

AUDIT AND ASSURANCE COMMITTEE

Meeting date: 9 March 2023

From: GROUP AUDIT MANAGER

DRAFT INTERNAL AUDIT ANNUAL REPORT 2022/23

1.0 EXECUTIVE SUMMARY

- 1.1 *This draft annual report provides a summary of the outcomes of the work of Internal Audit for 2022/23 and includes the draft Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for governance, risk management and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).*
- 1.2 *The annual opinion of the Head of Internal Audit: based on the work undertaken by internal audit during 2022/23, the Group Audit Manager can provide reasonable assurance over the effectiveness of the Council's arrangements for governance, risk management and internal control.*
- 1.3 *In coming to this opinion, it is noted that:*
- a) *Overall, 75% of audits with an assurance rating (including schools) have received a substantial or reasonable rating. No audit review in 2022/23 was given our lowest assurance level of 'limited'.*
 - b) *Overall, 79% of Risk Based Audits (excluding schools) resulted in Reasonable or Substantial assurance, with 21% resulting in Partial assurance. This is the same as 2021/22 outcomes where 79% received substantial or reasonable assurance.*
 - c) *The work of internal audit, and other sources of assurance, is considered to have given an appropriate level of coverage across the Council to provide the opinion. The opinion is based on 24 reviews (78% of audits that would have had a scored assessment for 2022/23).*
 - d) *The Head of Internal Audit's declaration of conformance with the mandatory PSIAS, except for the five yearly External Quality Assessment (EQA) not being undertaken in November 2022 due to local government reorganisation.*
 - e) *Safeguards have been put in place to mitigate any perceived threats to Internal Audit's independence in the year to which this opinion relates.*
 - f) *Actions have been agreed in respect of individual audits. Summaries of the outcomes of all completed audits during the year are included at Appendix 1 (those shaded in grey have previously been reported).*

2.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 2.1 Internal Audit's work is designed to provide assurance to management and members that effective systems of governance, risk management and internal control are in place in support of the delivery of Council Plan priorities.**
- 2.2 The Audit Plan aims to deliver a programme of internal audit reviews designed to target the areas of highest risk as identified through the corporate risk register together with management and internal audit view of key risk areas.**
- 2.3 The Accounts and Audit Regulations (2015) require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These standards are the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) to the Standards.**
- 2.4 Regular reporting to Audit and Assurance Committee enables emerging issues to be identified during the year.**

3.0 RECOMMENDATION

- 3.1 Members are asked to note:**
 - a) The progress in delivering the 2022/23 audit plan and the outcomes of completed audits set out at Appendix 1.**
 - b) The Head of Internal Audit's opinion of reasonable assurance over the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control for the year ended 31 March 2023.**
 - c) The Head of Internal Audit's declaration of conformance with the mandatory PSIAS, except for the five yearly EQA not being undertaken in November 2022 due to local government reorganisation.**
 - d) The Head of Internal Audit's declaration of safeguards put in place to protect Internal Audit's independence as required by the PSIAS.**
 - e) The results of the Quality Assurance and Improvement Programme.**

4.0 BACKGROUND

- 4.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These standards are the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note (LGAN) to the Standards.
- 4.2 Internal Audit is responsible for providing independent assurance to the Council's senior management and to the Audit and Assurance Committee on the systems of governance, risk management and internal control.
- 4.3 It is management's responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies, procedures and checks to ensure that controls are operating effectively.
- 4.4 The internal audit plan for 2022/23 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage is focused on the areas of highest risk to the Council. The plan has been prepared to allow the production of the annual internal audit opinion as required by the PSIAS.
- 4.5 This report provides an update on the work of internal audit up to 24 February 2023 and includes a summary of the outcomes of audit reviews completed in the period. This includes work carried forward from the 2021/22 audit plan.

Annual Opinion of the Head of Internal Audit on the Council's Arrangements for Governance, Risk Management and Internal Control

- 4.6 The purpose of this report is to give my opinion as the Head of Internal Audit for Cumbria County Council on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control based on the work undertaken by Internal Audit for the year ended 31 March 2023. This annual opinion from the designated Head of Internal Audit is a requirement of the PSIAS which states that the "chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement."
- 4.7 In giving this opinion, it should be noted that assurance can never be absolute, and it is not possible to give complete assurance. The opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of follow up work and evidence gained from other sources.

Risk Management

- 4.8 The Council's 'Risk Management Policy 2020-23' remained in place throughout 2022/23. The Policy document was approved at the July 2020 Risk Owners Group and the next full review of the Policy was due in February 2023, but this did not happen due to local government reorganisation. The content of this Policy remained valid during 2022/23. The County Council's Risk Management Policy will provide the basis for the two new unitary councils Risk Management Framework and the Policy is currently under review for its relevance to both Cumberland and Westmorland & Furness Councils.
- 4.9 The Risk Management Policy continues to sit alongside the Council's Performance and Risk Management Framework. This framework provides links between strategic planning and service delivery, including the effective management of risks and opportunities that could impact on corporate or service delivery. The Policy sets out the aim, objectives, scope, principles, roles, responsibilities, and delivery mechanism for risk management across the Council.
- 4.10 The Risk Owners Group (ROG) operated throughout 2022/23, on a virtual basis. The aim of ROG continues to be challenging and approving the quarterly corporate risk register before presenting to Directorate Management Teams (DMTs), Corporate Management Team (CMT) and the Audit and Assurance Committee. Annually, the Group leads the refresh of the corporate risk register by evaluating the ongoing relevance of the risks to the Council Plan Delivery Plan and the changing needs of the Council, and to identify any new or emerging strategic risks as they arise.
- 4.11 The 2022/23 Risk Refresh illustrated an increasing level of complexity and uncertainty, driven by global and national threats, that continued to dominate throughout the year and into the 2023/24 period. The main concurrent areas of significant change and uncertainty for the Council during 2022/23 included COVID Response and Recovery, the ongoing preparations for local government reorganisation, the 'Cost of Living Crisis', budget impact of Inflationary pressures and the ongoing and unprecedented national and local pressure across Health & Social Care Services.
- 4.12 Corporate risks continue to be reviewed on a quarterly basis by the Risk Owners themselves, the Risk Owners Group, DMTs, CMT, the Leader and Deputy Leader of the Council, informal Cabinet Briefing and formally by the Audit and Assurance Committee.
- 4.13 Deep dive reviews of the most critical corporate risks are presented to the Audit & Assurance Committee at its meetings, and these have continued during 2022/23. During this period, the deep dives have included the following areas of highest risk, financial sustainability, the local government reorganisation programme to deliver two new unitary councils, the assurance arrangements for the transfer of adult social care, provider services and the care sector to the two new unitary councils and transition planning.
- 4.14 The Council has continued its work on improving risk management in various areas including the ongoing development of Directorate Risk Registers. The

oversight of and management of the Economy & Infrastructure (E&I) Directorate Risk Register has continued to improve during 2022/23 and is embedded as part of their Performance Management arrangements. The Corporate, Customer & Community Services Directorate Risk Register has not been updated during 2022/23 on the basis that a significant amount of the Directorate's activity is captured in the Corporate Risk Register and other key projects were covered by project risk registers. The People Directorate Risk Register was last updated in March 2022, but it is a composite of the individual service risk register, some of which have been updated. Work has continued improving operational risk management by supporting various directorate and service areas.

- 4.15 Audit work during the year has identified a mixed picture on service / operational risk management across the Council. The key areas for improvement include ensuring that risks are documented, that evidence of regular review is clearly documented, and that mitigation of risks is always documented in risk registers.
- 4.16 General Risk Management training continues to be available as an e-learning course. The focus of risk management training and awareness for 2022 & 2023 has been within the Local Government Reorganisation (LGR) Programme and specifically within the Programme Management Office (PMO) and across LGR Workstream and Work-package groups. This training, awareness, and ongoing risk management advice has been delivered by the risk management representative of Zurich Municipal as part of the Council's insurance arrangements.
- 4.17 Training and awareness on other specific areas of risk such as data security, data protection and business continuity have also been delivered to Managers and Officers across all areas within the LGR Programme.
- 4.18 During 2022/23 the Council's Risk Appetite has remained the same. A risk appetite statement defines the appetite for risk taking and the agreed levels of tolerance to ensure the Council develops appropriate risk mitigation strategies and systems of control.

Governance

- 4.19 The Council has a Constitution in place. This is reviewed on an ongoing basis by the Constitutional Review Group with any changes to specific parts of the Constitution approved by the full Council.
- 4.20 The Constitution includes a suite of documents setting out the governance arrangements in place for decision making, standards of conduct, rules and procedures and policies and protocols. The Constitution includes Codes of Conduct setting out expectations of members and officers, an Anti-Fraud, Bribery and Corruption Policy and Whistleblowing policy.
- 4.21 Arrangements are in place to engage with stakeholders and partners through a combination of joint working arrangements, partnership boards and the annual appointment to external organisations including local NHS bodies and neighbourhood forums.

- 4.22 The Chief Executive, Chief Legal Officer and Director of Finance (Section 151 Officer) meet as the Council's Corporate Governance Group (CGG) (which comprises its statutory officers, the Head of Paid Service, Monitoring Officer and Section 151 Officer), to oversee the effectiveness of governance arrangements and deliver improvements. The CGG has not met as frequently as planned with its only meeting in 2022/23 being on 27 June 2022. It should be noted that the Corporate Management Team (CMT) maintains an overview of governance with specific items coming forward as appropriate from the CGG or directorates. In addition, the Council's three statutory officers meet weekly to discuss any emerging issues.
- 4.23 The Council has a Local Code of Corporate Governance 2018-22 in place. The Council refreshed its Local Code of Governance in 2018 to align with the CIPFA / SOLACE publication; Delivering Good Governance in Local Government which was updated in 2016. The Code was to have been reviewed in June 2022 but was instead extended so that it applies up to the end of March 2023.
- 4.24 In recent years there have been continued improvements made to areas such as operational risk management, performance management and maintenance of policies, protocols, strategies and procedures. It is important to ensure that all procedure notes are in place, as required, and that they are periodically reviewed to ensure that they are up to date and where required that they are approved. This is increasingly important as we go forward with local government reorganisation, as the way some services are delivered may look different and procedure notes will need to be updated to reflect this change.

Internal Control

- 4.25 Based on the 19 completed reviews, 89% received a substantial or reasonable rating. If we included the 5 reports issued in draft, there are 75% which have received a substantial or reasonable rating. No audit review in 2022/23 was given our lowest assurance level of 'limited'.
- 4.26 Of the 19 risk based audits (excludes schools) completed, or at draft report stage, 15 received reasonable or substantial assurance (79%), whilst 4 resulted in partial assurance (21%). This is the same as 2021/22 outcomes where 79% received substantial or reasonable assurance.
- 4.27 We have completed 3 follow ups with a further 2 at draft report stage. The outcome of audit follow ups has shown that all 5 (100%) have resulted in improved assurance ratings with 4 now reasonable assurance with the other now partial assurance.

Internal Audit Opinion 2022/23

- 4.28 I am satisfied that sufficient audit work has been undertaken, supported by consideration of other sources of assurance, to allow me to provide an opinion on the adequacy and effectiveness of the Council's risk management, governance and internal control for 2022/23.
- 4.29 A key part of my annual opinion is that it is an independent opinion on the adequacy and effectiveness of the Council's risk management, governance and internal control. It is therefore essential that any actual or perceived threats to Internal Audit's independence is addressed and mitigated. We have considered one issue in 2022/23. As reported in previous years the Group Audit Manager is a friend, and ex-colleague, of the Senior Manager – Pensions and Financial Services. They may well separately attend the same events as part of a wider group of friends. This creates a perceived threat of independence, and this has been mitigated by putting in place safeguards, including the Group Audit Manager having no audit involvement with areas such as pensions and treasury management, with any audit work in these areas managed by one of the Audit Managers. This safeguard means the remaining perceived threat to independence and objectivity is low.
- 4.30 Audit Opinion statements available to me using the agreed Internal Audit reporting methodology are:
- **Substantial Assurance** – sound frameworks of governance, risk management and internal control are in place and are operating effectively.
 - **Reasonable Assurance** - frameworks of governance, risk management and internal control are generally sound with some opportunities to further develop the frameworks or compliance with them.
 - **Partial Assurance** - weaknesses in the frameworks of governance, risk management and / or internal control have been identified or there are areas of non-compliance with the established control framework which place the achievement of system / service objectives at risk.
 - **Limited Assurance** - there are significant gaps in the governance, risk management and/or internal control frameworks or there are major lapses in compliance with the control framework that place the achievement of system / service objectives at significant risk.
- 4.31 Based on my consideration of the evidence, it is my opinion, that I can provide reasonable assurance over the adequacy and effectiveness of the systems for governance, risk management and internal control operated by the Council in 2022/23.

Basis of the Opinion

- 4.32 The opinion is based on the work undertaken by internal audit during the year, which was based on the audit plan approved by Audit & Assurance Committee on 24 March 2022. In addition, consideration has been given to

other sources of assurance such as our ongoing work in 2022/23, the draft Annual Governance Statement 2022/23 and any external inspections.

4.33 Delivering an earlier Head of Internal Audit Opinion for 2022/23, due to the timing of local government reorganisation, means that it is important to consider whether the Head of Internal Audit can issue a complete annual opinion in accordance with professional standards or whether there would need to be a limitation of scope. CIPFA states 'A limitation of scope arises where the Head of Internal Audit is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with professional standards'.

4.34 In assessing whether I can give my Head of Internal Audit opinion for 2022/23 without a limitation of scope I have considered the following:

- **Have I sufficient assurance across each of the three aspects of the opinion; governance, risk management and internal control** – Yes - as outlined earlier in this report we have been able to consider and update our view on all three areas. In doing so we have been able to draw on the audit reviews completed, and in draft, for 2022/23, other sources of assurance and our other work, such as grants certification, also provides additional assurance.
- **Have I obtained sufficient assurance across significant areas of operation of the Council** - Yes – throughout 2022/23 we have considered whether we had sufficient coverage across the five directorates. Where we have needed to do so we have re-prioritised work to ensure that we had sufficient coverage. A later table shows the coverage across the Directorates.

4.35 In overall terms, my opinion is based on 24 reviews, completed or at draft stage (compared with 25 reviews for 2021/22). This represents 78% of audit reviews that would have been given a scored assessment in 2022/23. Given the need for some officers and directorates to continue to respond to the ongoing impact of COVID-19 and the work required around local government reorganisation, it is unlikely that the Council would have had the capacity to be able to support any more audit activity than has been delivered for 2022/23.

4.36 During the year some audit reviews have not progressed as quickly as planned due to various reasons such as staff availability, new officers in post, delays in provision of required information and some officers needing to prioritise other work. It is likely that not all the audit reviews will be delivered by 31 March 2023, the current estimate is that around 85% of audit reviews that would have been given a scored assessment in 2022/23, will be delivered. This is higher than the 76% in 2021/22.

4.37 Reflecting our earlier comments, we have agreed with management that the following audit reviews, in the 2022/23 audit plan, will not be started:

- **CFRS - Asset Management - Assets under £50k** – already completed 2 reviews at CFRS this year, and CFRS unlikely to have had the capacity to actively engage in another review, as they focus on new governance arrangements from 1 April 2023

- **Pensions** – last review completed early 2020/21 and received reasonable assurance. No know issues and will be reviewed as part of Westmorland & Furness Council 2023/24 audit plan
- **Follow up - ICT Service Continuity** – significant amount of work on business continuity and ICT systems already being undertaken as part of local government reorganisation

4.38 I am satisfied that there has been sufficient coverage across the directorates, and consideration of other sources of information, to allow me to provide an opinion without any limitation of scope.

4.39 The audit plan was prepared using a risk based approach designed to provide assurance over the areas considered to be of highest risk to the Council.

Internal Audit Coverage and Outcomes

4.40 The audit plan for 2022/23 was approved by the Audit & Assurance Committee on 24 March 2022. The annual opinion is based on the audits completed, and in draft, from the plan and includes work from the 2021/22 plan where reports were finalised after the 2021/22 audit opinion was prepared. The draft annual opinion for 2022/23, reported to the Audit and Assurance Committee on 9 March 2023, is based on the audits completed, and in draft, from the plan at 24 February 2023. The final annual opinion for 2022/23, to be reported to the Westmorland & Furness Council Audit Committee will be based on the audits completed, and in draft, from the plan at 31 March 2023.

4.41 The table below shows the outcomes of the finalised and draft audit reports at 24 February 2023, including the 5 schools audits.

Assurance level	Completed reviews	Draft reports	Completed and Draft reviews
Substantial	1	0	1
Reasonable	16	1	17
Partial	2	4	6
Limited	0	0	0
TOTAL	19	5	24

4.42 The draft annual opinion is based on the outcomes of 19 completed reviews and 5 report issued in draft. This represents 78% of audits that would have had a scored assessment and is considered sufficient to provide an audit opinion.

4.43 The table below shows the outcomes of the finalised and draft audit reports at 24 February 2023, across the directorates.

Directorate	Completed reviews	Draft reports	Completed and Draft reviews
People	9	2	11
Corporate, Customer & Community Services (CC&CS)	4	0	4
Economy & Infrastructure	2	2	4
Cumbria Fire and Rescue Service (CFRS)	2	0	2
Finance	2	1	3
TOTAL	19	5	24

4.44 We have concluded that, based on the table above, for 2022/23 we have had a sufficient level of coverage across the 5 directorates.

4.45 The 2022/23 audit plan originally included 42 reviews which is lower than the previous year. This was a conscious decision to reflect the fact that one part-time member of staff was taking early retirement in April 2022 and with local government reorganisation there is no ability to rollover partially completed audit reviews into 2023/24. In September 2022 one audit review was removed from the 2022/23 audit plan and it now contains 41 audit reviews.

4.46 In addition to the 24 reviews shown in the tables above we have also completed the following other work including:

- review of risk management arrangements
- advisory work on Local Government Reorganisation (LGR) in respect of the LGR Implementation Reserve and Day 1 Readiness - Governance Arrangements
- certified or provided assurance on 10 grants claims, including 2 relating to additional specific funding for COVID-19
- acting as key contact and co-ordinator for the mandatory NFI exercise
- Group Audit Manager being the workstream lead on local government reorganisation for internal audit and finance legacy tasks.

Statement of Conformance with the Public Sector Internal Audit Standards

4.47 The risk based approach has been designed to ensure all internal audit work is conducted in accordance with the Public Sector Internal Audit Standards (PSIAS). All audit work has been conducted in line with the agreed audit methodology and has been subject to Quality Assurance checks by internal audit management.

- 4.48 It is a requirement of the mandatory Public Sector Internal Audit Standards (PSIAS) that all public sector internal audit functions are subject to an external assessment at least once every five years.
- 4.49 The Council's first assessment was reported in November 2017. This meant that the next External Quality Assessment (EQA) of the Council's Internal Audit arrangements was due no later than November 2022. However, local government reorganisation in Cumbria means the Council will not exist after 31 March 2023. Current arrangements for Internal Audit would only be in place for a very short time after the EQA, meaning any benefit from the EQA would be limited. In addition, each year the Group Audit Manager confirms compliance with the PSIAS, that a Quality Assurance and Improvement Programme (QAIP) is in place and progress made on implementing the recommendations arising from the November 2017 EQA. The last confirmation was reported to the Audit and Assurance Committee on 30 June 2022 with no concerns about the Council's Internal Audit arrangements or the level of conformance with the PSIAS. Therefore, it was agreed that the level of risk from not undertaking the next EQA is low.
- 4.50 At its meeting on 24 March 2022 the Audit and Assurance Committee reviewed the options of whether to undertake the EQA and considered the view from CIPFA. The Committee approved the decision that it was reasonable that the EQA was not undertaken. The Committee also agreed that it should be reported in the 2022/23 AGS that the Council's Internal Audit arrangements are fully compliant with the PSIAS for April to October 2022 and fully compliant with the PSIAS for November 2022 to March 2023 except that a five yearly EQA has not been undertaken due to local government reorganisation.

Results of the Quality Assurance and Improvement Programme (QAIP)

- 4.51 The Public Sector Internal Audit Standards require that the 'Chief Audit Executive' must develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity'. For the Shared Internal Audit Service the Chief Audit Executive is the Group Audit Manager.
- 4.52 The QAIP is designed to provide assurance that the work of internal audit is undertaken in conformance with the Public Sector Internal Audit Standards.
- 4.53 The PSIAS require that a Quality Assurance and Improvement Programme is in place to provide reasonable assurance that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and continually improving Internal Audit's operations as well as contributing to the organisation achieving its objectives.

4.54 The QAIP is documented in Appendix 4 and Appendix 5 shows that the recommendations arising from the November 2017 External Quality Assessment have all been implemented.

Richard McGahon, Group Audit Manager
February 2023

APPENDICES

Appendix 1: Summary of Final reports issued to 24 February 2023

Appendix 2: Progress on completion of planned work 2022/23

Appendix 3: Internal audit performance measures

Appendix 4: Quality Assurance and Improvement Programme

Appendix 5: External Quality Assessment (EQA) findings update

IMPLICATIONS

Staffing: none
 Financial: none
 Property: none
 Electoral Division(s): none

Executive Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No*
Key Decision	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No*
If a Key Decision, is the proposal published in the current Forward Plan?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A*
Is the decision exempt from call-in on grounds of urgency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No*
If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	N/A*
Has this matter been considered by Overview and Scrutiny? If so, give details below.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No*

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS
[including Local Committees]

No previous relevant decisions

CONSIDERATION BY OVERVIEW AND SCRUTINY

Not considered by Overview and Scrutiny

BACKGROUND PAPERS

No background papers

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APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
REPORTS INCLUDED IN THE 2021/22 ANNUAL OPINION – THESE REPORTS WERE INCLUDED IN THE 2022/23 AUDIT PLAN BUT WERE FINALISED IN TIME TO BE INCLUDED IN THE 2021/22 OPINION					
Follow up - CFRS - Operational Assurance	Partial	2	5	0	Details previously reported to the Audit and Assurance Committee meeting on 30 June 2022.
Follow up - Recording of drivers hours	Partial	1	1	0	Details previously reported to the Audit and Assurance Committee meeting on 30 June 2022.
St Marks CE School, Natland	Reasonable	0	7	2	Details previously reported to the Audit and Assurance Committee meeting on 30 June 2022.
Follow up – Safeguarding Adults	Reasonable	0	1	0	Details previously reported to the Audit and Assurance Committee meeting on 30 June 2022.
Progress on implementing CIPFA Financial Management Code	Reasonable	0	2	0	Details previously reported to the Audit and Assurance Committee meeting on 30 June 2022.
REPORT INCLUDED IN THE 2021/22 ANNUAL OPINION – THIS REPORT WAS INCLUDED IN THE 2022/23 AUDIT PLAN BUT WAS SUFFICIENTLY PROGRESSED TO BE AT DRAFT REPORT STAGE BY 31 MAY 2022 AND WAS ABLE TO BE INCLUDED IN THE 2021/22 OPINION BUT ONLY FINALISED AFTER THE 2021/22 OPINION GIVEN					
Financial Sustainability	Reasonable	0	0	0	Details previously reported to the Audit and Assurance Committee meeting on 8 September 2022.

APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
CORPORATE / CROSS CUTTING					
Local Government Reorganisation – Day 1 Readiness - Governance Arrangements	N/A	N/A	N/A	N/A	
<p>This work was an advisory review to assess the governance arrangements in place for Day 1 Readiness. The review considered four areas covering governance, risk management, performance management and action planning and escalation. It should be noted that this review looked at the overall governance arrangements in relation to LGR Day 1 Readiness and not at arrangements relating specifically to the County Council.</p> <p>There were many areas of good practice in place across the four areas reviewed including:</p> <ul style="list-style-type: none"> • documented governance structure for the overall LGR Programme. The Day 1 Board has approved terms of reference and meets on a weekly basis. Membership of the Day 1 Board is comprehensive, and attendance is good. Reporting lines from the Day 1 Board to other Boards / Meetings are documented with regular updates provided to the Programme Board, Boards of each of the Shadow Councils, the Executive / Cabinet meetings of each Shadow Council and the Member Implementation Board. • the Programme Strategic Risk Register now includes a specific Day 1 readiness risk with Day 1 readiness risks also included in theme / workstream risk registers. A process in place for identifying and scoring new risks and adding these to theme risk registers with another process in place for escalation of risks to the Programme Strategic Risk Register. • thorough process to identify all Day 1 requirements and then risk assess / prioritise these into a manageable number. Regular performance report provided to the Day 1 Board. A process and scope for reviews to check basic information in each theme delivery plan has been documented and the first theme review has been completed. A Change Control Register and a decision making and escalation framework in place. • decision and Action log maintained by the Day 1 Board with evidence that actions are completed promptly with no backlog of overdue actions. 					

APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Local Government Reorganisation – Day 1 Readiness - Governance Arrangements (Cont'd)	N/A	N/A	N/A	N/A	
<p>Recommendations were made to improve and enhance governance arrangements in the following areas:</p> <ul style="list-style-type: none"> no formal process for verifying that Day 1 requirements and milestones have been completed. A process and scope for Delivery Plan reviews has been documented but only one theme has been reviewed so far. Day 1 Board performance report is a large and complex spreadsheet with many filters used to view and understand information. Although the Day 1 Lead Officer provides a verbal introduction to the performance report at the Board, there is no documented Executive Summary to highlight the key issues for consideration. the vast majority of Day 1 requirements are due for completion in February and March 2023. The phasing of Requirements completion (with the majority in February and March 2023) increases the risk that not all will be completed by 1 April 2023. <p>It is a matter for the three Senior Responsible Officers (SROs) for the Local Government Reorganisation (LGR) programme to decide how to take forward any recommended improvements.</p>					
PEOPLE DIRECTORATE					
Contain Outbreak Management Fund (COMF) Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 8 September 2022.
Impact of COVID on adult social care visiting practices	Reasonable	0	2	0	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.
SPROC net system (adam) – home care commissioning	Reasonable	0	5	2	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.

APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Sandgate Special School	Reasonable	0	8	3	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> Resources Committee has been set up to support the Governing Body in fulfilling its responsibilities in all financial aspects of the school The Governing Body and Resources Committee meet on a regular basis Declarations of Interests are a standing agenda item for the Full Governing Body meetings School has a service level agreement for the provision of Bursary services, which provides advice and support, assistance with budget preparation, and the preparation of quarterly returns to the Local Authority Regular Budget Monitoring reports, prepared by the School Business Manager are provided to the Resources Committee. The reports included updates on the budget position and predicted out-turn, reference to the reports submitted to the Local Authority and details of funding The 2021/22 Schools Financial Value Standard (SFVS) Assessment forms were completed, appropriately signed and submitted to the local authority in advance of the 31 March 2022 deadline VAT is separately recorded on the accounting spreadsheet and only reclaimed where the purchase invoice shows a VAT registration number School has a Whistleblowing Policy which was approved by the Governing Body in March 2022 School has an Asset Tracker for IT equipment, which provides details of individual asset numbers, dates and where the items are located School has a current registration with the Information Commissioner's Office under the Data Protection Act. 					

APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Sandgate Special School (Cont'd)	Reasonable	N/A	N/A	N/A	
<p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> Individual declarations of business interest had not been completed by all appropriate staff and forms were only seen for 11 of the 12 governors on the current list of Governors. The Resources Committee agendas and minutes did not include declaration of interests as a standing item The Resources Committee Terms of Reference published on the school website was headed Building, Finance, Staff & Pay Committee, not the Resources Committee (as it was renamed in 2021), and the members of the Committee listed on the document includes a name, not on the current list of Governors The Policy for Financial Delegation didn't cover all required areas for a 'cheque-book school', for example preparation of the ISBQ / returns to the LA, authority to check and approve the monthly payroll The Financial Procedures notes did not provide sufficient operational detail for some of the financial processes being carried out and there was no evidence in the minutes examined that the notes had been considered by the Governing Body or Resources Committee The monthly bank reconciliations were not independently reviewed and signed as required by the LA Scheme for Financing Schools A counter fraud policy was not in place There is no evidence retained to show that checks undertaken on the monthly payroll reports had taken place or who had carried them out. As a result, evidence that an appropriate separation of duties exists could not be demonstrated The current process for the ordering of goods / services and the payment of invoices does not comply with the requirements of the LA Scheme for Financing Schools and as a result, evidence that an appropriate separation of duties exists cannot be demonstrated. <p>The expectation, agreed at the time the report was finalised in November 2022, was that 1 medium priority recommendation would be implemented by the end of December 2022, 4 implemented by the end of January 2023 with the other 3 implemented by the end of March 2023.</p>					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Ulverston Victoria High School	Reasonable	0	6	4	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • Comprehensive set of Management Accounts are prepared, on a monthly basis, by the School Business Manager. Copies of the accounts which include detailed figures and narrative are provided to the Governors • Staffing and Finance Committee has been set up to support the Governing Body in fulfilling its responsibilities in all financial aspects of the school • Governing Body and Staffing and Finance Committee meet on a regular basis and minutes are prepared • Declarations of Interests are a standing agenda item for the Full Governing Body and Committee meetings • A policy for financial delegation has been prepared, setting out the areas of responsibility held and delegated by the Governing Body • Monthly bank reconciliations are prepared by the School Business Manager and are independently reviewed and signed by the Head • The 2021/22 Schools Financial Value Standard (SFVS) Assessment forms were completed, appropriately signed and submitted to the local authority in advance of the 31 March 2022 deadline • VAT is separately recorded on the accounting system and only reclaimed where the purchase invoice shows a VAT registration number • School has a current registration with the Information Commissioners Office under the Data Protection Act. 					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Ulverston Victoria High School (Cont'd)	Reasonable	N/A	N/A	N/A	
<p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> School’s budget is currently in deficit, and although a deficit recovery plan has been prepared showing that the deficit is recovered, this also highlights further pressures and predicts that the school will return to a deficit position in 2024/25 The Policy for Financial Delegation includes procurement of contracts and sets out at what level and how many quotations should be obtained, and whether the Governing Body or Staffing and Finance Committee has responsibility for this. However, we were unable to find evidence in the minutes that high value contracts had been discussed and approved by the governors prior to them being signed Evidence of compliance with the authorisation requirements set out in the Scheme of Delegation, and procedures defined in the Finance Manual in respect of ‘Orders for Goods and Services’, could not be fully demonstrated Individual declarations of business interest forms had not been completed for all of the governors, included on the current list of those on the governing body. The Summary Register of Business Interests published on the school website, was in respect of 2020/21 Counter fraud policy was not in place School’s voluntary fund account had not been audited in some time. <p>The expectation, agreed at the time the report was finalised in November 2022, was that 1 medium priority recommendation had already been implemented, 1 would be implemented by the end of November 2022 with the other 4 implemented by the end of December 2022.</p>					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Local Authority Designated Officer (LADO) service	Reasonable	0	0	0	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • a LADO development plan was produced in September 2021 and presented to Children’s Directorate Management Team (DMT) and the Cumbria Safeguarding Children’s Board (CSCP) the same month. The plan aligns with corporate priorities around children and young people and addresses recommendations arising from an external review of LADO cases in July 2021 • Responsibility for the performance and development of the LADO service, and oversight of this, has been clearly defined and allocated in the job specifications for the roles of LADO Team Manager, Service Manager (PSW) and Senior Manager Partnerships & People Improvement • Arrangements are in place for monthly review of the development plan, involving the Senior Manager Partnerships & People Improvement. The plan is updated as an output from the meeting and provides transparency around decisions taken, progress made, risk and issues that have arisen and plan amendments • A development day took place in September 2022 for the team to review priorities and form a plan to take the LADO service forwards. This ensured that all staff were involved and gained a better understanding of service requirements • An Ofsted Inspection of Children’s Services took place in September 2022. The LADO service was reviewed in depth, including interviews with team members and a review of case records. The Ofsted report following the inspection includes a paragraph on the LADO service and describes the management of allegations regarding adults in positions of trust as ‘robust and effective’ • The governance structure provides for senior management to be kept informed of LADO service activity and plan progress. Quarterly progress updates are prepared for the Children and Young People’s Quality and Development Board chaired by the Assistant Director – Children and Young People. Updates are also shared on a periodic basis with Children’s DMT, Cumbria Safeguarding Children’s Board and Integration and Partnerships Senior management Team (SMT). An Annual Report is also produced and shared with these senior management teams that includes benchmarking against the national LADO network minimum standards 					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
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Local Authority Designated Officer (LADO) service (Cont'd)	Reasonable	0	0	0	<ul style="list-style-type: none"> The development plan follows good practice by including nominated action owners, key tasks, target dates for completion and the use of standard RAG ratings to indicate progress made. All actions are subject to ongoing review until completion Good progress has been made against the original development plan and it has evolved to capture new issues as they've been identified for action and monitoring. Only one of the original actions was still being progressed after a year and it has been incorporated into the recently updated development plan, with a revised target date of March 2023 Links are maintained with other local authorities and regional and national LADO networks to maximise improvement opportunities. Learning from a recent national LADO conference around suicide first aid training has been fed into the updated LADO development plan and an intention has been expressed to explore Bury Council's training arrangements with a view to developing similar provision. <p>No recommendations were made as part of this review. The opinion of 'Reasonable' assurance recognises the level of controls in place and the notable strengths. However, full assurance on 'arrangements for further developing the LADO improvement plan going forwards' cannot be given because work was still being progressed to determine what the service will look like going forward, beyond LGR transition on 1st April 2023. Our assessment acknowledges the work that is ongoing and that the current position is due to factors outside of the team's control. It is clear the team plan to address this area as soon as information is shared about how the future LADO service will be delivered.</p>

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		High	Medium	Advisory	
Croftlands Junior School	Reasonable	0	5	2	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • Finance & Staffing Committee is in place to support the Full Governing Body (FGB) in fulfilling its responsibilities in all financial aspects of the school. • The Governing Body and Finance & Staffing Committee meet on a regular basis • Declarations of Interests are a standing agenda item for the Full Governing Body meetings • All Governors and staff with financial responsibilities have signed a Business Interest Form • The School has a service level agreement for the provision of Bursary services, which provides advice and support, assistance with budget preparation, and the preparation of quarterly returns to the Local Authority • Regular detailed budget monitoring reports, prepared by the Bursar, are provided to the Finance & Staffing Committee and FGB • The 2021/22 Schools Financial Value Standard (SFVS) Assessment forms were completed, appropriately signed and submitted to the local authority in advance of the 31 March 2022 deadline • Whistleblowing Policy in place which was approved by the Governing Body in July 2022 • Counter Fraud Policy in place which was approved by the Governing Body in July 2022 • The School has a current registration with the Information Commissioner’s Office under the Data Protection Act • The School has recently produced an Asset Tracker for IT equipment, which provides details of individual asset numbers, dates and where the items are located. 					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Croftlands Junior School (Cont'd)	Reasonable	N/A	N/A	N/A	
<p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> • Governors' minutes do not contain sufficient detail of the financial reports considered or what the financial position was • The reconciliations between E5 and the School's own financial records are not independently reviewed and signed • No evidence retained to show that the checks undertaken on the monthly payroll reports have taken place, or that the Head has approved the payroll as correct • The school's documented procedures / guidance on financial administration and management need updated • The school does not receive assurance from its ICT provider that testing has been carried out on the software to ensure information can be restored. <p>The expectation, agreed at the time the report was finalised in December 2022, was that the 3 of the medium priority recommendations would be implemented by the end of December 2022 with the other 2 implemented by the end of January 2023.</p>					

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		High	Medium	Advisory	
Infection Prevention and Control Grant	Reasonable	0	3	0	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • Robust arrangements in operation that ensured all providers received and formally accepted grant terms and conditions • Efficient arrangements in operation to ensure that all certification stating funding spent by providers had been submitted • All required returns to the DHSC had been completed and returned by the Council. <p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> • No evidence had been requested from providers to demonstrate that spending had actually taken place, although reasonableness checks had been done on provider returns • The service could not readily provide information on the amount of unspent funding due back to the Council from individual providers or what steps had been taken to recover these funds • No lessons learned exercise has taken place to assess the effectiveness of the administration of the grant. <p>The expectation, agreed at the time the report was finalised in February 2023, was that the 3 medium priority recommendations would be implemented by the end of February 2023 but recognising that in some cases this will only be relevant for any funding schemes from February 2023.</p>					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Children's Direct Payments	Partial	4	3	0	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> Management demonstrates clear and visible commitment to improving arrangements around children's direct payments through their refreshed approach, appointment of a Direct Payments Review Officer and efforts to address issues in the service. <p>High priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> Lack of clarity around monitoring roles and responsibilities. Consequently, the monitoring arrangements currently in place are ad-hoc, reactive and uncoordinated Direct Payment Reviews are not being undertaken consistently, in accordance with the Children Act 1989 There is no evidence of People First monitoring the direct payment accounts they manage and returning unused surplus balances to the Council. Evidence has not been provided of the risk management arrangements around children's direct payments. Also, payment runs are prepared and submitted by one member of staff, without documented procedures in place or arrangements for the payment runs to be independently checked and authorised prior to payment. <p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> The direct payment process is complex and fragmented across different teams / directorates without clear overall oversight or accessible, up to date and comprehensive policy and procedures Systems are not picking up all children approaching 18 years old for a managed transition to Adult Social Care Lack of clarity around the outstanding health contributions due from Integrated Care Boards (ICBs) and the amount of debt transferring to the two new Councils following local government re-organisation (LGR). <p>The expectation, agreed at the time the report was finalised in February 2023, was that the implementation of the 4 high priority recommendations would be a matter for the two new unitary councils, 2 of the medium priority recommendations would be implemented by the end of March 2023 with the implementation of the other one being ongoing.</p>					

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Older Adults Residential Care - Significant Contracts	Reasonable	0	2	0	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • Responsibility for the Framework has been clearly defined and allocated through post specifications and an up-to-date operational structure chart for the Strategic Commissioning Team • The meeting structure within Strategic Commissioning supports regular reporting of contract management issues and performance up to senior management • The Brokerage Team, Procurement Team and Quality and Contracts Team each have their own guidance notes, procedures and flowcharts that further clarify roles and responsibilities and provide direction for expected actions and activities • The framework contract requires providers to maintain up to date Business Continuity Plans to address potential failure or service interruption • Ordering procedures are clearly set out in the contract and complied with • Arrangements are in place for customers to make informed and documented decisions regarding their preferred provider via the Brokerage Team • Controls ensure that only eligible customers can receive services through the contract, and only from genuine providers accepted onto the framework contract • A set of service user focused outcomes that reflects national guidance is incorporated into the contract. It helps to clarify expectations around standards and care quality and encourage improvement • Arrangements are in place to address instances of provider failure and to support providers that are struggling • Despite the restrictions brought about by the Covid pandemic, efforts have been made to regularly engage with providers through weekly phone calls, offers of support and structured conversations to maintain relationships and further develop trust • Opportunities are taken to review and discuss the performance of providers with partners at regular multi-agency RADAR meetings and jointly agree intervention activity and improvement actions. 					

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		High	Medium	Advisory	
Older Adults Residential Care - Significant Contracts (Cont'd)	Reasonable	N/A	N/A	N/A	
<p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> • Risks are not captured in department and directorate risk registers for regular consideration and management • Care home management information is not submitted by all homes in accordance with the contract. The data collected is not analysed and presented in a format that effectively supports contract monitoring activities undertaken by Quality and Contracts Officers within the Commissioning Team for regular review. <p>The expectation, agreed at the time the report was finalised in February 2023, was that the 2 medium priority recommendations would be implemented by the end of March 2023.</p>					
CORPORATE CUSTOMER AND COMMUNITY SERVICES DIRECTORATE					
Follow up – Data Protection Compliance	Reasonable	0	3	0	Details previously reported to the Audit and Assurance Committee meeting on 8 September 2022.

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
COVID Grants	Reasonable	0	0	0	
<p>During the COVID-19 pandemic the Council received substantial COVID related funding from various sources, which was distributed to the Cumbrian district councils, other outside bodies, and internally within the Council. The nature of the COVID pandemic meant that decisions on how to distribute the funds had to be made quickly, at an unprecedented pace. This audit review looked at the governance framework for distributing the funds, identifying what went well and, because it was a retrospective view, it identified lessons learnt which could be incorporated into future schemes, if the need arises.</p> <p>Areas of good practice identified:</p> <ul style="list-style-type: none"> • Early contact and liaison with Internal Audit about systems and processes to be used so that audit certifications / declarations could be made (Contain Outbreak Management Fund - COMF) • Officer Decision Records (ODR) in place documenting rationale, links back to grant conditions and evidence of approval (COMF) • There were some grant agreements in place outlining requirements (COMF) • There was some evidence of monitoring expenditure and whether it was in accordance with the use of the grant (COMF) • Internal Audit sample testing confirmed that spending was in accordance with grant terms and conditions (COMF) • Robust control in place to ensure that all providers had received, and returned, their agreement to the grant terms and conditions (Infection Prevention and Control - IPC, ASC rapid testing - RT) • Arrangements in place to ensure that all providers return their spending statements on a regular basis (IPC) <p>Use of established third parties, with a track record of working with them, to support some programmes (Winter grant schemes).</p>					

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		High	Medium	Advisory	
COVID Grants (Cont'd)	Reasonable	N/A	N/A	N/A	
<p>Suggested future arrangements:</p> <ul style="list-style-type: none"> • knowledge of individual claims is shared with other officers to ensure capacity and to provide resilience for key contacts • from the outset, consideration should be given to: <ul style="list-style-type: none"> ○ the evidence that will be required from those receiving funding, and this should be documented so that the rationale is clear and agreed by all parties ○ how to identify when allocated funding has not been spent so that it can be reallocated for other allowable purposes ○ the evidence required to demonstrate how discretionary funding has been spent by providers so that the benefit provided from the funding can be demonstrated • where the Council allocates grant funding internally there needs to be arrangements in place to clearly demonstrate how the funding was used and how it complies with the grant terms and conditions • Consideration should be given to the arrangements, and circumstances, for recovering unspent monies given to providers 					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Accounts Receivable	Reasonable	0	2	1	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • The Council's Constitution includes procedures for Accounts Receivable • Accounts Receivable system users have been appropriately authorised • Robust arrangements are in place to ensure data is bona fide, accurate and complete • Comprehensive information on aged debt is provided on a regular, and timely basis, to Finance Managers who discuss any issues with the relevant budget holders as part of the monthly budget monitoring process. • Effective arrangements are in place to ensure that all income relating to sales invoices is accurately coded and accounted for • Income Suspense account is reviewed on a regular basis and any unallocated receipts are cleared as soon as possible • Write-offs over £10,000 have been reported to the Audit and Assurance Committee in accordance with the requirements of the Constitution. <p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> • Not all debtors are receiving regular statements detailing outstanding debt • There was not always documentation to evidence that write offs had been approved according to the Council's Constitution or that the Monitoring Officer had confirmed their agreement with the write-off. <p>The expectation, agreed at the time the report was finalised in January 2023, was that the 2 medium priority recommendations would be implemented by the end of March 2023.</p>					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
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Review of progress on addressing staff fixed term contracts	Partial	1	0	0	<p>The audit review identified issues around risk management and overall project planning and monitoring arrangements. However, based on our sample testing we concluded that the contractual outcome for individual employees was consistent with our expectation of how they should have been treated. To reflect the forthcoming Local Government Reorganisation (LGR), and cessation of the Council on 31st March 2023, we made one high priority recommendation and, where issues have been identified, we have outlined the things that would need to be put in place, for a future event, should it occur, without the need for retrospective actions in those areas where issues were identified.</p> <p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • There is an awareness of the risks corporately and within directorates and evidence that the Senior Risk Officer has been consulted on the risk • The risk around fixed term contracts reflected within the current Workforce Capacity corporate risk, under the workforce planning section and reported in the Q2 Corporate Risk Register update to the Audit and Assurance Committee on 6 December 2022 • Broad principles for the review are in place (but there is a lack of clarity on what the process is) • There is evidence that action is being taken in directorates to review the position for individuals within their service. <p>High priority recommendation was made in the following area:</p> <ul style="list-style-type: none"> • A date was still to be agreed with CMT for when all remaining fixed term contracts will have been reviewed.

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
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Review of progress on addressing staff fixed term contracts (Cont'd)	Partial	N/A	N/A	N/A	
<p>Suggested future arrangements:</p> <ul style="list-style-type: none"> • Relevant risks should be included in directorate risk registers. When the directorate risk register is reviewed, the risk would be re-assessed, and clarity provided on the current position and mitigating controls in place and any corrective action required • At the start of large projects there should be a comprehensive project plan in place which clearly sets out overall project lead, roles and responsibilities, membership of the project team, objectives and principles, clear definitions and terminology, actions with specified action owners, resource requirements, timescales, milestones, reporting lines and frequency of reporting • When key project staff leave, or are replaced, there should be a structured handover to ensure that there is clarity about where tasks are up to, and actions needed to ensure the smooth continuation of the project • For future projects, guidance to managers, setting out the factors to be considered, should be clearly documented, and distributed to support consistent decision making • Any project that needs to deal with large volumes of data should have a clear reporting process, and timetable of reporting in place to help identify areas where remedial action is required • Ensure that data is up to date and that any changes made are actioned on a timely basis. <p>The expectation, agreed at the time the report was finalised in February 2023, was that high priority recommendation would be implemented by Mid-February 2023 for most staff but up to 31 March 2023 for the rest.</p>					

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		High	Medium	Advisory	
ECONOMY AND INFRASTRUCTURE DIRECTORATE					
Growth Hub Grant 2021/22	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 8 September 2022.
Peer Network Funding Grant 2021/22 for Cumbria LEP	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 8 September 2022.
Contract management – non-significant contracts – Highways Road Surfacing	Reasonable	0	7	2	Details previously reported to the Audit and Assurance Committee meeting on 8 September 2022.
Bus Service Operators Grant (BSOG)	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.
Disabled Facilities Grant (DFG)	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.
Local Transport Capital Funding BLOCK 2021/22 Grant (including Pothole funding)	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.
TIIF Highways Maintenance Challenge Fund Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.
Live Labs Grant	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.

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COVID-19 Bus Services Support Grant 2020/21	N/A	N/A	N/A	N/A	Audit report issued on 25 November 2022.
Follow up - CNDR Connect contract management	Reasonable	0	4	0	
<p>The assurance level has improved from partial to reasonable assurance.</p> <p>In March 2019, CNDR Connect contract management was assessed as partial assurance, with the original report included 9 recommendations (4 high and 5 medium priority) plus an advisory recommendation. The original report was followed up with the findings reported on 1 December 2021. The assurance level did not improve in the follow up report and remained partial assurance with none of the high or medium priority recommendations having been fully implemented. At the time 2 high priority recommendations had been partially implemented (re-graded as medium priority) and 7 recommendations had not been fully implemented, including 2 high priority recommendations.</p> <p>A further follow up was undertaken and reported on 2 February 2023. This showed that the assurance level had improved from partial to reasonable assurance. The first follow up report included 9 recommendations (2 high and 7 medium priority). The second follow up found that 5 recommendations have been fully implemented (including 1 high priority), 2 recommendations have been partially implemented (including 1 high priority now re-graded as medium priority) and 2 recommendations have not been implemented.</p> <p>The high priority recommendation, which has been partially implemented, has been re-graded as medium priority. Risk management arrangements have improved with the introduction of a detailed tactical risk register which captures key operational risks. Although informed this is reviewed at the quarterly internal Board meetings there was no record to evidence this in the Board's Action Notes. The contract risk matrix appended to the Contract Management Plan has not been updated to include mitigating controls, but this will be done when the Contract Management Plan is next reviewed.</p> <p>The medium priority recommendation, which has been partially implemented, has remained a medium priority. A risk-based audit schedule has been documented but there needs to be clarity over approval of the schedule and monitoring and reporting arrangements for the annual audit programme. There are still 2 medium priority recommendations that have not been implemented. The development of objectives for the Client team was ongoing and the Network Engineer had still to receive an appraisal. Training needs of the Client team still need to be evaluated, particularly, considering the further team changes and both a new Contract Manager and Graduate Apprentice.</p>					

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CUMBRIA FIRE AND RESCUE SERVICE					
Police and Crime Panel Grant 2021/22	N/A	N/A	N/A	N/A	Details previously reported to the Audit and Assurance Committee meeting on 8 September 2022.
Follow up - CFRS - Procurement and Disposal of Vehicles and Major Operational Equipment	Reasonable	0	5	0	
<p>The assurance level has improved from partial to reasonable. There were 7 recommendations in the original report (2 high, 4 medium and 1 advisory). One medium priority recommendation had been fully implemented. The 2 high priority recommendations have been partially implemented and have been sufficiently progressed for them to be reclassified as medium priority. The other 3 medium priority recommendations have not been implemented.</p> <p>The medium priority recommendations relate to:</p> <ul style="list-style-type: none"> • CFRS has drafted policies on the procurement and disposal of vehicles and operational equipment and Internal Audit has provided feedback on them. The policies are still draft so have not yet been approved or communicated to other staff (previous high priority recommendation) • Details of disposals are recorded on the new asset register (ID Hammer), identifying date of disposal, reason and who input the data into the system. However, there is no evidence of formal approval of disposals (as required in the draft disposals policy) and to date no operating instructions for completing the disposal screens have been documented. Currently this is not causing any problems, as only 2 staff (both System Administrators) can record disposals on ID Hammer, but once sufficient licences are available, other staff will be able to do this (previous high priority recommendation) 					

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Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Follow up - CFRS - Procurement and Disposal of Vehicles and Major Operational Equipment (Cont'd)	Reasonable	N/A	N/A	N/A	<ul style="list-style-type: none"> • Arrangements for procurement support to CFRS have not been formalised but these will be subject to new arrangements following LGR and CFRS being overseen by the Office of the Police & Crime Commissioner (OPCC) • CFRS should ensure that evidence of the inspection visits to the Supplier, to check on the build progress of new fire engines, is retained. There should be written documentation that agreement has been given by CFRS for the release of the interim and final payments to the supplier. These arrangements should also be set out in the CFRS Procedure for procurement of vehicles • CFRS's periodic physical check of vehicles, to what is recorded on TRANMAN, should be more robust to ensure that the asset register is up to date and that insurance is in place as required. Evidence that the check has taken place and that any anomalies identified have been followed up should be clearly recorded.

APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
CFRS – Maintenance of Operational Equipment	Reasonable	0	3	1	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • Training was provided on ID Hammer so that each station had a system champion who could be the single point of contact for queries and guidance was issued on how to record tests on the system • Unique user ID's and passwords are required to access the ID Hammer system • Test results are recorded in ID Hammer and the system also automatically records the user and input date when test results are entered • Arrangements are in place for external suppliers to undertake specialist testing of equipment • Arrangements are documented for recording items of equipment that fail their test • Adverse Safety Event information is included in quarterly health and safety reports received by the Strategic Leadership Team. <p>Medium priority recommendations were made in the following areas:</p> <ul style="list-style-type: none"> • Inspection / test frequencies are not recorded against items of equipment in the ID Hammer system • The periodic inspection testing policy requires updating • Reporting is not yet in place for the ID Hammer system meaning that management information is not readily / easily available. <p>The expectation, agreed at the time the report was finalised in January 2023, was that 1 medium priority recommendation would be implemented by the end of April 2023 with the other two implemented in September 2023.</p>					

APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
FINANCE DIRECTORATE					
Local Government Reorganisation (LGR) – Implementation Reserve	Reasonable	0	2	3	Details previously reported to the Audit and Assurance Committee meeting on 6 December 2022.
Treasury Management	Substantial	0	1	1	
<p>Summary of controls that were operating effectively:</p> <ul style="list-style-type: none"> • The Council's Treasury Management Policy, investment and borrowing strategies have been documented in a Treasury Management Strategy Statement which is updated and approved on an annual basis • Treasury Management is included on the Finance Directorate Risk Register, controls and processes are in place to mitigate the risks identified. The Treasury Management Practices also set out the identified Treasury Management risks and how the Council mitigates them • Money Laundering Policy in place for the Council, which is included in the Constitution. The Treasury Management Practices also include Money Laundering and reference related legislation and regulations • The Treasury Management team are experienced staff, that have been undertaking their role for several years. There is an annual training record maintained for the staff involved in the treasury management function and appropriate resilience arrangements are in place to cover for absence • The Council has Fidelity Guarantee Insurance in place to cover for losses caused by any dishonest acts of employees • Cash liquidity is managed daily, ensuring sufficient funds are available as required whilst maximising investment of surplus funds • The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Council's treasury management advisors (Link Asset Services) who provide timely updates and advice on the standing of counterparties. This service uses a risk weighted scoring system model based on ratings from the three main rating agencies - Fitch, Moodys and Standard and Poors. • Investments examined as part of audit testing were in accordance with policy and procedures, recorded correctly with appropriate supporting documentation retained demonstrating separation of duties 					

APPENDIX 1 – SUMMARY OF OUTCOMES OF FINAL AUDIT REPORTS ISSUED TO 24 FEBRUARY 2023

Audit Review	Assurance Level	Recommendation Priority			Summary of key outcomes and recommendations
		High	Medium	Advisory	
Treasury Management (Cont'd)	Substantial	N/A	N/A	N/A	<ul style="list-style-type: none"> The Council has adopted the Treasury Management Indicators required by the Prudential Code The Council follows the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management which lays down reporting requirements to ensure best practice. <p>Medium priority recommendation was made in the following areas:</p> <ul style="list-style-type: none"> At the time of the audit, and after a change in role, one of the users set up in FIS Global (the Money Market Fund Dealing Portal) was also set up as a 'releaser' in Bankline. However, since becoming a 'releaser' the individual no longer covers any treasury dealing duties; and internal controls ensure there is automatic notification from FIS Global to advise all users of a deal being made. <p>The one medium priority recommendation was implemented as soon as the issues was identified.</p>

APPENDIX 2 – PROGRESS ON AUDIT WORK 2022/23

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
COMPLETION OF WORK IN PROGRESS FROM PREVIOUS YEAR PLANS		70		
People	SPROC net system (Adam) - Home Care Commissioning		Completed	Reasonable
Corporate	Financial Sustainability		Completed	Reasonable (included in 2021/22 opinion)
Finance	Progress on implementing CIPFA Financial Management Code		Completed	Reasonable (included in 2021/22 opinion)
People	Direct Payments / Individual service funds		Draft report issued	
People (Schools)	St Mark's School, Natland		Completed	Reasonable (included in 2021/22 opinion)
Economy and Infrastructure	Follow up – Planned maintenance		Draft report issued	
Economy and Infrastructure	Follow up – Recording of drivers hours		Completed	Partial (included in 2021/22 opinion)
Corporate Customer & Community Services	Follow up – Ethical Policies		Fieldwork	
Follow up	Follow up - Safeguarding adults		Completed	Reasonable (included in 2021/22 opinion)
Follow up	Follow up – CFRS Operational assurance		Completed	Partial (included

APPENDIX 2 – PROGRESS ON AUDIT WORK 2022/23

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
				in 2021/22 opinion)
Corporate	Review of risk management arrangements	15	Completed	Not scored
Corporate / cross cutting	Local Government Reorganisation (LGR) – Implementation Reserve	60	Completed	Reasonable
Corporate / cross cutting	Local Government Reorganisation – support and assurance	120	Completed	Advisory work
Corporate Counter-fraud	Review of Counter-Fraud arrangements	15	Fieldwork	
People	Older Adults Residential Care – Significant Contracts	20	Completed	Reasonable
People	Regional Adoption Agency	20	Removed from audit plan	
People	Impact of COVID on adult social care visiting practices	25	Completed	Reasonable
People	Local Authority Designated Officer (LADO) service	20	Completed	Reasonable
People	Children’s Direct Payments	20	Completed	Partial
People	Infection Prevention and Control Grant	20	Completed	Reasonable
People (Schools)	See details below	60		
People (Schools)	Ulverston Victoria High School		Completed	Reasonable
People (Schools)	Netherhall School, Maryport		Draft report issued	
People (Schools)	Croftlands Junior School		Completed	Reasonable

APPENDIX 2 – PROGRESS ON AUDIT WORK 2022/23

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
People (Schools)	Sandgate Special School		Completed	Reasonable
Corporate Customer & Community Services	COVID grants	20	Completed	Reasonable
Corporate Customer & Community Services	Review of progress on addressing staff fixed term contracts	20	Completed	Partial
Economy & Infrastructure	Contract management – non-significant contracts – Highways Road Surfacing	20	Completed	Reasonable
Economy & Infrastructure	Highways Operational maintenance – Phase 2	20	Fieldwork	
Economy & Infrastructure	New Highways Information Management System	20	Fieldwork	
Economy & Infrastructure	Capital Programme – Monitoring and Management of Consultancy Spend and Utilisation	25	Draft report issued	
Economy & Infrastructure	Follow up - CNDR Connect contract management	20	Completed	Reasonable
Cumbria Fire & Rescue Service	Assets Management - Assets under £50k	20	Agreed not to start	
Cumbria Fire & Rescue Service	Maintenance of Operational Equipment (excluding vehicles)	20	Completed	Reasonable
Financial System audit	Treasury Management	15	Completed	Substantial
Financial System audit	Pensions	20	Agreed not to start	
Financial System audit	Accounts Receivable	15	Completed	Reasonable

APPENDIX 2 – PROGRESS ON AUDIT WORK 2022/23

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
Financial System audit	Controcc	15	Fieldwork	
Follow up Audits	Follow up provision (see below)	40		
Follow up	Follow up – Lakes School, Windermere		Draft report issued	
Follow up	Follow up – High Needs Block (Education and Health Care Plan (EHCP)) budget management		Fieldwork	
Follow up	Follow up – Data Protection Compliance		Completed	Reasonable
Follow up	Follow up – ICT Service Continuity		Agreed not to start	
Follow up	Follow up – CFRS - Procurement and Disposal of Vehicles and Major Operational Equipment		Completed	Reasonable
Grants				
People	Focus Families grant claims	10	In progress - Internal Audit attending PBR meetings and undertake a 10% sample check on files to support the claim.	
	Other Grant Claims – See below (Allocation for all claims received in year)	75		
	Police and Crime Panel Grant		Completed	
	Growth Hub Grant 2021/22		Completed – this work relates to Cumbria LEP where Cumbria CC is the	

APPENDIX 2 – PROGRESS ON AUDIT WORK 2022/23

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
			accountable body.	
	Peer Network Funding Grant 2021/22 for Cumbria LEP		Completed – this work relates to Cumbria LEP where Cumbria CC is the accountable body.	
	Contain Outbreak Management Fund (COMF) Grant		Completed	
	Bus Service Operators Grant (BSOG)		Completed	
	Local Transport Capital Funding BLOCK 2021/22 Grant (including Pothole funding)		Completed	
	Cumbria Live Labs		Completed	
	TIIF Highways Maintenance Challenge Fund Grant		Completed	
	Disabled Facilities Grant		Completed	
	COVID-19 Bus Services Support Grant 2020/21		Completed	
Corporate	National Fraud Initiative	50	Match reports have recently been released by the Cabinet Office. Internal Audit is meeting with departmental contacts to agree strategy on checking these so that all	

APPENDIX 2 – PROGRESS ON AUDIT WORK 2022/23

Directorate / Audit type	Audit	Planned days	Stage	Assurance level
			high-risk areas are reviewed as soon as possible. It is inevitable that the investigation of matches will continue beyond 31 March 2023 and the Cabinet Office has advised that access to relevant information will be made available to the two new unitary Councils in Cumbria.	
	General advice to reflect the changing environment in which we work and that issues may arise during the year. This time could be used for general advice, consultancy type work, or to provide proactive assurance on aspects of control during project implementation or emerging issues.	25	As required.	
	Liaison with 2nd line of defence colleagues to continue to develop annual audit opinion on risk management arrangements and input into the development of corporate approaches to fraud and governance (including Annual Governance Statement).	15		
Management, planning, supervision		140		
Internal audit service development		20		
TOTAL DAYS AS PER AGREED PLAN		1,090		

Appendix 3 – measures of internal audit performance

Measure	Description	Target	Actual	Explanations / remedial action required
Completion of audit plan	% of audits completed to draft / final report	72% (based on 2021/22 actual)	78%	32 reports out of 41.
Audit scopes agreed	Scoping meeting to be held for every risk based audit and client notification issued prior to commencement of fieldwork.	100%	100%	
Draft reports issued by agreed deadline	Draft reports to be issued in line with agreed deadline or formally approved revised deadline where issues arise during fieldwork.	70%	83%	
Timeliness of final reports	% of final reports issued for corporate director comments within 5 working days of management response or closeout meeting (where no additional work required to be undertaken)	90%	100%	
Recommendations agreed	% of high / medium priority recommendations accepted by management	95%	100%	
Assignment completion	% of individual reviews completed to required standard within target days or prior approval of extension by audit manager.	75%	84%	
Quality assurance checks completed	% of QA checks completed	100%	100%	

Measure	Description	Target	Actual	Explanations / remedial action required
Customer Feedback	% of customer satisfaction survey scoring the service as good.	80%	86%	Based on 5 questionnaires returned YTD.
Chargeable time	% of available auditor time directly chargeable to audit jobs.	80%	86%	

APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

On-going reviews conducted through	Elements
Supervision of engagements	<ul style="list-style-type: none"> • Work is allocated from the annual risk-based plan by the internal audit management team • Staff are involved in developing audit scope in conjunction with audit clients prior to commencement • Work is supervised to ensure that it complies with the approved methodology for carrying out an audit • Audit Manager / Principal Auditor attend close out meetings to support the auditor and ensure that key messages are relayed appropriately • Internal Audit reports signed off by Audit Manager • Audit reports with less than Reasonable Assurance subject to final review by Group Audit Manager.
Regular, documented review of working papers during engagements	<p>Audit Manager / Principal Auditor review each audit file to ensure:</p> <ul style="list-style-type: none"> • The scope and objectives of the audit have been agreed with clients and adequately documented and communicated • Key risks have been identified • The audit testing strategy has been designed to meet the objectives of the audit and testing undertaken to the extent necessary to provide an audit opinion for each piece of work • Audit has been completed in a thorough, accurate and timely manner • The standard of working papers and evidence collected during the audit are in accordance with

On-going reviews conducted through	Elements
	<p>audit processes and procedures</p> <ul style="list-style-type: none"> • The draft audit report fully reflects all findings from the audit, and these are properly explained, and practical recommendations made • The assurance rating is fully supported by the working papers and can be justified by the auditor • The audit has been completed within the time allocation • The audit report has been produced to a good standard in an accurate and timely manner • Training and development needs are identified through the review process • Periodic reviews by the Group Audit Manager to ensure that the quality assurance process is being applied consistently.
<p>Audit manual containing all key policies and procedures to be used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards</p>	<ul style="list-style-type: none"> • Audit manual contains the risk-based audit methodology and key working papers, the code of ethics and performance measures for the Cumbria internal audit service • The audit manual is updated on an on-going basis, as required.

APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

On-going reviews conducted through	Elements
Feedback from customer survey on individual assignments	<ul style="list-style-type: none"> • Customer feedback form in place and linked to performance measures for internal audit • Feedback form issued for all risk based internal audit assignments • Feedback from client satisfaction forms passed on to individual auditors. Any areas identified for learning and development are taken forward • Any common issues are identified, and action taken where necessary.
Analysis of performance measures established to improve internal audit effectiveness and efficiency	<ul style="list-style-type: none"> • Monthly monitoring of performance measures by the audit management team • Feedback to individuals / teams as appropriate • Quarterly reporting to Audit and Assurance Committee and the Corporate Management Team (CMT).
All final reports and recommendations are reviewed and approved by the Audit Manager	<ul style="list-style-type: none"> • Formal sign off and issue of all final reports and recommendations by Audit Manager • Audit report template includes comments from Executive Director.
Annual risk assessments for the purposes of annual audit planning	<ul style="list-style-type: none"> • Annual risk assessment of audit universe as part of the planning process.

APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Periodic reviews conducted through	Elements
Annual assessment of Internal Audit's conformance with its Charter, PSIAS with an improvement plan produced to address any areas of non-conformance identified	<ul style="list-style-type: none"> • Review of Charter for conformance • Annual completion of CIPFA checklist for assessing conformance with the PSIAS • Improvement plan produced to address areas of non-conformance • Service development plan identifying actions for service improvement.
Benchmarking with other Internal Audit service providers	<ul style="list-style-type: none"> • Benchmarking through regional and national level networks by attending the following Heads of Internal Audit groups including the Local Authority Chief Auditors Network (LACAN – all local authorities) and North West Chief Audit Executives (NWCAE – North West based local authorities).
Quarterly reports to audit committees on progress with delivery of the audit plan	<ul style="list-style-type: none"> • Preparation of progress report for each Audit and Assurance Committee and attendance by Group Audit Manager and / or Audit Manager.
Annual sign up to Code of Ethics by all internal audit staff	<ul style="list-style-type: none"> • Signed declaration from all internal audit staff.
Annual completion of declaration of business interests from by all internal audit staff	<ul style="list-style-type: none"> • Signed declaration from all internal audit staff.

APPENDIX 4 – QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

EXTERNAL ASSESSMENTS (PSIAS ref: 1312)

External Assessments will be carried out in accordance with the requirements of the PSIAS and reported to Audit and Assurance Committee as appropriate.

The first External Quality Assessment (EQA) was carried out in November 2017, in line with the requirement of the PSIAS to have an external assessment at least every five years. In March 2022, the Audit and Assurance Committee agreed, after considering CIPFA's view, that it was reasonable not to undertake the EQA due in November 2022 as any benefit from the EQA would be limited due to the timing of local government reorganisation.

REPORTING ON THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (PSIAS ref: 1320)

The results of the quality assurance programme and progress against any improvement plans must be reported in the annual report.

Internal Assessments – outcomes of internal assessments will be reported to the Audit and Assurance Committee on an annual basis.

External Assessments – results of external assessments will be reported to the Audit and Assurance Committee and S151 officer at the earliest opportunity following receipt of the external assessor's report. The external assessment report was accompanied by a written plan in response to findings and recommendations contained in the report and was reported to Audit and Assurance Committee on 20 March 2018.

Follow up – all audits receiving less than reasonable assurance will be followed up. Usually this will occur within six to twelve months of the original report being issued but will vary dependent on the agreed timescales for the recommendations to be implemented and any known implementation issues. Directorates are responsible for monitoring the implementation of audit recommendations. Therefore, rather than following up all recommendations we changed our follow up approach in 2019/20 so that we only follow up high priority recommendations and a sample of medium priority recommendations. This approach provides a more balanced use of our limited audit resources, whilst at the same time allowing enough work to be undertaken to assess progress on implementing the recommendations, allowing us to provide up to 'Reasonable' assurance.

APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
Nature of internal auditing (Standard 2100 Nature of internal audit work)			
<p><u>Finding 1</u></p> <p>Risk based internal audit is most effective when the organisation has a clear definition of its strategic risks with detailed identification of the controls and monitoring arrangements designed to mitigate the risks to an acceptable level. From this it is then possible to match who is best placed to provide assurance mitigation is working (an assurance map based on the 3 lines of defence) to prevent gaps or duplication in assurance. The annual internal audit plan can then be derived from the assurance map and include review of those other forms of assurance.</p> <p>Our recommendations below are designed to achieve this objective and will further facilitate general conformance to professional internal auditing standards. However, we would ask the Audit & Assurance Committee to consider its overall aim for risk based auditing and how a risk based culture will be reinforced.</p>	<p><u>Action 1 – Corporate Action</u></p> <p>A refresh of the Corporate Risk Register is in progress and will address the recommendation for greater clarity over mitigating actions.</p>	<p>In the first quarter of 2018/19 responsibility for the Risk and Performance Management functions transferred to the Director of Finance (s.151 Officer).</p> <p>In Q1 of 2018/19 a new Corporate Risks reporting template was implemented to simplify the links between the causal factors of the risk and the key corporate and operational controls and measures in place to maintain or mitigate the risk.</p> <p>The Corporate reporting template demonstrates both the current controls and measures in place and planned improvements for the following quarter.</p> <p>The Risk Owners Group (ROG) was established in August 2018. Its role is to challenge and approve the quarterly risk register before it is presented to CMT, as well as embedding corporate and operational risk management standards of practise across all Directorates and business processes.</p>	<p>Completed</p>

APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
Coordination and reliance (Standard 2010 Planning – non-conformance)			
<p><u>Finding 2</u></p> <p>We acknowledge the work within the wider Council to develop strategic risk management processes and the strategic business assurance framework. As part of this progress management should begin to map who is best placed to provide assurance that risk mitigation for strategic risks is reliable and working. Active participation by the Group Audit Manager to achieve a coordinated approach will help to maximise assurance resources and achieve conformance to the standard.</p>	<p><u>Action 2 – Corporate Action</u></p> <p>The recommendation is supported and will be addressed within the strategic review of risk management arrangements.</p>	<p>This was first included in the 2018/19 Audit Plan which outlined in Appendix 2 – How Internal Audit Plan addresses risks in Corporate Risk Register. This showed how inspectorates and internal groups set up by management may be better placed to provide assurance.</p> <p>At each Audit and Assurance Committee meeting the members receive a ‘Deep dive’ presentation by an Assistant Director (AD) on one of the corporate risks. This provides an outline of the key risk, the causal factors and key action being taken to mitigate the risk. This often refers to where the AD gets their assurance from and whether regulators are involved in this area.</p>	<p>Completed</p>

APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
Responsibilities regarding governance and risk management (Standard 2110 Governance and Standard 2120 Risk management – partial conformances)			
<p><u>Finding 3</u></p> <p>The aim of the internal audit plan is to provide a broad range of assurance to enable the Board to deliver an annual statement of control. In support of this aim we suggest that the Group Audit Manager gives an annual opinion upon:</p> <ul style="list-style-type: none"> a) The development of an effective risk culture and risk maturity through specific governance audits and risk management audits. b) The application of corporate risk management arrangements, including implementation of processes, management of emerging risks, and the effectiveness of training. c) The development of operational risk management based upon specific assessment of risk processes in individual audits. <p>Progress towards assurance mapping and the coordination of assurance arising from specific assurance audits.</p>	<p><u>Action 3 – Internal Audit action</u></p> <p>Provision has been included within the 2018/19 audit plan for additional liaison with Risk Management colleagues to fulfil this requirement. In addition, regular audits will continue to include an assessment of risk management arrangements where appropriate.</p>	<p>It is now common practice for us to include time in our audit plan for additional liaison with risk management colleagues. In addition, the Group Audit Manager attends the quarterly Officer Risk Owners Group meetings.</p> <p>When we undertake our regular individual audit reviews, we will always consider risk management arrangements, where appropriate.</p> <p>Since 2018/19 time has been included in our audit plan to report an opinion on risk management. This has continued to be a key feature in our audit plans.</p> <p>The annual opinion, since 2018/19, has included specific commentary on the areas suggested and this continues to be our approach.</p>	<p>Completed</p>

APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
Direct interaction with the Audit & Assurance Committee (Standard 1111 – partial conformance)			
<p><u>Finding 4</u></p> <p>The recommendations above regarding coordination and planning will be challenging and we feel further interaction with the Audit & Assurance Committee, along with senior management consultation, is needed to explore how they will be delivered and monitored, particularly with regard to annual priorities. We note that the Group Audit Manager does not have private meetings with the Chair of the Audit & Assurance Committee. This is an important safeguard over independence which we recommend is implemented in advance of each Committee meeting. This is especially important as the Group Audit Manager is in the third tier of management whereas we would ordinarily expect the Head of Internal Audit to report direct to the top level of the management structure.</p>	<p><u>Action 4 – Internal Audit action</u></p> <p>This action plan together with a longer term plan for the Internal Audit service will be reported to Audit & Assurance Committee on a regular basis to give clear oversight of the actions planned to further develop the service.</p> <p>Private meetings between the Group Audit Manager and the Chair of Audit & Assurance Committee will be re-introduced.</p>	<p>To produce the 2022/23 audit plan we held discussion with individual Executive Directors (EDs) and Assistant Directors (ADs), between November 2021 and January 2022, to identify priorities. The audit plan was presented to the March 2022 Audit and Assurance Committee meeting.</p> <p>This update provides the Audit and Assurance Committee with progress on delivery of improvement actions identified through the EQA and the continuous improvement of the Shared Internal Audit Service.</p> <p>Private meetings between the Group Audit Manager and the Chair of Audit & Assurance Committee re-introduced.</p>	<p>Completed</p>

APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
Overall planning of audit assignments (Standard 2200 Engagement planning, Standard 2201 Planning considerations, Standard 2210 Engagement objectives, Standard 2220 Engagement scope – partial conformances)			
<p><u>Finding 5</u></p> <p>Individual audits need closer alignment to specific risks (identified during the development of the audit plan) to reaffirm their specific purpose and include definition of the key risks and controls associated with that subject as opposed to reference to wider more generic risks. In some cases, this may prompt sessions with management so auditors can assess the adequacy of controls and monitoring as opposed to the current practice of internal audit documenting 'expected controls' in advance of the audit.</p> <p>We note the most successful audits involve consultation with senior managers as sponsors to fine tune and tighten the objectives and scope to specific risks and we encourage this practice. Realistic timetables need to be set for interviews, testing and reporting in advance with the sponsor to help the achievement of such targets.</p> <p>We also recommend the introduction of shorter 3 – 5 day specific reviews that focus on key controls within systems and procedures where risks and controls are known and established.</p>	<p><u>Action 5 – Internal Audit action</u></p> <p>A project will be established to take this recommendation forward. Some audits within the 2018/19 audit plan have been included with the intention of focusing in on key controls (e.g. Social Media accounts, cyber risk, some counter-fraud audits and main financial systems).</p> <p>All audits have a scoping meeting with the Assistant Director to agree the scope. This will continue to be an important part of our audit process.</p> <p>We agree that some audits have taken too long to bring to conclusion, and we understand the reasons for these delays. All audits have a deadline that has been agreed with the client and these are monitored through regular one to one meetings. We work consistently to ensure deadlines are met and to deliver audits in as short a timescale as possible.</p> <p>The audit plan for 2018/19 includes a number of shorter audits than in previous years. We will continue to develop our approach during 2018/19 with the aim of reducing the days per shorter audit further, if possible, in 2019/20.</p>	<p>As part of the continued development of the Cumbria Internal Audit service, in 2019/20, we set up working groups to review areas identified for development, including looking at client engagement and scoping. We always keep how we do things under review, and the continued impact of COVID-19, has meant the ongoing re-assessment of how we deliver our audits in the future.</p> <p>The plan for 2018/19 included some shorter audits but these took longer than expected. As part of our continuing improvement work, we set up a working group looking at developing a framework / approach in which we do any future shorter audits. Our conclusion was that short audits of 3-5 days would have to be limited to financial systems, and even then, only limited areas of the system.</p>	<p>Completed</p>

APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
Use of resources (Standard 2030 Resource management – partial conformance)			
<p><u>Finding 6</u></p> <p>The current audit methodology was developed when the team included staff with little or no experience of risk based internal auditing. This has resulted in several supervision points in the process with extensive documentation requirements. As a result many audits often overrun and audit managers do not have time available to undertake audit work.</p> <p>There is now the opportunity to review the audit methodology to streamline the process. For example, revisiting the documentation standards and supervision stages to reduce time spent on these activities. In doing so a target should be set to increase the number of days available to the plan, which may involve assigning more audits to the most senior audit managers thus ensuring the allocation of challenging audits to the most experienced people.</p>	<p><u>Action 6 – Internal Audit action</u></p> <p>The risk based approach was a significant change in audit approach and a detailed methodology was appropriate at the time. Audit & Assurance Committee were briefed at the time about the changes and the challenges the new approach presented.</p> <p>The reasons for audits over-running are well understood by the Audit Management Team. These are varied and rarely a result of over-supervision. There are four key supervision stages in the audit process; scoping, initial risk assessment, controls and testing strategy and review of findings/draft report. We consider these to be essential in ensuring scope is agreed, focus is on appropriate risks/controls, testing is relevant and proportionate, and findings are adequately supported and reflected fairly in report and opinion (as required under the PSIAS).</p> <p>We will review our audit approach during 2018/19 to identify efficiencies in the process, including where appropriate the management and supervision stages.</p> <p>Audits are assigned according to skills, experience, development needs and availability of team members.</p>	<p>Supervision points are in line with the PSIAS and are defined within the QAIP.</p> <p>We continually seek to identify efficiencies in the process, whilst ensuring a quality product through management and supervision. The level of supervision and review required is a matter of professional judgement, and will be dependent on the complexity of the area being reviewed, the experience of the auditor undertaking the work and whether this meets a development need for the auditor.</p> <p>As part of the continued development of the Cumbria Internal Audit service, in 2019/20, we set up working groups to review areas identified for development, including client engagement and scoping, working papers format (including appropriate management and supervision stages) and reporting format. This led to improvements in the reporting format (reporting re-structured under priority of recommendations and revising audit opinion definitions), streamlining working papers for school reviews and agreeing a school follow up approach.</p>	<p>Completed</p>

APPENDIX 5 - EXTERNAL QUALITY ASSESSMENT (EQA) FINDINGS UPDATE

Finding	Action	What we have done	Status
Tracking audit recommendations (Standard 2500 Monitoring progress – partial conformance)			
<p><u>Finding 7</u></p> <p>At present follow up of audit actions is limited to a single follow up of the agreed actions at the point in time where all High and Medium Priority recommendations are due to have been implemented. This may undermine the overall benefit of internal audit work. Once audit follow-up of partial or limited assurance assignments has been undertaken the responsibility for further progress reporting is handed over to management and there is a risk that some important issues may remain outstanding. We understand that senior managers in some areas have recognised this and have been initiating monitoring and reporting. We recommend management across the Council be asked to undertake such monitoring and that the Audit & Assurance Committee receive regular updates.</p>	<p><u>Action 7 – Corporate Action</u></p> <p>Each directorate is responsible for tracking the implementation of agreed actions arising from internal audit reports. Business Managers maintain this information on behalf of each Corporate Director.</p> <p>A mechanism will be implemented to report this information to CMT and Audit & Assurance Committee on a six-monthly basis.</p>	<p>Internal Audit will continue to follow up all audits resulting in ‘Partial’ or ‘Limited’ assurance.</p> <p>Directorates are responsible for monitoring the implementation of audit recommendations and to report this at DMTs. Therefore, rather than following up all recommendations we changed our follow up approach in 2019/20 so that we only follow up high priority recommendations and a sample of medium priority recommendations. This approach provides a more balanced use of our limited audit resources, whilst at the same time allowing enough work to be undertaken to assess progress on implementing the recommendations, allowing us to provide up to ‘Reasonable’ assurance.</p>	<p>Completed</p>