should be banked before 30 <sup>th</sup> September 2022.   |
| CBN - 22015 | More than 75% of larger charities targeted by cyber criminals since last year |  | <b>Action Required:</b><br>Audit Committees and Boards are recommended to seek assurance that IT security remains on the agenda, and to seek assurances checked that systems are patched, monitored, and backed up. IT Disaster Recovery plans should be regularly reviewed to keep up to date, and subject to table-top exercise testing, ideally using a malware incident scenario such as the NCSC's "Exercise in a box". |





ICT Audit

FINAL

## Eden District Council

ICT Review of Cyber Security Fraud Arrangements

2021/22

May 2022

# Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

To mitigate the risk of cyber threats the use of security policies and processes to reduce the overall risk or impact of any intrusion are vital and can be measured across prevention, detection, and remediation. Which together form a strong defence.

## SCOPE

The review considered 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.

## KEY STRATEGIC FINDINGS

- The anti-fraud policy is currently being revised and needs to centre more towards cyber threats.
- The incident response policy is currently being developed and needs to clearly identify response to potential threats including those of a cyber-nature.

## GOOD PRACTICE IDENTIFIED

- There is a good security policy and an acceptable use policy in place which all users are familiarised with and is subject to regular review.
- The network is tested on an annual basis for any vulnerabilities by external accredited consultants, which are remediated where identified.

## ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 0      | 0         | 2       | 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)             |
|------|-----------|--|--|----------|---|-------------------------------------|---|
| 1    | Directed  | There is an Anti-Fraud policy held and it is recognised that it is slightly out of date and requires revision.<br>The section on electronic crime will need to be hardened to be more centred across cybercrime and the associated risks entailed. | During the revision of the anti-fraud policy the section referencing electronic crime be centred more towards the risk of emerging cybercrime. | 3        | <i>Agreed. We will update the electronic crime section when the policy is next updated.</i> | 31/07/22                            | <i>Assistant Director, Finance &amp; HR</i> |
| 2    | Directed  | An Incident Response policy is held but it is acknowledged that this is out of date and is currently in the process of being revised.  | Revision of the Incident Response policy to continue to ensure it reflects the working practices required to respond to incidents occurring.   | 3        | <i>We will continue to review the document and update as necessary.</i>                     | 31/12/22                            | <i>Head of Shared ICT</i>                   |

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

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| 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  | <b>Governance Framework</b><br>There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. | In place                      | 1, & 2                 | -                      |
| RM  | <b>Risk Mitigation</b><br>The documented process aligns with the mitigating arrangements set out in the corporate risk register.   | In place                      | -                      | -                      |
| C   | <b>Compliance</b><br>Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.                   | In place                      | -                      | -                      |

### Other Findings



The information security policy clearly sets out the controls surrounding the IT estate. There are clear approval dates and a set review date that has not been exceeded.



All users receive an induction course and are required to read and sign the acceptable use policy to ensure they are familiar with the conditions of use of the IT systems and devices.



Risk is mitigated with hardened perimeter security with servers and devices patched on a regular monthly basis. There are also annual penetration tests conducted with any vulnerabilities identified resolved as required.



All users have a dedicated user login with starters and leavers controlled through access request forms with non-standard software access having to be authorised by the relevant line manager. Access control is monitored and reconciled to active employees on a regular basis.



**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  | <p><b>Performance Monitoring</b></p> <p>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> | In place                      | -                      | -                      |
| FC  | <p><b>Financial Constraint</b></p> <p>The process operates within the agreed financial budget for the year.</p>   | In place                      | -                      | -                      |
| R   | <p><b>Resilience</b></p> <p>Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>  | In place                      | -                      | -                      |

**Other Findings**

- Security monitoring is conducted through a managed service arrangement with the internal Security Information and Event Management system which highlights any discrepancies that can be investigated further.  
 Server capacity is monitored and is adequate for current use with all end users able to access systems from mobile locations during the pandemic.
- All systems and devices are patched in accordance with current policy with a roll back facility in place if hidden flaws are later identified during the roll out process.
- All end user devices serve as a point of access to the whole organisations network and have McAfee Endpoint Security Platform, Endpoint Security Threat Prevention, Endpoint Security Adaptive Threat Protection and Endpoint Security Firewall installed on all laptops. All endpoints are centrally managed using McAfee e-Policy Orchestrator.
- No financial constraints identified during the audit fieldwork.

## 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.

|                           |  |
|---------------------------|--|
| <b>In place</b>           | The control arrangements in place mitigate the risk from arising.                    |
| <b>Partially in place</b> | The control arrangements in place only partially mitigate the risk from arising.     |
| <b>Not in place</b>       | The control arrangements in place do not effectively mitigate the risk from arising. |

### Assurance Assessment

4. The definitions of the assurance assessments are:

|                              |  |
|------------------------------|--|
| <b>Substantial Assurance</b> | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.  |
| <b>Reasonable Assurance</b>  | 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.             |
| <b>Limited Assurance</b>     | 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. |
| <b>No Assurance</b>          | 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             |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>Audit Planning Memorandum:</b> | 8 <sup>th</sup> November 2021 | 8 <sup>th</sup> November 2021 |
| <b>Draft Report:</b>              | 17 <sup>th</sup> May 2022     | 23 <sup>rd</sup> May 2022     |
| <b>Final Report:</b>              | 24 <sup>th</sup> May 2022     |                               |

# AUDIT PLANNING MEMORANDUM

## Appendix B

|                        |                                       |                    |             |
|------------------------|---------------------------------------|--------------------|-------------|
| <b>Client:</b>         | Eden District Council                 |                    |             |
| <b>Review:</b>         | ICT-Cyber Security Fraud Arrangements |                    |             |
| <b>Type of Review:</b> | Assurance                             | <b>Audit Lead:</b> | David Brett |

|   |  |   |  |
|---|--|---|--|
| <b>Outline scope (per Annual Plan):</b> | 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.  |   |  |
| <b>Detailed scope will consider:</b>    | <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> |  |
| <b>Requested additions to scope:</b>    | (if required then please provide brief detail)   |   |  |
| <b>Exclusions from scope:</b>           |  |   |  |

|                            |            |                           |            |                                      |                         |
|----------------------------|------------|---------------------------|------------|--------------------------------------|-------------------------|
| <b>Planned Start Date:</b> | 15/03/2022 | <b>Exit Meeting Date:</b> | 31/03/2022 | <b>Exit Meeting to be held with:</b> | Ben Wright, Nick Cornah |
|----------------------------|------------|---------------------------|------------|--------------------------------------|-------------------------|

### SELF ASSESSMENT RESPONSE

| <b>Matters over the previous 12 months relating to activity to be reviewed</b>   | <b>Y/N (if Y then please provide brief details separately)</b> |
|--|--|
| 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  |





Internal Audit

**FINAL**

## Eden District Council

Assurance Review of Debtors

**2021/22**

May 2022

# Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

6 - Having an unsustainable budget and running out of reserves

## SCOPE

The review considered the controls in place to recover monies owed to the Council through monitoring and recovery activity.

## KEY STRATEGIC FINDINGS

- Insufficient resources are being allocated towards the successful recovery of long-outstanding sundry debts. A few such debts are several years old.
- Proper approval, in accordance with the Accounting and Audit Procedure Rules, is not evidenced for the write-off of sundry debts.
- There is scope to include in future quarterly Corporate Performance Reports those risks, milestones and KPIs specific to sundry debtors.
- The quarterly Budget Monitoring reports presented to Council would be enhanced by providing a summary and analysis as to the current status of sundry debtors.

## GOOD PRACTICE IDENTIFIED

- The Constitution establishes a sensible structure of financial oversight and scrutiny and has unambiguous Procedure Rules for the write-off of sundry debts.
- Invoices provide clear payment instructions and are accurately reflected and coded in the financial system. A reasonable segregation of duties is enforced.

## ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 0      | 5         | 2       | 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  | General ledger month-end procedures are controlled via a template checklist which is completed, signed and saved each month. All expected month-end checks are provided for on the template form, including that reconciliations are completed with no reconciling amounts left unresolved. The templates include a check of the balance on the Debtors Control Account on the Trial Balance with the balance of the Debtors Control Account on the Activity Report. This step specifically references the Sundry Debtors - General Fund cost centre (10260). Relevant checks are also performed for VAT accounts. Checklists for the months up to September 2021 were evidenced to have been properly completed and signed by the Senior Accountant (Operations). No checklists were evidenced from October 2021. | The general ledger month-end procedures checklists be properly completed and signed each month. | 2        | Agreed. Vacancies in staffing caused the omission of the approval of the checklists. This will be re-instated straight away | 30/04/22                            | Senior Accountant – Operations (Ian Brown) |

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)                     |
|------|-----------|---|---|----------|--|-------------------------------------|---|
| 3    | Directed  | An aged sundry debtor report was provided as at 28 <sup>th</sup> February 2022. A sample of older debts was selected for testing. It is evident that insufficient resource has been allocated to the clearance of these debts, given that some are several years old, with three being more than five years old.  | Sufficient resource be allocated on an ongoing basis to the successful recovery of long-outstanding sundry debts.   | 2        | <i>Agreed. A debt recovery policy will be created and followed including timescales.</i>   | 30/06/22                            | Assistant Director Finance & HR (Marianne Bastille) |
| 4    | Directed  | During the financial year to date, a total of £7,400 has been written off outstanding sundry debts, comprising six customers and 19 invoices. The largest customer balance written off was £3,200. In each case, approval was evidenced from the Assistant Director Finance and Human Resources. Paragraph 14.2 of the Accounting and Audit Procedure Rules states that the Director of Resources is authorised to write-off debts which for all accounts for an individual debtor do not exceed £5,000. The Assistant Director Finance and Human Resources indicated that verbal approval had been given by the Director of Resources for the amounts to be written off. | Paragraph 14.2 of the Accounting and Audit Procedure Rules be followed in that approval from the Director of Resources be received and evidenced for any write-off whereby for all accounts for an individual debtor the amount does not exceed £5,000. | 2        | <i>The new constitution, approved in November 2021 is clearer on responsibilities. Future write-offs will be approved according to the constitution.</i> | When required                       | Assistant Director Finance & HR (Marianne Bastille) |

PRIORITY GRADINGS

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| Rec. | Risk Area | Finding  | Recommendation  | Priority | Management Comments   | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title)                     |
|------|-----------|--|---|----------|---|-------------------------------------|---|
| 5    | Directed  | From a review of the aged sundry debtor report as at 28 <sup>th</sup> February 2022, it was determined that there is no column analysing debts over four-months old. Also there is no column analysing current debts (less than one month old). It was further determined that negative amounts do not appear in any aging analysis column within the report.  | The format of the aged sundry debtor report be enhanced to include a column for current debts and a column for debts over four months old. Negative amounts be properly analysed into their respective aging analysis column. | 2        | <i>We will commission the report to be adapted.</i>   | 30/06/22                            | Senior Accountant – Operations (Ian Brown)          |
| 7    | Delivery  | The Quarter 3 – Budget Monitoring 2021/22 report presented to Cabinet on 22 <sup>nd</sup> February 2022 was reviewed. It was noted that there is no narrative on the Council's sundry debtor's position. Best practice would be to include some narrative, for example: a table split by financial year showing total number of debts outstanding, total value of invoices raised and collection rate; an age profile of invoices raised in the current financial year, showing value of invoices overdue and a brief narrative; and a review of write-offs. | The quarterly Budget Monitoring reports presented to Cabinet be enhanced to include a summary and analysis of sundry debts.   | 2        | <i>We will include a report on sundry debtors as part of the quarterly budget monitoring.</i> | 31/07/22                            | Assistant Director Finance & HR (Marianne Bastille) |

PRIORITY GRADINGS

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| Rec. | Risk Area | Finding  | Recommendation   | Priority | Management Comments   | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title)            |
|------|-----------|--|--|----------|---|-------------------------------------|--|
| 1    | Directed  | Invoices arising from sundry debtor income streams were seen to include Officer contact details to assist in cases of customer queries. Two of the sampled invoices did not provide a valid telephone number. In both instances, the contact Officer was stated to be Service Enquiries.   | Accurate Officer contact details be provided for all invoices and credit notes relating to sundry debtor income streams. As far as possible, a named Officer be provided, in preference to a more general reference to the service area. | 3        | <i>We will remind all sales invoice input staff to complete the calling card field when raising invoices. This will include giving an individual Officer name but recommending a generic email address to cover absences.</i> | 30/06/22                            | Senior Accountant – Operations (Ian Brown) |
| 6    | Delivery  | It was noted that no milestones, risks or Corporate Key Performance Indicators (KPIs) specific to sundry debtors are currently being monitored and reported within the quarterly Corporate Performance Reports. There is scope for including the monitoring and reporting of risks, milestones and KPIs specific to sundry debtors within the quarterly Corporate Performance Reports. For example: the risk of significant sundry debtor write-offs; a KPI for sundry debtor days (sundry debtors receivable, divided by income from sundry debtor income streams for the previous 12 months, multiplied by 365 days); or a KPI for percentage of sundry debtors written off (amounts written off relating to sundry debtor income streams for the previous 12 months, divided by the value of sundry debtor income streams for the same 12-month period, multiplied by 100). | Risks, milestones and KPIs specific to sundry debtors be included in future quarterly Corporate Performance Reports.   | 3        | <i>We will include a report on sundry debtors as part of the quarterly budget monitoring. We will consider what KPI's would be useful to include in the report.</i>   | 31/07/22                            | Director Finance & HR (Marianne Bastille)  |

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  | <b>Governance Framework</b><br>There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. | In place                      | -                      | -                      |
| RM  | <b>Risk Mitigation</b><br>The documented process aligns with the mitigating arrangements set out in the corporate risk register.   | In place                      | -                      | -                      |
| C   | <b>Compliance</b><br>Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.                   | Partially in place            | 1, 2, 3, 4, & 5        | -                      |

### Other Findings



At its meeting on 25<sup>th</sup> November 2021, Council adopted a revised Constitution after considering proposed changes. The Constitution includes Accounting and Audit Procedure Rules, paragraph 14.2 of which states that the Director of Resources is authorised to write-off debts which for all accounts for an individual debtor do not exceed £5,000. Paragraph 14.3 states that the Director of Resources, in consultation with the Portfolio Holder responsible for financial matters, be authorised to write-off debts in excess of £5,000 but which do not exceed £60,000 and in all cases exceeding £60,000 where further recovery action is impossible because the debtor is subject to bankruptcy, liquidation or and administration order. The Constitution establishes a Finance Scrutiny Committee to exercise the Council's budget scrutiny function. Up to and including its meeting of 28<sup>th</sup> September 2021, it was known as the Budget Planning Committee.



At a meeting of Cabinet on 22<sup>nd</sup> February 2022, the Corporate Performance Report Q3 was presented. It is also to be presented on 7<sup>th</sup> April 2022 to Overview & Scrutiny Committee. Appended to the report is the Strategic Risk Map. Risk 6 is having an unsustainable budget and running out of reserves. The successful management of sundry debtors, and thereby minimising write-offs, is a key aspect towards mitigating this risk. Stated controls include that there is a Medium Term Financial Planning process to capture and quantify the medium term financial position. Both the residual and the mitigated risk scores are rated amber. The risk owner is the Interim Director of Resources. Strategic risk is managed by the Extended Leadership Team and is reviewed on a monthly basis.



## Other Findings



A report was provided listing 921 invoices and credit notes raised during the financial year-to-date arising from sundry debtor income streams. An overall review of the report was performed, gaining assurance that entries in general, and that account codes in particular, appear reasonable. From this report, which also listed the outstanding invoice balance remaining, a sample was selected for further testing, with a bias towards large or unusual items, or invoices with balances remaining to be paid. Testing was successful in that each report entry was supported by a valid invoice or credit note, details on the invoice or credit note agreed with the details appearing in the finance system and the account code was reasonable for the invoiced service. Each invoice includes clear instructions for the various payment options. Permissions and requirements built into the finance software ensure that an effective segregation of duties exists in the invoicing process.



The aged sundry debtor report as at 28<sup>th</sup> February 2022 was reviewed. It was seen to comprise 115 entries and 68 customers, totalling £286,000. Entries over four months old total £19,800, or 7% of the total amount outstanding.



**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  | <b>Performance Monitoring</b><br>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. | In place                      | 6                      | -                      |
| FC  | <b>Financial Constraint</b><br>The process operates within the agreed financial budget for the year.   | Partially in place            | 7                      | -                      |
| R   | <b>Resilience</b><br>Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.  | In place                      | -                      | -                      |

**Other Findings**

- The Corporate Performance Report Q3 provides a summary of progress against the revised corporate performance targets. This was the first Performance Report to have been produced using the Council's new Performance Management software, Pentana. The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2021/22 corporate plan and the priorities of the Council.
- A total of 58 Key Strategic Objectives and Milestones are tracked in the Corporate Plan Dashboard appended to the Report. Whilst none related specifically to sundry debtors, within the Dashboard is the Organisational Transformation programme, which is described to include creating a dynamic, agile organisation, focussing on several areas including that of income generation. Having effective controls over sundry debtors will, therefore, help the programme's successful delivery. Of the six Actions within the programme, four are complete and the remaining two are rated green; being on track to meet the target date.
- Also appended to the Report are 24 Corporate Key Performance Indicators. None specifically relate to areas within the scope of this review.
- At its meeting on 22<sup>nd</sup> February 2022, Cabinet received the Quarter 3 – Budget Monitoring 2021/22 report. A table of Projected Outturn v Current Budget showed a Current Budget of £10,231,000 against Projected Outturn of £9,968,000, giving a forecast underspend of £263,000. Although not stated specifically, these figures will necessarily include actual and forecast amounts relating to sundry debtor write-offs.

## Other Findings



The Council's latest audited statement of accounts are for the year ended 31<sup>st</sup> March 2020. Note 19 shows other short term debtors of £226,000 (2019: £495,000). Current levels of sundry debt are, therefore, comparable with those from the latest audited statement of accounts. Note 34 shows Fees, Charges and Other Service Income of £3,722,000 (2019: £4,075,000). A further analysis shows customer receipts of £3,937,000 (2019: £3,342,000).



The Council's website includes a page headed Council finances. This comprises links to other pages of useful information, including a page headed 'Invoice, reminder and final notice payment form', which can be completed online. A current list of fees and charges can be downloaded, which is split across six Council portfolios.

## EXPLANATORY INFORMATION

## Appendix A

### Scope and Limitations of the Review

- 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

- 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

- 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.

|                           |  |
|---------------------------|--|
| <b>In place</b>           | The control arrangements in place mitigate the risk from arising.                    |
| <b>Partially in place</b> | The control arrangements in place only partially mitigate the risk from arising.     |
| <b>Not in place</b>       | The control arrangements in place do not effectively mitigate the risk from arising. |

### Assurance Assessment

- The definitions of the assurance assessments are:

|                              |  |
|------------------------------|--|
| <b>Substantial Assurance</b> | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.  |
| <b>Reasonable Assurance</b>  | 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.             |
| <b>Limited Assurance</b>     | 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. |
| <b>No Assurance</b>          | There is a fundamental breakdown or absence of core internal controls requiring immediate action.  |

### Acknowledgement

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

### Release of Report

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

| Stage                             | Issued                        | Response Received             |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>Audit Planning Memorandum:</b> | 12 <sup>th</sup> October 2021 | 12 <sup>th</sup> October 2021 |
| <b>Draft Report:</b>              | 1 <sup>st</sup> April 2022    | 5 <sup>th</sup> May 2022      |
| <b>Final Report:</b>              | 9 <sup>th</sup> May 2022      |                               |

# AUDIT PLANNING MEMORANDUM

## Appendix B

|                        |                       |                    |             |
|------------------------|-----------------------|--------------------|-------------|
| <b>Client:</b>         | Eden District Council |                    |             |
| <b>Review:</b>         | Debtors               |                    |             |
| <b>Type of Review:</b> | Assurance             | <b>Audit Lead:</b> | Ian Goodwin |

|   |  |   |  |
|---|--|---|--|
| <b>Outline scope (per Annual Plan):</b> | The review considers the controls in place to recover monies owed to the Council through monitoring and recovery activity.   |   |  |
| <b>Detailed scope will consider:</b>    | <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> |  |
| <b>Requested additions to scope:</b>    | None   |   |  |
| <b>Exclusions from scope:</b>           | None   |   |  |

|                            |            |                           |            |                                      |           |
|----------------------------|------------|---------------------------|------------|--------------------------------------|-----------|
| <b>Planned Start Date:</b> | 01/03/2022 | <b>Exit Meeting Date:</b> | 31/03/2022 | <b>Exit Meeting to be held with:</b> | Ian Brown |
|----------------------------|------------|---------------------------|------------|--------------------------------------|-----------|

### SELF ASSESSMENT RESPONSE

| <b>Matters over the previous 12 months relating to activity to be reviewed</b>   | <b>Y/N (if Y then please provide brief details separately)</b> |
|--|--|
| 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  |



Internal Audit

**FINAL**

## Eden District Council

Assurance Review of Leisure Management – Contract Review

**2021/22**

May 2022

## Executive Summary

### OVERALL ASSESSMENT







### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

6 - Having an unsustainable budget and running out of reserves



### SCOPE

The review considered the arrangements for: management of the leisure partnership contract in accordance with the Council's contract management policy; the adequacy of controls in place for identifying, monitoring and management of contractual (operation and strategic) risks; and the adequacy and effectiveness of controls in place to monitor and manage the contractor's performance.

### KEY STRATEGIC FINDINGS

-  A review of current operations versus the leisure contract terms and conditions should be undertaken, specifically including grounds maintenance arrangements.
-  Significant risks specific to the leisure contract with GLL should be identified and regularly reported to an appropriate committee.
-  An annual review should be undertaken of the fees charged in the management fee invoices from GLL to ensure such fees are applied correctly.
-  Quarterly Budget Monitoring reports would be enhanced by including a narrative on the Council's position regarding its leisure contract with GLL.

### GOOD PRACTICE IDENTIFIED

-  The Council's Constitution details the expected responsibilities and delegations relating to the Council's leisure services.
-  The leisure services contract remains current and was properly extended in accordance with the terms of the contract.

### ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 1      | 4         | 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)       |
|------|-----------|--|--|----------|---|-------------------------------------|---------------------------------------|
| 6    | Delivery  | The Council's contract with GLL requires GLL to undertake grounds maintenance works in respect of the areas specified within Schedule 4 of the contract, including the Frenchfield Sports Pavilion. An amount for these works is included within GLL's monthly management fee to the Council. GLL subcontracts the works to Urbaser Limited at a rate of £5,209 each month. Since the onset of Covid-19 and the closure of the leisure centres, GLL has been unable to pay Urbaser. Since April 2020, in order to secure the ongoing necessary grounds maintenance, the Council has been paying GLL's agreed monthly fee with Urbaser directly to Urbaser. A reduced fee was agreed for the first few months as the volume of necessary works was less. A purchase order is raised by the Council and Urbaser submits its invoice to the Council for payment. GLL continues to include its own amount for these works in its monthly management fee to the Council. Effectively the Council has been paying significantly in excess of the contractually agreed rate each month for these grounds maintenance works. This equates to a total payment to date in excess of £100,000 above the contractually agreed rate. Discussions between the Council and GLL to address the matter are ongoing. | Contractual and payment arrangements for the grounds maintenance works specified within the Council's contract with GLL be reviewed such that value for money for the services performed be provided and that such services be aligned with the Council's Accounting and Audit Rules and with its Procurement Rules. Arrangements for the potential recovery of monies previously paid to GLL in respect of grounds maintenance works not performed under the contract be included within this review. | 1        | <p><i>The Grounds Maintenance payment, made to GLL during the COVID arrangements has ceased from 1 April 22.</i></p> <p><i>The contract for GM sub contracted to Urbasser by GLL is to be extended on the current rates with an RPI increase through until end March 23 to ensure that the function can continue, EDC paying Urbasser direct.</i></p> <p><i>Contractual arrangements to be reviewed in order to agree a way forward beyond 1 April 23 so that function is provided for through and beyond the LGA arrangements.</i></p> | 01/06/22 through to 31/03/23        | Assistant Director Community Services |

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  | Several of the amenities covered within the leisure management contract with GLL were necessarily closed during the Covid-19 pandemic, with only limited subsequent opening. There is an increased risk that the terms and conditions of the contract may have been breached as a result. No contract variation was evidenced.        | A review of current leisure contract operations against the terms and conditions of the contract be undertaken. A contract variation be formally agreed as necessary. | 2        | <p><i>Due to financial pressures exacerbated by COVID GLL is operating the LM function a long way from the T&amp;C's of the contract. The contract document does need to be reviewed.</i></p> <p><i>The document is a large one and would require the Health &amp; Wellbeing Officer setting aside a large allocation of time to undertake. The outcome is likely to be a major variation to the contract.</i></p> <p><i>The above is set against current negotiations between GLL and the Council as the contract is currently operating at a significant deficit plus recent large increases in utility costs. Is causing large financial pressures for which GLL is requesting support.</i></p> | Present going forward               | Assistant Director Community Services |
| 2    | Directed  | From a review of the Corporate Performance Reports to Cabinet and to Overview & Scrutiny Committee, no risks specific to the leisure contract with GLL are reported within the Strategic Risk Map. As a result, there is an increased risk that any significant issues pertaining to the contract are not subject to proper scrutiny. | Risks specific to the leisure contract with GLL be identified and regularly reported to an appropriate committee.   | 2        | <p><i>The Leisure Management Contract is under serious threat due to the core deficit of the contract, plus the utility costs. This should be identified as a risk both financially and practically should GLL walk away from the contract.</i></p>  | 30/06/22                            | Assistant Director Community Services |

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)              |
|------|-----------|---|---|----------|--|-------------------------------------|--|
| 3    | Directed  | A spreadsheet named Agreed Annual Review was reviewed. This calculates the annual increases to fees agreed in the original leisure contract. The latest review was seen to relate to the financial year 2019/20. The absence of a proper annual review of fees may increase the risk that such fees paid by the Council no longer reflect the terms and conditions of the contract. | An annual review be undertaken of the fees charged in the management fee invoices from GLL to ensure such fees are applied correctly and in compliance with the terms and conditions of the contract. | 2        | <i>The arrangements for setting F&amp;C and the removal of a number of different fees has occurred during COCID. GLL now see this as their operating model. This does not now fit with the original contract and the annual review, this makes the annual review within the contract unworkable.</i> | <i>Now going forward</i>            | <i>Assistant Director Community Services</i> |
| 5    | Delivery  | The Quarter 3 – Budget Monitoring 2021/22 report presented to Cabinet on 22 <sup>nd</sup> February 2022 was reviewed. It was noted that there is no narrative on the Council's position regarding its leisure contract with GLL.  | The quarterly Budget Monitoring reports presented to Cabinet be enhanced to include a narrative on the Council's position regarding its leisure contract with GLL.                                    | 2        | <i>Item describing situation to be included in the monitoring report.</i>  | <i>31/07/22</i>                     | <i>Assistant Director Community Services</i> |
| 4    | Delivery  | It was noted that no milestones or Corporate Key Performance Indicators (KPIs) specific to the leisure contract with GLL are currently being monitored and reported within the quarterly Corporate Performance Reports. Consideration should be given to including the monitoring and reporting of milestones and KPIs pertinent to the leisure contract with GLL.                  | Milestones and KPIs pertinent to the leisure contract with GLL be included in future quarterly Corporate Performance Reports.   | 3        | <i>Need to look at this however during the current situation it is difficult to understand which KPI's can be included, the main priority at the present time is to just keep the service functioning.</i>   | <i>31/12/22</i>                     | <i>Assistant Director Community Services</i> |

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  | <b>Governance Framework</b><br>There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. | Partially in place            | 1                      | -                      |
| RM  | <b>Risk Mitigation</b><br>The documented process aligns with the mitigating arrangements set out in the corporate risk register.   | Partially in place            | 2                      | -                      |
| C   | <b>Compliance</b><br>Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.                   | Partially in place            | 3                      | -                      |


### Other Findings


- The Constitution of the Council lists responsibilities of the Communities Portfolio Holder to include sports, recreation and leisure. Responsibilities of the Director of People and Place include leading on sports facilities and the leisure services contract. A specific delegation to the Assistant Director Commissioning and Technical Services includes to act in accordance with appropriate legislation and Council policy in respect of the administration, maintenance, improvement and safety of leisure and recreation.
- The Council is party to a ten-year contract with Greenwich Leisure Limited (GLL), ending 31<sup>st</sup> March 2022, covering the operation of the Penrith Leisure Centre, Appleby Pool and the Pavilion located on the Frenchfield grass pitch facility on the outskirts of Penrith. The grounds function also includes the maintenance of four other grass pitches.
- The contract was originally with North Country Leisure (NCL) and was approved by Council on 1<sup>st</sup> December 2011. NCL became a wholly owned subsidiary of GLL on 1<sup>st</sup> April 2015. On 14<sup>th</sup> July 2016, at a meeting of the Communities Portfolio, it was resolved that, on the basis that the terms and conditions of the contract are not affected, consent to the merger of NCL into GLL be provided. Effectively this provided for a change in the operator of the contract from NCL to GLL.
- The Council does not have a separate contract management policy. The Constitution does, however, include many requirements in respect of contracts, predominantly within the Accounting and Audit Rules and the Procurement Rules. The contract between the Council and GLL was reviewed and found to be compliant with the main provisions of these Rules.


## Other Findings


- 

In October 2019, FMG Consulting Limited was appointed to advise on the most appropriate management arrangements for the delivery of the Council's leisure services from 1<sup>st</sup> April 2022. As part of the service review several options were considered, with the conclusion being that the most well-balanced option was to exercise the five-year extension clause (Clause 1.2.2) within the existing GLL contract. This recommended option was approved by Council at its meeting on 25<sup>th</sup> June 2020.
- 

At a meeting of Cabinet on 22<sup>nd</sup> February 2022, the Corporate Performance Report Q3 was presented. It is also to be presented on 7<sup>th</sup> April 2022 to Overview & Scrutiny Committee. Appended to the report is the Strategic Risk Map. Risk 6 is having an unsustainable budget and running out of reserves. Proper management of the leisure contract costs is a key aspect towards mitigating this risk. Stated controls include that there is a Medium Term Financial Planning process to capture and quantify the medium term financial position. Both the residual and the mitigated risk scores are rated amber. The risk owner is the Interim Director of Resources. Strategic risk is managed by the Extended Leadership Team and is reviewed on a monthly basis.
- 

The 11 monthly certificates for payment from May 2021 to March 2022 were reviewed. Each was authorised by the Leisure & Community Services Manager. The monthly contract amounts stated on the certificates for payment were agreed with the corresponding management fee invoices from GLL.
- 

A spreadsheet named Agreed Annual Review was reviewed. This calculates the annual increases to the fees stated in the original leisure contract. The latest review was seen to relate to the financial year 2019/20. All monthly figures calculated in this latest review were agreed with the figures stated in the 10 management fee invoices from GLL relating to the financial year 2021/22.
- 

The Capital Programme Budget Monitoring report was reviewed for Quarter 3 of 2021/22. It was determined that no programmes relate to areas within the scope of this review.
- 

Evidence of regular communication between the Council and GLL was seen from 95 emails between the parties during the nine months to December 2021. From an analysis by broad subject area, 29 related to financial matters, 27 to facilities, 21 to scheduling, eight covered complaints, six were concerned with marketing and four discussed meetings.



**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  | <b>Performance Monitoring</b><br>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. | In place                      | 4                      | -                      |
| FC  | <b>Financial Constraint</b><br>The process operates within the agreed financial budget for the year.   | Partially in place            | 5, & 6                 | -                      |
| R   | <b>Resilience</b><br>Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.  | In place                      | -                      | -                      |

**Other Findings**

- The Corporate Performance Report Q3 provides a summary of progress against the revised corporate performance targets. This was the first Performance Report to have been produced using the Council's new Performance Management software, Pentana. The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2021/22 corporate plan and the priorities of the Council.
- A total of 58 Key Strategic Objectives and Milestones are tracked in the Corporate Plan Dashboard appended to the Report. Whilst none related specifically to the leisure contract with GLL, within the Dashboard is the Public Realm programme, which is to support communities to improve their local open spaces, allotments and play areas for active leisure, safe outdoor play and improved biodiversity. This may be implied as including matters within the scope of the leisure contract. A milestone of the Public Realm programme is to develop an action plan to support the outcomes with clear milestones developed. This milestone is reported as being 70% complete, with a target date of 31<sup>st</sup> March 2022. The Lead Officer is the Assistant Director Communities.
- Also appended to the Report are 24 Corporate Key Performance Indicators. None relate specifically to areas within the scope of this review.
- At its meeting on 22<sup>nd</sup> February 2022, Cabinet received the Quarter 3 – Budget Monitoring 2021/22 report. Appended to the report is a table of budget monitoring by service area. Within the Assistant Director Communities budget holder responsibility of the People and Place Directorate is the Eden Leisure Centre & Appleby Swimming Pool service. The full year income budget is £24,000 against expenditure of £483,000. The projected income outturn is £18,000 against expenditure of £281,000, giving a favourable projected outturn variance of £196,000.
- At its meeting on 16<sup>th</sup> March 2021, Executive approved the use of the £80,000 funding that was awarded to the Council by the government through the National Leisure Recovery Fund (NLRF) and to put the funding into the revenue budget to enable it to be allocated to GLL. Three invoices were evidenced from GLL in relation to this funding, totalling £64,000, covering the period from March to December 2021.

## 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.

|                           |  |
|---------------------------|--|
| <b>In place</b>           | The control arrangements in place mitigate the risk from arising.                    |
| <b>Partially in place</b> | The control arrangements in place only partially mitigate the risk from arising.     |
| <b>Not in place</b>       | The control arrangements in place do not effectively mitigate the risk from arising. |

### Assurance Assessment

4. The definitions of the assurance assessments are:

|                              |  |
|------------------------------|--|
| <b>Substantial Assurance</b> | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.  |
| <b>Reasonable Assurance</b>  | 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.             |
| <b>Limited Assurance</b>     | 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. |
| <b>No Assurance</b>          | 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           |
|-----------------------------------|-----------------------------|-----------------------------|
| <b>Audit Planning Memorandum:</b> | 28 <sup>th</sup> April 2021 | 28 <sup>th</sup> April 2021 |
| <b>Draft Report:</b>              | 21 <sup>st</sup> March 2022 | 25 <sup>th</sup> May 2022   |
| <b>Final Report:</b>              | 25 <sup>th</sup> May 2022   |                             |

# AUDIT PLANNING MEMORANDUM

## Appendix B

|                        |                                      |                    |             |
|------------------------|--------------------------------------|--------------------|-------------|
| <b>Client:</b>         | Eden District Council                |                    |             |
| <b>Review:</b>         | Leisure Management – Contract Review |                    |             |
| <b>Type of Review:</b> | Assurance                            | <b>Audit Lead:</b> | Ian Goodwin |

|   |  |   |  |
|---|--|---|--|
| <b>Outline scope (per Annual Plan):</b> | The review considers the arrangements for: management of the leisure partnership contract in accordance with the Council’s contract management policy; the adequacy of controls in place for identifying, monitoring and management of contractual (operation and strategic) risks; and the adequacy and effectiveness of controls in place to monitor and manage the contractor’s performance.  |   |  |
| <b>Detailed scope will consider:</b>    | <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> |  |
| <b>Requested additions to scope:</b>    | None   |   |  |
| <b>Exclusions from scope:</b>           | None   |   |  |

|                            |            |                           |            |                                      |                           |
|----------------------------|------------|---------------------------|------------|--------------------------------------|---------------------------|
| <b>Planned Start Date:</b> | 10/12/2021 | <b>Exit Meeting Date:</b> | 18/03/2022 | <b>Exit Meeting to be held with:</b> | Doug Huggon<br>Roy Wilson |
|----------------------------|------------|---------------------------|------------|--------------------------------------|---------------------------|

### SELF ASSESSMENT RESPONSE

| <b>Matters over the previous 12 months relating to activity to be reviewed</b>   | <b>Y/N (if Y then please provide brief details separately)</b> |
|--|--|
| 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  |





Internal Audit

FINAL

## Eden District Council

Assurance Review of Council Tax

2021/22

May 2022

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

6 - Having an unsustainable budget and running out of reserves

### SCOPE

The review looked at the end-to-end process covering setting, discounts, billing, income collection, recovery action, write-offs and reporting.

### KEY STRATEGIC FINDINGS



Testing showed the Council Tax service to be compliant with legislation. It is efficient, effective and customer-focused and currently has minimal backlogs.



Amounts written off are properly authorised prior to write-off, in line with the Accounting and Audit Procedure Rules.



Regular reconciliations take place of data held in the Council Tax software database, in line with best practice. Testing confirmed the data to be accurate.



Quarterly performance and budget monitoring reports are presented to Cabinet, allowing sufficient scrutiny of the Council Tax service.

### GOOD PRACTICE IDENTIFIED



The latest version of the Council's Constitution establishes proper roles, responsibilities and delegations in relation to Council Tax.



The Council's website includes a wide variety of up-to-date information on Council Tax, providing clarity and assistance to residents, including online forms.

### ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 0      | 0         | 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) |
|------|-----------|---|--|----------|--|-------------------------------------|---------------------------------|
| 1    | Directed  | The Council's Constitution was approved by Council at its meeting on 25 <sup>th</sup> November 2021 and is available in full on its website via agenda item CI/52/11/21 of that meeting. The Council's website page headed "Constitution" states that this page is being updated and that the Constitution is available on request. | A link to the current version of the Constitution be added to the Council's "Constitution" website page. | 3        | <i>Agreed. We are in the process of correcting some minor typographical errors and then the Constitution will be available on the website.</i> | 30/06/22                            | Lisa Tremble                    |

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  | <b>Governance Framework</b><br>There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. | In place                      | 1                      | -                      |
| RM  | <b>Risk Mitigation</b><br>The documented process aligns with the mitigating arrangements set out in the corporate risk register.   | In place                      | -                      | -                      |
| C   | <b>Compliance</b><br>Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.                   | In place                      | -                      | -                      |

### Other Findings





From an overall review of the current version of the Council's Constitution, proper roles, responsibilities and delegations were evidenced in relation to Council Tax. Testing confirmed adherence to these matters. Paragraph 14.2 of the Accounting and Audit Procedure Rules, which form part of the Council's Constitution, states that the Director of Resources is authorised to write-off debts which for all accounts for an individual debtor do not exceed £5,000.





At a meeting of Cabinet on 22<sup>nd</sup> February 2022, the Corporate Performance Report Q3 was presented. It was also to be presented to Overview & Scrutiny Committee on 7<sup>th</sup> April 2022, however this meeting was postponed. Appended to the report is the Strategic Risk Map. Risk 6 is having an unsustainable budget and running out of reserves. Stated controls include that there is a Medium Term Financial Planning process to capture and quantify the medium term financial position. Both the residual and the mitigated risk scores are rated amber. The risk owner is the Interim Director of Resources. Strategic risk is managed by the Extended Leadership Team and is reviewed on a monthly basis.


## Other Findings


- 


At its meeting on 25<sup>th</sup> February 2021, Council approved the Final Budgets 2021/22 and Medium Term Financial Plan. Paragraph 5.3 of the report to Council provides a chart showing Spending Power Composition for 2021/22. Paragraph 5.4 highlights that the chart shows that the vast majority of the increase in funding (required to set a balanced budget) would be generated through additional Council Tax by both increases in the tax base and the Band D rate.
- 


Reconciliations between Council Tax properties held in the Council Tax software database and schedules issued by the Valuation Office Agency (VOA) were tested on a sample basis. All VOA schedules were seen to have been reconciled on a timely basis with its figures agreeing with those in the Council's database.
- 


New properties and alterations to existing properties were sampled from the VOA Valuation Schedules frequently received by the Council. Testing confirmed that the changes were accurately updated in the Council Tax software database and on a timely basis.
- 

Live Properties were sampled at random from a list provided by the Revenues Manager. For each sampled property reference, the Council Tax bill for 2022/23 held within the Council Tax software database was verified to be accurate with respect to the table showing the proportion of the tax base paid by each Band in Council Tax and to the table of Parish amounts (precepts) published on the Council's website. All sampled bills were issued on a timely basis, being 15<sup>th</sup> March 2022.
- 

Council Tax discounts, exemptions and allowances were tested on a sample basis. Each sampled amount was seen to be properly reflected in the Council Tax software database, which also held sufficient notes and explanations to support the applicable date and type of deduction.
- 

A sample was selected of refunds issued during the current financial year to date. Testing confirmed that they were properly approved and accurately updated in the Council Tax software database. The corresponding Council Tax Refund Control Sheet was evidenced to have been fully completed and signed.
- 

A list of amounts written off during the current financial year to date was provided by the Revenues Manager. From a review of this list, all amounts for an individual debtor were below £5,000. The Accounting and Audit Procedure Rules thereby requires authorisation for write-off by the Director of Resources. Proper authorisation was evidenced for the sampled amounts written off. The sampled amounts were verified to have been correctly written off in the Council Tax software database.
- 

Spreadsheets were provided by the Revenues Manager showing all accounts currently in arrears. From an analysis of the data, it was seen that 22% have recovery actions started, 30% have recovery arrangements in place and 48% have further recovery actions ongoing. A random sample was selected of accounts in arrears. From testing performed, it was evident that sufficient recovery action is taking place on an ongoing basis and that the data provided is consistent with the underlying records within the Council Tax software database. The total value of accounts in arrears is £933,000. This is comparable with the value in arrears as at the time of the previous Assurance review during 2019/20. This is encouraging, given that arrears actions were suspended throughout a large portion of the early months of the Covid-19 pandemic.
- 

Reconciliations of the finance system with the Council Tax system are prepared monthly. All sampled months were seen to have been prepared on a timely basis. Other than month-end cut-off transactions, reconciling amounts were negligible and were promptly cleared.



**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  | <b>Performance Monitoring</b><br>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. | In place                      | -                      | -                      |
| FC  | <b>Financial Constraint</b><br>The process operates within the agreed financial budget for the year.   | In place                      | -                      | -                      |
| R   | <b>Resilience</b><br>Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.  | In place                      | -                      | -                      |

**Other Findings**

- The Corporate Performance Report Q3, being the first Performance Report to have been produced using the Council's new performance management software, provides a summary of progress against the revised corporate performance targets. The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2021/22 corporate plan and the priorities of the Council.
- A total of 58 Key Strategic Objectives and Milestones are tracked in the Corporate Plan Dashboard appended to the Corporate Performance Report Q3. The description of the Strategic Objective of Organisational Transformation includes embedding a Customer Experience Culture across the organisation, focussing on customers, service delivery, digital technology, workforce skills and income generation. Having effective controls over the Council Tax service will therefore contribute towards the achievement of this Strategic Objective. Of the six stated Actions underpinning this Strategic Objective, four are complete and the remaining two are rated green; being on track to meet the target date.
- Also appended to the Corporate Performance Report Q3 are 24 Corporate Key Performance Indicators, numbered 1 to 27. Numbers 4, 25 and 26 are omitted. Number 5 is Cumulative Council Tax collected (% of amount owed). Its owner is the Assistant Director Customers and Performance. The target for Q3 is stated to be 74.20%. The value reported is 84.82%. The status is therefore shown as green, being on or above target.

## Other Findings



At its meeting on 22<sup>nd</sup> February 2022, Cabinet received the Quarter 3 – Budget Monitoring 2021/22 report. Appended to the report is a table of budget monitoring by service area. Within the Assistant Director Customers and Performance budget holder responsibility of the Corporate Services Directorate is the Council Tax Benefits service. The full year income budget is £43,000 against expenditure of £6,000. The projected income outturn is £Nil against expenditure of £21,000, giving an adverse projected outturn variance of £58,000. The Assistant Director Finance and Human Resources clarified that the £43,000 full year income budget related to funding that was not received. Alternate funding of £93,000 was, however, received and recognised in the Q3 report as Actual YTD income. It was prudently decided not to state this amount as being recognised as part of the projected income outturn, pending further investigation into the terms and conditions of the funding, which may ultimately need to be repaid.



The Council-approved Final Budgets for 2021/22 includes a Council Tax increase of £5 per annum on a Band D property, rising from £195.75 to £200.75. All other Bands are therefore increased in line with the ratios stated in Regulation 4(3A) (b) of the Council Tax (Reductions for Disabilities) Regulations 1992 (as amended). Total Council Tax income for 2021/22 is estimated to be £4,184,000, comprising the baseline of £4,079,000 and the Council Tax increase of £105,000.



The Council maintains its website up-to-date in respect of Council Tax information, including a page providing details of the Council Tax £150 energy rebate announced by the Chancellor on 3<sup>rd</sup> February 2022. There is a variety of information available via pages dedicated to Council Tax and to Council Tax reduction. There is also a Council Tax Support and Housing Benefit Calculator, providing an instant online estimate. Several application forms are available from the website, including an online Direct Debit application form.



## EXPLANATORY INFORMATION

## Appendix A

### Scope and Limitations of the Review

- 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

- 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

- 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.

|                           |  |
|---------------------------|--|
| <b>In place</b>           | The control arrangements in place mitigate the risk from arising.                    |
| <b>Partially in place</b> | The control arrangements in place only partially mitigate the risk from arising.     |
| <b>Not in place</b>       | The control arrangements in place do not effectively mitigate the risk from arising. |

### Assurance Assessment

- The definitions of the assurance assessments are:

|                              |  |
|------------------------------|--|
| <b>Substantial Assurance</b> | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.  |
| <b>Reasonable Assurance</b>  | 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.             |
| <b>Limited Assurance</b>     | 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. |
| <b>No Assurance</b>          | There is a fundamental breakdown or absence of core internal controls requiring immediate action.  |

### Acknowledgement

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

### Release of Report

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

| Stage                             | Issued                        | Response Received             |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>Audit Planning Memorandum:</b> | 3 <sup>rd</sup> November 2021 | 3 <sup>rd</sup> November 2021 |
| <b>Draft Report:</b>              | 14 <sup>th</sup> April 2022   | 6 <sup>th</sup> May 2022      |
| <b>Final Report:</b>              | 9 <sup>th</sup> May 2022      |                               |

# AUDIT PLANNING MEMORANDUM

## Appendix B

|                        |                       |                    |             |
|------------------------|-----------------------|--------------------|-------------|
| <b>Client:</b>         | Eden District Council |                    |             |
| <b>Review:</b>         | Council Tax           |                    |             |
| <b>Type of Review:</b> | Assurance             | <b>Audit Lead:</b> | Ian Goodwin |

|   |  |   |  |
|---|--|---|--|
| <b>Outline scope (per Annual Plan):</b> | The review looks at the end-to-end process covering setting, discounts, billing, income collection, recovery action, write-offs and reporting.   |   |  |
| <b>Detailed scope will consider:</b>    | <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> |  |
| <b>Requested additions to scope:</b>    | None   |   |  |
| <b>Exclusions from scope:</b>           | None   |   |  |

|                            |            |                           |            |                                      |               |
|----------------------------|------------|---------------------------|------------|--------------------------------------|---------------|
| <b>Planned Start Date:</b> | 21/02/2022 | <b>Exit Meeting Date:</b> | 08/04/2022 | <b>Exit Meeting to be held with:</b> | Ian Mallinson |
|----------------------------|------------|---------------------------|------------|--------------------------------------|---------------|

### SELF ASSESSMENT RESPONSE

| <b>Matters over the previous 12 months relating to activity to be reviewed</b>   | <b>Y/N (if Y then please provide brief details separately)</b> |
|--|--|
| 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  |



Internal Audit

**FINAL**

## Eden District Council

Assurance Review of Income Collection

**2021/22**

March 2022

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

6 - Having an unsustainable budget and running out of reserves

### SCOPE

The review considered the arrangements for managing income that is due to the Council including the identification of income sources, receipting and accounting.

### KEY STRATEGIC FINDINGS



Testing indicated that Senior Manager responsibilities relating to income, per the Accounting and Audit Procedure Rules, are being complied with.



There are sound arrangements for managing income due to the Council, including for the identification of income sources, receipting and accounting.



Strong controls over income collection are a key part in ensuring the success of the corporate plan and the priorities of the Council as are reported quarterly.



As at Quarter 3, projected income outturn from services excluding revenues and benefits is £445,000 above the full-year budget.

### GOOD PRACTICE IDENTIFIED



The Constitution sets out the generally expected procedures and controls relating to income, including the provision of a sensible separation of duties.



The Council's website includes provisions for the online payment for services and a current list of fees and charges that can be downloaded.

### ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 0      | 0         | 0       | 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) |
|------|-----------|---------|----------------|----------|---------------------|-------------------------------------|---------------------------------|
|------|-----------|---------|----------------|----------|---------------------|-------------------------------------|---------------------------------|

No recommendations were made.

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  | <b>Governance Framework</b><br>There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. | In place                      | -                      | -                      |
| RM  | <b>Risk Mitigation</b><br>The documented process aligns with the mitigating arrangements set out in the corporate risk register.   | In place                      | -                      | -                      |
| C   | <b>Compliance</b><br>Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.                   | In place                      | -                      | -                      |

### Other Findings

- At its meeting on 25<sup>th</sup> November 2021, the Council adopted the revised Constitution after considering proposed changes. The Constitution includes the Accounting and Audit Procedure Rules, paragraph 11 of which specifically relates to income. From a review of the Rules, and of this paragraph in particular, they were seen to detail the generally expected procedures and controls relating to income, including the provision of a sensible separation of duties. Paragraph 8 states that the use of BACS and other digital methods should be maximised for income.
- The Accounting and Audit Procedure Rules make reference to various responsibilities of Senior Managers in respect of general procedures, of budgeted revenue income and of accounting for income received. Senior Managers in this context refers to the Corporate Management Team (CMT), comprising the six Assistant Directors. Testing in this area did not highlight any non-compliance of CMT with their income-related responsibilities referenced in the Accounting and Audit Procedure Rules.
- The Constitution establishes a Finance Scrutiny Committee to exercise the Council's budget scrutiny function. Up to and including its meeting of 28<sup>th</sup> September 2021, it was known as the Budget Planning Committee.

## Other Findings

-  At a meeting of Cabinet on 22<sup>nd</sup> February 2022, the Corporate Performance Report Q3 was presented. It is also to be presented on 7<sup>th</sup> April 2022 to Overview & Scrutiny Committee. Appended to the report is the Strategic Risk Map. Risk 6 is having an unsustainable budget and running out of reserves. Sound controls over income collection will help mitigate this risk. Stated controls include that there is a Medium Term Financial Planning process to capture and quantify the medium term financial position. Both the residual and the mitigated risk scores are rated amber. The risk owner is the Interim Director of Resources. Strategic risk is managed by the Extended Leadership Team and is reviewed on a monthly basis.
-  Significant income streams were identified from a review of recent Statements of Accounts. Two of these income streams, being Development Control and Licensing and Environmental Health, were covered in Assurance reviews issued during 2021/22. Both reviews received substantial assurance. A further two of these income streams, being Cemeteries and Land Charges were covered in Assurance reviews issued during 2020/21. Both reviews received reasonable assurance. Any recommendations arising from these reviews that have not yet been implemented were determined not to have a direct impact on matters within the scope of the current review. Income derived from treasury functions would generally fall within the scope of a specific review of treasury management. The remaining significant income streams of Rentals and of Building Regulations were tested during this review.
-  A sample of rental income transactions from the finance system was selected for the current financial year to date. Details were agreed to the related invoices and to relevant extracts from the underlying agreements. From the sample selected, 69% coverage by value was obtained.
-  A sample of building regulation income transactions from the finance system was selected for the current financial year to date. Details were agreed to the Building (Local Authority Charges) Regulations 2010 Standard Charges applicable from 1<sup>st</sup> July 2017, available from the Council's website, and from information provided by the Building Control Manager. The Council's FastControl software system's fee calculator is used for the majority of the larger fees. Occasionally a fee is agreed with the applicant or their agent. No exceptions were noted from the testing performed. This testing was supplemented by an overall review of building regulation income transactions posted to the finance system with the corresponding Standard Charges schedule to gain additional assurance that the charging structure is being followed.





**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  | <b>Performance Monitoring</b><br>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. | In place                      | -                      | -                      |
| FC  | <b>Financial Constraint</b><br>The process operates within the agreed financial budget for the year.   | In place                      | -                      | -                      |
| R   | <b>Resilience</b><br>Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.  | In place                      | -                      | -                      |


**Other Findings**


- The Corporate Performance Report Q3 provides a summary of progress against the revised corporate performance targets. This was the first Performance Report to have been produced using the Council's new Performance Management software, Pentana. The Council's performance management framework sets out the key actions, projects and programmes of work that contribute to the delivery of the 2021/22 corporate plan and the priorities of the Council.
- A total of 58 Key Strategic Objectives and Milestones are tracked in the Corporate Plan Dashboard appended to the Report. Whilst none related specifically to income collection, within the Dashboard is the Organisational Transformation programme, which is described to include creating a dynamic agile organisation, focussing on several areas including that of income generation. Having effective controls over income collection will therefore help the programme's successful delivery. Of the six Actions within the programme, four are complete and the remaining two are rated Green; being on track to meet the target date.
- Also appended to the Report are 24 Corporate Key Performance Indicators. None specifically relate to areas within the scope of this review.
- The Council's Statement of Accounts for the year ended 31<sup>st</sup> March 2021 have not yet been audited. The most recent audited Statement of Accounts are for the year ended 31<sup>st</sup> March 2020. Figures here are taken from the unaudited Accounts.

## Other Findings

- 

Note 33 shows Fees, Charges and Other Service Income of £4,065,000 (2020: £3,722,000) being part of Total Income of £34,054,000 (2020: £30,173,000). The remaining elements of Total Income for the year ended 31<sup>st</sup> March 2021 are: Interest and Investment Income (£1,351,000); Income from Council Tax (£5,181,000); Income from Business Rates (£3,376,000) and Government Grants and Contributions (£20,081,000).
- 

Note 34 is Contracts with service recipients, analysing income from third parties totalling £2,900,000 (2020: £3,937,000). For the year ended 31<sup>st</sup> March 2021 this is split as: Rentals (36%); Development Control (17%); Treasury (14%); Building Regulations (7%); Licensing and Environmental Health (6%); Cemeteries (5%); Land Charges (2%); Parking (2%); Leisure and Culture (1%); and, Other (10%).
- 

Budget monitoring is undertaken throughout the year. The revenue position is formulated in conjunction with the Corporate Leadership Team and is presented quarterly to the Finance Scrutiny Committee. The Quarter 3 – Budget Monitoring 2021/22 report was received by Finance Scrutiny Committee on 8<sup>th</sup> February and by Cabinet on 22<sup>nd</sup> February 2022. The report summarises major variations by directorate. Appended to the report is a summary of revenue income and expenditure by service area. From an analysis of this appendix, the projected income outturn from services excluding revenues and benefits is £4,690,000, which is £445,000 above the full-year budget. From this, the largest service projected income outturn is £942,000, from the Land Management service area, which is £148,000 above the full-year budget. The Projected income outturn from the Building Regulations service area is the 6<sup>th</sup> largest at £261,000, which is £10,000 above the full-year budget.
- 

The Council's website includes a page headed Council finances. This comprises links to other pages of useful information, including a page headed 'Invoice, reminder and final notice payment form', which can be completed online. A current list of fees and charges can be downloaded, which is split across six Council portfolios. Recent Annual Statements of Accounts can also be downloaded.

## 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.

|                           |  |
|---------------------------|--|
| <b>In place</b>           | The control arrangements in place mitigate the risk from arising.                    |
| <b>Partially in place</b> | The control arrangements in place only partially mitigate the risk from arising.     |
| <b>Not in place</b>       | The control arrangements in place do not effectively mitigate the risk from arising. |

### Assurance Assessment

4. The definitions of the assurance assessments are:

|                              |  |
|------------------------------|--|
| <b>Substantial Assurance</b> | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.  |
| <b>Reasonable Assurance</b>  | 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.             |
| <b>Limited Assurance</b>     | 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. |
| <b>No Assurance</b>          | 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             |
|-----------------------------------|-------------------------------|-------------------------------|
| <b>Audit Planning Memorandum:</b> | 9 <sup>th</sup> November 2021 | 9 <sup>th</sup> November 2021 |
| <b>Draft Report:</b>              | 23 <sup>rd</sup> March 2022   | 23 <sup>rd</sup> March 2022   |
| <b>Final Report:</b>              | 23 <sup>rd</sup> March 2022   |                               |

# AUDIT PLANNING MEMORANDUM

## Appendix B

|                        |                       |                    |             |
|------------------------|-----------------------|--------------------|-------------|
| <b>Client:</b>         | Eden District Council |                    |             |
| <b>Review:</b>         | Income Collection     |                    |             |
| <b>Type of Review:</b> | Assurance             | <b>Audit Lead:</b> | Ian Goodwin |

|   |  |   |  |
|---|--|---|--|
| <b>Outline scope (per Annual Plan):</b> | The review considers the arrangements for managing income that is due to the Council including the identification of income sources, receipting and accounting.  |   |  |
| <b>Detailed scope will consider:</b>    | <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> |  |
| <b>Requested additions to scope:</b>    | None   |   |  |
| <b>Exclusions from scope:</b>           | None   |   |  |

|                            |            |                           |            |                                      |                   |
|----------------------------|------------|---------------------------|------------|--------------------------------------|-------------------|
| <b>Planned Start Date:</b> | 14/01/2022 | <b>Exit Meeting Date:</b> | 21/03/2022 | <b>Exit Meeting to be held with:</b> | Kirsty Bainbridge |
|----------------------------|------------|---------------------------|------------|--------------------------------------|-------------------|

### SELF ASSESSMENT RESPONSE

| <b>Matters over the previous 12 months relating to activity to be reviewed</b>   | <b>Y/N (if Y then please provide brief details separately)</b> |
|--|--|
| 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  |



Internal Audit

FINAL

## Eden District Council

Investigation Review of the Homelessness Contract

2021/22

In Confidence  
Restricted Circulation

May 2022

# Investigation Review of the Homelessness Contract

## Introduction

1. TIAA has carried out a review to consider the timeline of events in relation to procuring and entering into the Housing Advice and Homelessness Service contract as the previous contract expired in March 2020. The review was carried out in February and March 2022 and was additional to the planned audit work for 2021/22.
2. In March 2021, Cabinet was asked for retrospective approval to award the Housing Advice and Homelessness Service contract to Eden Housing Association for 2020/21 and to award the contract for 2021/22. The contract, however, was not signed until November 2021.

## Summary

3. Several matters have been identified during the course of this investigation which include:
  - Not adhering to the approval thresholds as set out in the Constitution represented a clear breach based on the agreed contract costs which exceeded £100,000.
  - There appeared to be a lack of ownership in ensuring the contract was formalised and signed ahead of the contract start date.
  - There were significant delays in the identification of the issue and subsequent retrospective approval which could partially be attributable to events unfolding due to the Covid-19 crisis but also due to deficiencies in internal controls concerning segregation of duties, contract review and a general lack of awareness regarding approval channels.
  - A contracts register is publically available with a more detailed register maintained internally. The contracts register is a tool that can be utilised in ensuring sound procurement and contract extension practices through advanced preparation, post completion reviews and periodic sample checks. Currently individual departments are responsible for managing relevant contracts with no high level oversight over process adherence.

## Release of Report

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

|   |                             |
|---|-----------------------------|
| <b>Date draft report issued:</b>        | 31 <sup>st</sup> March 2022 |
| <b>Date management responses rec'd:</b> | 24 <sup>th</sup> May 2022   |
| <b>Date final report issued:</b>        | 25 <sup>th</sup> May 2022   |

## Management Action Plan – Priority 1, 2 and 3 Recommendations

| Rec. | Finding  | Recommendation  | Priority | Management Comments   | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title)  |
|------|--|---|----------|---|-------------------------------------|----------------------------------|
| 1    | The finalisation of the Homelessness services contract to commence in April 2020 without adherence to the Constitution’s approval requirements led to a clear breach based on the agreed contract costs having exceeded £100,000. Additionally, there were significant delays in the identification of the issue and subsequent retrospective approval which could partially be attributable to events unfolding due to the Covid-19 crisis but also due to deficiencies in internal controls concerning segregation of duties, contract review and a general lack of awareness regarding approval channels. | Annual refresher training be arranged for all members of staff involved in procurement and contract management activities to ensure that all contracts are approved in line with the Constitution and general rules around procurement. | 2        | <i>Agreed. Refresher training to be provided annually to all staff responsible for procuring or commissioning on behalf of the Council.</i> | 31/10/22                            | Assistant Director, Finance & HR |

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. | Finding   | Recommendation   | Priority | Management Comments  | Implementation Timetable (dd/mm/yy)             | Responsible Officer (Job Title)  |
|------|---|--|----------|--|---|--|
| 2    | A Contracts Register is publically available with a more detailed register maintained internally. The Contracts Register is a tool which can be utilised in ensuring sound procurement and contract extension practices through advanced preparation, post completion reviews and periodic sample checks. Currently individual departments are responsible for managing relevant contracts with no high level oversight over process adherence. | <p>The Contracts Register be subject to periodic reviews to ensure that re-tendering or extensions are processed well in advance having been subject to the appropriate levels of approval. A prior period sample of completed tenders or extended contracts be reviewed at least bi-annually in full to ensure adherence to the procurement rules.</p> <p>A checklist be introduced which can be utilised at completion stage ensuring that all required approval and review channels have been followed.</p> | 2        | <p><i>The contracts register will be maintained to enable regular monitoring of contracts coming to an end.</i></p> <p><i>A bi-annual review of completed tenders and extensions will be completed to ensure compliance.</i></p> <p><i>A checklist will be developed for tenders and contract extensions to ensure that all required processes and review are completed.</i></p> | <p>30/09/22</p> <p>31/10/22</p> <p>30/09/22</p> | <p>Assistant Director, Finance</p> <p>Assistant Director, Finance</p> <p>Assistant Director, Finance</p> |

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.



## Detailed Findings

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### Scope and Limitations of Review

5. The review considered the timeline of events in relation to procuring and entering into the Housing Advice and Homelessness Service contract as the previous contract expired in March 2020. The review included:
  - The timing of the procurement exercise including the authorisation to enter in to the contract and the contract award;
  - The delays in formally signing the contract;
  - The inclusion of contract extensions that did not form part of the original approval;
  - The extent to which the Scheme of Delegation has been followed; and
  - The extent to which the Constitution, Scheme of Delegation and procedures adequately cover procurement activity.
6. 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.
7. 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.

### Background

8. Eden District Council has been working closely with Eden Housing Association over a long period of time in the delivery of Homelessness and Housing Advisory Services under formal contractual agreements. The current service contract relates to the period April 2020 to March 2022; in September 2020, an e-mail was received from Eden Housing Association requesting a signed copy of the current service contract, at which point it was identified that the contract's approval was not in accordance with procurement requirements set within the Constitution. This led to a formal retrospective approval of the contract in March 2021 subsequent to which the need for other amendments were considered in light of short term restructuring leading to revisions to the original contract and subsequent approval.

## Audit Findings

9. The following matters were noted from the work carried out during this investigation review:

### Procurement Rules and Financial Authorisation

10. Section H of the Constitution covers procurement in detail setting the following authorisation thresholds:

- Procurement exercise less than £60,000 – Directors and Assistant Directors;
- Procurement exercise of £60,000 and more but under £100,000 – The Executive;
- Procurement exercise of £100,000 and more – Council.

A competitive tender process is required for procurement exercises amounting to £60,000 and above, however, exceptional circumstances are also catered for, the details of which are provided in section 4.5 of the Constitution. The particular provision within the section which is relevant to this contract is 4.5.1.b that states “The Executive may decide that only one tender shall be sought where the goods, works, or services to be executed constitute the continuation of a programme of works commenced by a contractor and the relevant Senior Manager certifies that there are exceptional circumstances why he/she should seek, or negotiate, a tender from that contractor only”. Section 4.5.2 further elaborates on circumstances where more than one tender response is not required.

Aside from the Constitution, there are other supporting documents in place to support relevant members of staff to effectively handle the procurement and contract management processes. Additionally, there are instructions available covering key aspects of producing contracts developed by the Legal and Democratic Services team available for relevant members of staff.

### Contract Procurement and Timeline

11. Eden District Council has statutory responsibility for a number of key functions. These include waste collection, planning policy, development control, building control, licensing, collection of local taxation, environmental health, housing and homelessness. As part of the Council’s responsibilities regarding the delivery of Homelessness and Housing Advisory Services, Eden Housing Association (EHA) has been sub-contracted to assist in service delivery and has remained under contractual agreement to support the delivery of required services since 1997 when the organisation was initially established following a voluntary transfer of housing stock from the Council. The contract has been subject to periodic reviews and a strict performance monitoring framework which includes the setting of annual budgets and regular reporting of performance.
12. In 2019, the contract was subject to a tendering exercise effective from April 2020 which was initially for a 10 year period with break clauses in-between at an annual cost of £300,000. Only one response was received which was from Eden Housing Association, however, the overall quotation exceeded the target set by the tender. The circumstances were deemed to be exceptional following a review by the then Director of People and Places and, in line with the Council’s procurement rules, a competitive process was not further pursued since smooth continuation of service delivery at a time of rising demand and an uncertain macro-economic environment took precedence.
13. Subsequent to the completion of the tender decision, the Housing team drafted a contract based on previous terms and conditions which was circulated in February 2020 to relevant members of staff, including the acting Assistant Director (AD) of Legal and Democratic Services, a consultant providing temporary cover at the time. The document was not sent to the dedicated general inbox of the Legal team which is utilised for the purposes of requesting assistance with contract review and engrossment.

14. In September 2020, a request was made by EHA for a signed copy of the contract to be returned covering the period April 2020 to March 2022, at which point the Legal and Democratic Services team was contacted. At this point it was established that the contract had not been subject to the approval of the Full Council having exceeded £100,000 but rather the then Director of People and Places, which represented a breach of Section 4 of the Constitution.
15. A detailed scan of the acting Assistant Director of Legal and Democratic Services' inbox was also carried out during this time in order to establish their level of involvement in the process. It was confirmed that there was no involvement in the review or drafting of the contract forwarded by the Housing team as no formal requests had been made and the wider team were not made aware of a need for review as there was some confusion regarding whether tender documentation or the actual contract had been shared. An initial e-mail from the Housing team was circulated in September 2019 which contained detailed tender documentation and a request for review allowing finalisation of the process and the subsequent drawing up of the contract due to start in April 2020.
16. Following the findings regarding the breach in September 2020, the contract was submitted for a retrospective approval of the Full Council in March 2021 with a supporting report which did not provide details regarding the initial approval of the contract.

**Recommendation: 1**

**Priority 2**

**Annual refresher training be arranged for all members of staff involved in procurement and contract management activities to ensure that all contracts are approved in line with the Constitution and general rules around procurement.**

17. Subsequent to these issues coming to light, staff have been informed that any emails to the Legal and Democratic Services team must be sent to the dedicated general inbox rather than to individuals.
18. Between April 2020 and March 2021, there were no disruptions in service delivery with budgeted annual contract costs amounting to £317,154 for 2020/21 and £420,949 for 2021/22. The stipulated quarterly invoicing and payments were made accordingly during the period and detailed breakdown of costs accompanied each report that went out for approval.

**Contract Management**

19. The Legal and Democratic Services department provides assistance with the review of contracts and engrossment services upon request but are not actively involved in ensuring adherence to procedures and approval requirements. Individual departments manage their procurement requirements in line with the procurement thresholds and are given the autonomy to develop contracts in line with guidance made available by the Legal and Democratic Services department.
20. Whilst a draft copy of the contract was sent to the acting Assistant Director (AD) of Legal and Democratic Services it appears that little or nothing was done with it. That it wasn't sent to the dedicated email address meant that no-one else in Legal and Democratic Services would have been sighted on its status. The lack of response should have prompted follow up from the Housing team; however, nothing further happened with the contract until it was raised by EHA.
21. An up to date Contracts Register is publically available on the Council's website providing a list of 68 contracts of varying amounts and durations, out of which 16 had dates of expiration in 2022. Currently, a formal periodic cycle is not in place whereby the Contracts Register is reviewed focusing on contracts nearing expiry and checking existing contracts to ensure adherence to procedures and procurement rules. Doing so at the appropriate level would provide better oversight and help to identify gaps without adopting the responsibility for the contract itself. (Recommendation 2 refers).

|                          |   |
|--------------------------|---|
| <b>Recommendation: 2</b> | <b>The Contracts Register be subject to periodic reviews to ensure that re-tendering or extensions are processed well in advance having been subject to the appropriate levels of approval. A prior period sample of completed tenders or extended contracts be reviewed at least bi-annually in full to ensure adherence to the procurement rules.</b> |
| <b>Priority 2</b>        | <b>A checklist be introduced which can be utilised at completion stage ensuring that all required approval and review channels have been followed.</b>  |

22. Following the retrospective approval of the Homelessness Services contract in March 2021, the need for flexibility within the contract’s extension clause was identified in light of the up-coming LGR restructure. This led to further changes to the wording of the contract allowing an additional two years of possible extension post expiry subject to Full Council approval and satisfactory performance. The contract was also updated to include a section on record keeping and monitoring to the aid the process of maintaining adequate audit trail. The revised contract was approved by the Council in November 2021 and no further changes have been made.

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## Eden District Council

### Internal Audit Annual Report

2021/22

May 2022

# Internal Audit Annual Report

## Introduction

This is the 2021/22 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 many organisations has continued to be felt throughout 2021/22 with restrictions continuing to be applied. This has been compounded by the emergence of new variants which has required the vaccination and booster programme to be accelerated. These have impacted staff availability and organisational capacity. It is acknowledged that this has affected some sectors more than others.

For internal audit the question remains as to whether sufficient internal audit work has been undertaken to gain assurance during 2021/22. 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 2021/22 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 2021/22 Annual Audit Plan approved by the Accounts and Governance Committee was for 190 days of internal audit coverage in the year.

During the year the Pre-Procurement and Follow Up reviews of the Recycling / Waste Contract have been cancelled as the recommendation made to Councillors was to extend the existing contracts.

The planned work that has been carried out is set out at Annex A.

Two reviews were carried out which were in addition to the work set out in the Annual Audit Plan. These related to an investigation review of the Homelessness Contract and an investigation into complaints concerning certain members of Alston Moor Parish Council.

### 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 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 | 4                 | 2             |
| Reasonable Assurance  | 6                 | 6             |
| Limited Assurance     | 2                 | 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 2021/22. The numbers in brackets relate to 2020/21 recommendations

| Urgent | Important | Routine |
|--------|-----------|---------|
| 2 (0)  | 25 (24)   | 12 (8)  |

### Audit Summary

**Control weaknesses:** There were two 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 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   | 1      | 4         | 4       |
| Risk Mitigation        | 0      | 3         | 0       |
| Compliance             | 0      | 13        | 4       |
| <b>Delivery</b>        |        |           |         |
| Performance Monitoring | 0      | 1         | 3       |
| Financial Constraint   | 1      | 3         | 0       |
| Resilience             | 0      | 1         | 1       |

### 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> | 26 <sup>th</sup> May 2022 |
|----------------------------|---------------------------|



## Annexes

### Annex A

#### Actual against planned Internal Audit Work 2021/22

| System  | Type              | Planned Days | Actual Days | Assurance Assessment  | Comments             |
|---|-------------------|--------------|-------------|-----------------------|----------------------|
| Property Management – Landlord Compliance Inc. Heart of Cumbria     | Assurance         | 10           | 10          | Reasonable Assurance  | Final Report Issued  |
| Recycling / Waste Contract – Pre-Procurement Checks                 | Assurance         | 5            | 0           | N/A                   | Cancelled            |
| Licensing   | Assurance         | 15           | 15          | Substantial Assurance | Final Report Issued  |
| Local Code of Governance  | Assurance         | 10           | 10          | Reasonable Assurance  | Final Report Issued  |
| Cyber Security / Fraud Arrangements                                 | Assurance         | 10           | 10          | Reasonable Assurance  | Final Report Issued  |
| Development Control   | Assurance         | 15           | 15          | Substantial Assurance | Final Report Issued  |
| Insurance   | Assurance         | 10           | 10          | Reasonable Assurance  | Final Report Issued  |
| Debtors   | Assurance         | 10           | 10          | Reasonable Assurance  | Final Report Issued  |
| Main Accounting Systems   | Assurance         | 15           | 15          | Reasonable Assurance  | Final Report Issued  |
| ICT Service Level Agreements  | Assurance         | 10           | 10          | Limited Assurance     | Draft Report Issued  |
| Leisure Management – Contract Review                                | Assurance         | 15           | 15          | Limited Assurance     | Final Report Issued  |
| Income Collection   | Assurance         | 10           | 10          | Substantial Assurance | Final Report Issued  |
| Council Tax   | Assurance         | 10           | 10          | Substantial Assurance | Final Report Issued  |
| Recycling / Waste Contract – Follow Up Review                       | Assurance         | 5            | 0           | N/A                   | Cancelled            |
| Follow Up   | Follow Up         | 12           | 12          | N/A                   | Final Reports Issued |
| Homelessness Contract   | Investigation     | 0            | Fixed Fee   | N/A                   | Final Report Issued  |
| Complaints concerning certain members of Alston Moor Parish Council | Investigation     | 0            | Fixed Fee   | N/A                   | Final Report Issued  |
| Contingency / Reactive  | Management        | 10           | 0           | N/A                   | N/A                  |
| Annual Planning   | Management        | 4            | 4           | N/A                   | Annual Plan Issued   |
| Annual Report   | Management        | 4            | 4           | N/A                   | Annual Report Issued |
| Audit Management  | Management        | 10           | 10          | N/A                   | N/A                  |
|   | <b>Total Days</b> | <b>190</b>   | <b>170</b>  |                       |                      |