

# Dacorum Borough Council

INDICATIVE INTERNAL AUDIT PLAN

2013 - 2016 STRATEGIC

2013-2014 OPERATIONAL



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## Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

# INTERNAL AUDIT APPROACH

## Introduction

Our role as internal auditors is to provide independent, objective assurance designed to add value and improve your performance. Our approach, as set out in the Firm's Internal Audit Manual, is to help you accomplish your objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our approach complies with best professional practice, in particular, CIPFA Internal Audit Standards and Public Sector Internal Audit Standards.

## Internal Audit at Dacorum Borough Council

We have been appointed as internal auditors to Dacorum Borough Council to provide the s151 officer, the Audit Committee, the Chief Executive and other Directors with assurance on the adequacy of internal control arrangements, including risk management and governance.

Responsibility for these arrangements remains fully with management, who should recognise that internal audit can only provide 'reasonable assurance' and cannot provide any guarantee against material errors, loss or fraud. Our role at the Council will also be aimed at helping management to improve risk management, governance and internal control, so reducing the effects of any significant risks facing the organisation.

In producing the internal audit plan for 2013-16 we have sought to further clarify our initial understanding of the business of Dacorum Borough Council together with its risk profile in the context of:

- The overall business strategy and objectives of the Council
- The key areas where management wish to monitor performance and the manner in which performance is measured
- The financial and non-financial measurements and indicators of such performance
- The information required to 'run the business'
- The key challenges facing the Council

# AUDIT RISK ASSESSMENT

## Background

Our risk based approach to Internal Audit uses the Council's own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects Dacorum Borough Council's current risk profile.

## Planned approach to internal audit 2013-16

The indicative Internal Audit programme for 2013-16 is shown from page 6, with an indicative plan for 2013-14 shown from page 9 . We have met with the Corporate Directors and the Audit Chair in order to bring together a full plan. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risk would be looked at over a three year audit cycle.

## Individual audits

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required we will obtain approval from the appropriate Corporate Director prior to commencing fieldwork.

In determining the timing of our individual audits we will seek to agree a date which is convenient to the Council and which ensures availability of key management and staff.

## Variations to the Plan

Significant variations to the plan arising from our reviews, changes to the Council's risk profile or due to management requests will be discussed in the first instance with the responsible Corporate Director, the Director of Finance and approved by the Audit Committee before any variation is confirmed.

# PROPOSED RESOURCES AND OUTPUTS

## Staffing

The core team that will be delivering the programme to you is shown below:

Name	Grade	Telephone	Email
Greg Rubins	Partner	07710 703441	Greg.Rubins@bdo.co.uk
Rachael Tomlinson	Audit Manager	07581474097	Rachael.Tomlinson@bdo.co.uk
Kate Denham	Senior manager (advisory)	02078932053	Kate.Denham@bdo.co.uk

The core team will be supported by specialists from our national Risk and Advisory Services Team and wider firm as and when required.

Our indicative staff mix to deliver the programme is shown below:

Grade	Annual days	Grade Mix (%)
Partner	26	10
Senior Manager	52	20
Audit Manager	52	20
Auditors (include Qualified) & Specialist Staff	130	50
Total	260	100

## Reporting to the Audit Committee

We submit the Internal Audit Plan for discussion and approval by the Audit Committee. We have liaised with the Corporate Directors and other senior officers as appropriate to ensure that internal audit reports summarising the results of our visits are presented to the appropriate Audit Committee meeting.

Following completion of the Internal Audit programme each year we will produce an Internal Audit Annual Report summarising our key findings and evaluating our performance in accordance with agreed service requirements.

# INDICATIVE INTERNAL AUDIT STRATEGIC PLAN

We have detailed below our indicative strategic audit plan, this covers some of the areas that we think will be important to you over the duration of the contract.

Area	2013/14	2014/15	2015/16	2016/17	2017/18	Description of the Review
<b>Core audits</b>						
<b>Main Financial Systems</b>	40	20	20	20	15	Detailed review to include GL controls, system interfaces, journals etc as well as cyclical audits of debtors, creditors and treasury management.
<b>Payroll</b>		10		10		Risk based review of the payroll system. To include controls over starters and leavers, PAYE, expenses, pay calculation etc
<b>Housing</b>		20	20	20	20	This will encompass a number of areas over the span of the contract including rents, benefits , fraud arrangements , property maintenance.
<b>Revenues &amp; benefits</b>	15		10		10	Review of the process in place for calculation and collection of council tax, including reliefs and bad debt.
<b>Human Resources</b>		15		15		Review of internal processes for HR, including recruitment and appraisals, workforce planning, sickness absence, training and recruitment
<b>NNDR</b>			10			Review process in place for calculation and collection of NNDR, including reliefs and bad debt.
<b>Localism and building community capacity</b>		15	15		15	Review effectiveness of approach to localism issues such as CT benefits, local budgets, planning, social enterprise
<b>Risk Management and Governance Arrangements</b>	25	10	10	10	10	Review the process in place for risk management, including risk appetite, identification, mitigation .
<b>Partnership Arrangements</b>	20	15	10	10	10	Review the arrangements in place for joint strategic needs assessments and the change in commissioning services.
<b>Total</b>	<b>100</b>	<b>105</b>	<b>95</b>	<b>85</b>	<b>80</b>	

# INDICATIVE INTERNAL AUDIT STRATEGIC PLAN

Area	2013/14	2014/15	2015/16	2016/17	2017/18	Description of the Review
<b>Other Key Areas</b>						
<b>Customer service</b>	15	10		10		Focus on areas such as effectiveness of customer service centre, customer feedback and complaints , telephony project
<b>Efficiency Savings</b>	15		10	10	10	Review of the process in place for ensuring savings are being made, eg identification and project management of savings, budgetary control
<b>Performance Management</b>		10		10		Review of the performance management processes, eg strength of business planning, use of data, governance, follow up of areas not meeting targets
<b>Policy Review</b>					5	Independent review of the Councils policies to ensure they are transparent, robust and up to date.
<b>Safe and clean environment</b>			10		10	Reviews of waste collection arrangements, recycling, carbon footprint
<b>Management of Property</b>			20		10	Review the system in place for ensuring property is managed effectively and efficiently.
<b>Capital developments</b>	20	10		10		Review of capital projects, to include both the sale of Council property as well as building projects.
<b>Housing Management/ new housing development</b>	35		10			Review of how effectively the Council is managing its strategy around provision of social housing and developing the private rented sector.
<b>Contract Management and procurement</b>	10	10		10		Review the process in place for contract management and procurement to ensure it is robust and transparent.
<b>Regeneration</b>		10			10	Review the strategy for regeneration of the local economy, including attracting inward investment.
<b>Total</b>	<b>95</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>45</b>	

# INDICATIVE INTERNAL AUDIT STRATEGIC PLAN

Area	2013/14	2014/15	2015/16	2016/17	2017/18	Description of the Review
<b>IT Audit</b>						
<b>Disaster recovery and business continuity</b>			15		15	Audit of plans in place, to ensure they are comprehensive and effective, and are tested
<b>IT Strategy and Governance</b>					10	Detailed review of strategy year one, including benchmarking of efficiency.
<b>Data Security and PCI DSS</b>	25	20		20		Review to include information governance, customer data security, adherence to Caldicott.
<b>ICT Development - new systems</b>		15		15		Potential pre and post implementation reviews of new systems, with focus on strength of controls
<b>Network security</b>			20		10	Standard review of security, eg password and access control
<b>Total</b>	<b>25</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>	
<b>Audit Management</b>						
<b>Follow Up Work</b>	10	10	10	10	10	Rolling programme of follow up, including testing of high and medium risk recommendations
<b>Audit Management</b>	20	20	20	20	20	
<b>Ad hoc projects and advice</b>	10	30	30	30	30	If unused you will not be charged for these
<b>Total</b>	<b>40</b>	<b>60</b>	<b>60</b>	<b>60</b>	<b>60</b>	
<b>Grand Total</b>	<b>260</b>	<b>250</b>	<b>240</b>	<b>230</b>	<b>220</b>	



# INDICATIVE INTERNAL AUDIT OPERATIONAL PLAN 2013-2014

Area	2013/14	Risk register reference	Quarter work to be started	Description of the Review
<b>Dacorum delivers</b>				
<b>Efficiency savings</b>	15	F1, F3	Q1	Fundamental review year one on approach to cost improvement, using specialists.
<b>Financial systems</b>	40	F1	Q3	Systems audit of key financial systems, exact scope of work to be discussed and agreed with external audit
<b>Customer service</b>	20	M2	Q3	Review using specialists of Council's plans for customer services, comparing against best practice elsewhere, as well as ensuring the transition plans are effective and that the contract will be mobilised in line with the specification.
<b>Risk management and governance</b>	25	All	Q1 & Q4	Review the process in place for risk management, including risk appetite, identification, mitigation. This will be undertaken in 2 parts, with a review being undertaken at the beginning of the year with a follow up at year end.
<b>IT and data security</b>	25	F2	Q3	Review of the Council's approach to improving IT resilience and security of data
<b>Total</b>	<b>125</b>			

Area	2013/14	Risk register reference	Quarter work to be started	Description of the Review
<b>Safe and clean environment</b>				
<b>Waste management</b>	10	F2, M2	Q3	To review the Council's waste collection arrangements, focusing on whether value for money is gained and how efficiency savings are being achieved or could be achieved in the future.
	<b>10</b>			

# INDICATIVE INTERNAL AUDIT OPERATIONAL PLAN 2013-2014

Area	2013/14	Risk register reference	Quarter work to be started	Description of the Review
<b>Affordable Housing</b>				
Housing maintenance	10	R1, F2, M1	Q4	A follow up review of the work undertaken by the previous internal audit providers, to ensure recommendations have been implemented and that the current tendering process is sound.
New housing development	20	R1, M1,F2	Q3	A two stage review looking at the Council's plans to develop new housing stock and the implementation of those plans. Focus on homeless hostels due to financial implications.
<b>Total</b>		<b>28</b>		

Area	2013/14	Risk register reference	Quarter work to be started	Description of the Review
<b>Building community capacity</b>				
Revenues and benefits	15	R2	Q2	To review the Council's approach to local control of council tax benefits and changes to housing benefit arrangements, focusing on the impact on the local community
Planning	20	F1	Q4	The review will look at the approach to re-engineering the service in light of the national planning guidance ,as well as ensuring the Council embeds the new process including all measures are in place in order to avoid special measures and financial penalties.
<b>Total</b>	<b>35</b>			

Area	2013/14	Risk register reference	Quarter work to be started	Description of the Review
<b>Regeneration</b>				
Capital developments	20	F2, M2	Q3	To review the Council's project management of the significant capital developments that are underway (sale of civic centre, public sector quarter) and the links to the current strategic review of land assets. The review will also look at the whole approach that the Council takes to project management, with some deep dives into particular projects.
<b>Total</b>	<b>20</b>			

# INDICATIVE INTERNAL AUDIT OPERATIONAL PLAN 2013-2014

Area	2013/14	Risk Register Reference	Description of the Review
<b>Planning, Reporting, Follow-up and Contingency</b>			
Planning/ liaison/ management	20	-	
Recommendation follow up	10	-	
Contingency	10	-	
<b>Total</b>	<b>40</b>		
<b>Total</b>	<b>260</b>		

# APPENDIX I

## Internal Audit Charter

### Purpose of this Charter

This Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within the Council and defines the scope of internal audit activities.

### Internal audit's purpose

Internal audit provides an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit acts primarily to provide the Audit Committee with information necessary for it to fulfil its own responsibilities and duties. Implicit in internal audit's role is that it supports the Council's management (particularly the s151 officer) to fulfil its own risk, control and compliance responsibilities.

### Internal audit's authority

The Head of Internal Audit and internal audit staff are authorised to:

- Have unrestricted access to all the Council's records, property, and personnel relevant to the performance of engagements
- Obtain the necessary assistance of the Council's personnel in relevant engagements, as well as other specialised services from within or outside the Council

Internal audit has no authority or management responsibility for any of its engagement subjects.

Internal audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

### Internal Audit's Responsibility

The Head of Internal Audit is responsible for all aspects of internal audit activity, including strategy, planning, performance, and reporting.

The Head of Internal Audit will:

#### Strategy

- Develop and maintain an Internal Audit Strategy
- Review the Internal Audit Strategy at least annually with management and Audit Committee

# APPENDIX I

## Internal Audit Charter

### Planning

- Develop and maintain an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
- Engage with management and consider the Council's strategic and operational objectives and related risks in the development of the Internal Audit Plan
- Review the Internal Audit Plan periodically with management
- Present the Internal Audit Plan, including updates, to the Audit Committee for periodic review and approval
- Prepare an internal audit budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
- Submit the internal audit budget to the Audit Committee for review and approval annually
- Coordinate with and provide oversight of other control and monitoring functions, including risk management, compliance & ethics, and external audit
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the Council.

### Performance

- Implement the Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- Allocate and manage resources to accomplish internal audit engagement objectives
- Establish and maintain appropriate internal auditing procedures incorporating best practice approaches and techniques
- Monitor delivery of the Internal Audit Plan against the budget
- Ensure the ongoing effectiveness of internal audit activities.

### Reporting

- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
- Provide periodic reports to management and the Audit Committee summarising internal audit activities and the results of internal audit engagements
- Provide periodic reports to management and the Audit Committee on the status of management actions taken in response to internal audit engagements
- Report annually to the Audit Committee and management on internal audit performance against goals and objectives
- Report as needed to the Audit Committee on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy, or the Internal Audit Plan
- Inform the Audit Committee of emerging trends and practices in internal auditing.

# APPENDIX I

## Internal Audit Charter

### Independence and internal audit's position within the Trust

To provide for internal audit's independence, its personnel and external partners report to the Head of Internal Audit, who reports functionally to the Audit Committee. The Head of Internal Audit has free and full access to the Chair of the Audit Committee.

The Head of Internal Audit reports administratively to the Director of Finance who provides day-to-day oversight.

The appointment or removal of the Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the Audit Committee.

The internal audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

If the independence or objectivity of the internal audit service is impaired, details of the impairment should be disclosed to either the s151 officer, or the Chair of the Audit Committee, dependent upon the nature of the impairment.

The internal audit service is not authorised to perform any operational duties for the Council; initiate or approve accounting transactions external to the internal audit service; or direct the activities of any Council employee not employed by the internal auditing service, except to the extent such employees have been appropriately assigned to service or to otherwise assist the internal auditor.

### Internal audit's scope

The scope of internal audit activities includes all activities conducted by the Council. The Internal Audit Plan identifies those activities that have been identified as the subject of specific internal audit engagements.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by internal audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagement are subject to agreement with management. When performing consulting services, internal audit should maintain objectivity and not assume management responsibility.

### Standards of internal audit practice

Internal audit will perform its work in accordance with Public Sector Internal Audit Standards and the International Professional Practices Framework of the Chartered Institute of Internal Auditors. This Charter is a fundamental requirement of the Framework.

### Approval and validity of this Charter

This charter shall be reviewed and approved annually by management and by the Audit Committee on behalf of the Council.

# APPENDIX II

## Internal audit working protocols & performance

### Working protocols

The table below illustrates the key communication and reporting points between the Council and Internal Audit, which we will subject to regular review. Any future changes to the communication and reporting points will be reported to the Audit Committee for approval.

Table One: Liaison meetings between Internal Audit and the Council

Meeting	Frequency	Audit Committee	Chief Executive	Director of Finance/ Assistant Director of Finance	Managers	Relevant Staff	External Audit
Internal audit liaison meeting with management	Quarterly			✓			
Internal audit update meetings	As required			✓	✓		
Quality Assurance Meeting	Annually			✓			
Internal audit liaison meeting with Chair of Audit Committee	As required	✓					
Access to Audit Committee to discuss internal audit progress	As necessary	✓					
Meetings to raise immediate concerns	As necessary	✓	✓	✓	✓	✓	
Meetings with external audit	As necessary						✓

# APPENDIX II

## Internal audit working protocols & performance

Table Two: Key reporting points between Internal Audit and the Council

Meeting	Frequency	Audit Committee	Chief Executive	Director of Finance/ Assistant Director of Finance	Managers	Relevant Staff	External Audit
Annual Internal Audit Plan	Annually	✓	✓	✓			✓
Individual internal audit planning documents	As required				✓	✓	
Draft Internal Audit Reports	As required				✓	✓	
Final Internal Audit Reports	As required	✓		✓	✓	✓	
Quality Progress Reports	As required	✓		✓			
Annual Internal Audit Report	Annually	✓	✓	✓			



# APPENDIX II

## Internal audit working protocols & performance

### Performance measurement

Performance measurement is the use of measures and associated targets to assess objectively the performance of a body. It is now well established as an important means of improving performance and reinforcing accountability. BDO LLP has been appointed as internal auditors to Dacorum Borough Council subject to satisfactory performance. Consequently there is value in reviewing the quality of our service on a regular basis.

### Internal audit performance measures and indicators

Internal audit performance can be assessed in two ways. Firstly, there is the ability for us to self assess our performance on a regular basis and report back to the Audit Committee on certain measures around inputs and satisfaction from those officers who have been subject to a review. Secondly, the view of the Audit Committee as to the value being received from its internal audit provider has to be taken into account. Much of this can be drawn from our attendance at Audit Committee, in-camera meetings and by the views of management. For our part we will look to report to the Audit Committee regularly on the internal audit inputs as detailed below.

The tables below contain performance measures and indicators that we consider to have the most value in assessing the efficiency and effectiveness of internal audit. We recommend that the Audit Committee approves the following measures which we will report to each meeting and / or annually as appropriate.

Table Three: Performance reporting to each Audit Committee

Measure / Indicator
<i><b>Audit Coverage</b></i>
Audits completed against the Annual Audit Plan
Actual days input compared with Annual Audit Plan
<i><b>Audit Planning and Reporting</b></i>
Days to issue draft report after end of fieldwork

# APPENDIX II

## Internal audit working protocols & performance

Table Four: Annual performance reporting to Audit Committee

Measure / Indicator
<i>Relationships and customer satisfaction</i>
Customer satisfaction reports
<i>Staffing and Training</i>
Staff mix compared with budget
Percentage of Partner and Manager time
Continuity of staffing
Use of specialist staff (e.g. IT Risk and Advisory)
Provision of appropriate training for staff

### Management performance measures and indicators


Management's ability to respond efficiently to internal audit findings and recommendations helps the Audit Committee to form its own view of the internal control framework. Importantly, management's consideration of internal audit findings plays a contributory factor in our ability to deliver timely reports to the Audit and Risk committee. We recommend, therefore, that the following measures are also reported to the Audit Committee.

Measure / Indicator	Timing
<i>Audit Reporting</i>	
Days for receipt of management responses	As data becomes available

### Other performance measures

In addition to the above mentioned measures we will also provide the Audit Committee with the results of other reviews of our internal audit service as and when they become available, including:

- Independent quality assurance reviews as required by the Chartered Institute of Internal Auditors (CIIA); and
- BDO internal quality assurance reviews



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