



Internal Audit

FINAL

Dacorum Borough Council

Audit Strategy and Annual Internal Audit Plan

2020/21

May 2020

Overview

Introduction

The Audit Plan for 2020/21 has been informed by a risk assessment carried out across all our Council clients to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

Pandemic: The outbreak of the Covid-19 pandemic has severely tested the resilience of organisations’ Business Continuity arrangements. It is imperative that the council has effective Business Continuity arrangements in place to ensure it can enable its staff to continue in their roles, where possible and to maintain the delivery of essential services.

Post Brexit Transition: Governance and Risk Registers need to be stress-tested against policy decisions in a post Brexit environment, in particular on procurement and suppliers.

Financial Challenge –The model for determining post 2020/21 funding levels will be based on assessment of need through the Government’s Fair Funding Review. Which has been delayed until 2021, the Funding Settlement for 2020 will be a one-year deal.

Staff Changes: staff changes that have/are occurring will impact on the infrastructure. The council has identified that it is challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas.

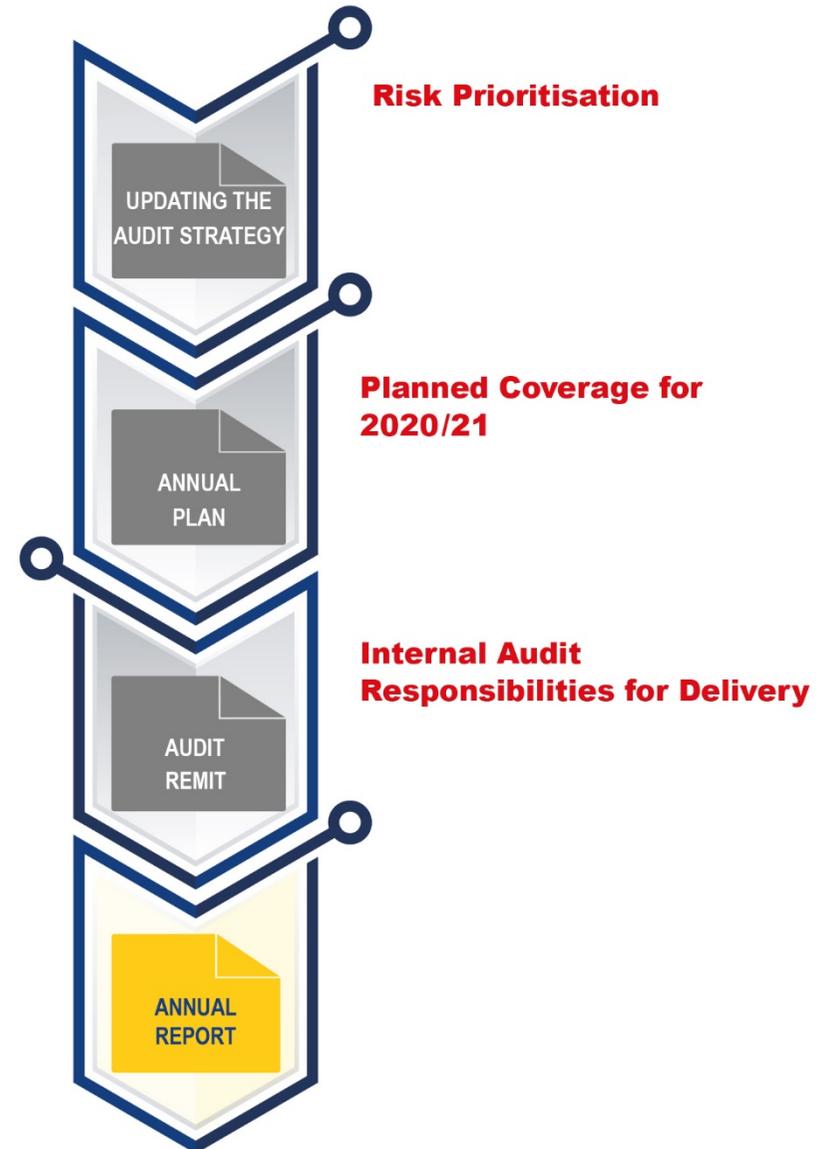
This year will be another challenging year for Councils in terms of income, regulation and also the pressures on service delivery. We have identified a number of key areas which require consideration when planning internal audit coverage.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2020/21 support the Head of Internal Audit’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control as required by TIAA’s charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

Internal Audit Plan

2020/21 Audit planning process



Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Council and those within the sector and has been developed with senior management and the Standards and Audit Committee.

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks. Annex A contains the GUARD assessment of key risks in the sector and which has been used to identify those that are most relevant to the organisation and where internal audit assurance would be best focussed.

Internal Audit Strategy Plan

Following the risk prioritisation review, the Audit Strategy has been updated (Annex B) and the Annual Plan (Annex C) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation, and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of the Annual Plan includes: research, preparation and issue of terms of reference, production and review of working papers and reports and site work. The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Council. Where additional work is required, additional days and the aggregate day rate will be agreed in advance and will be clearly set out in the terms of reference.

Audit Remit/Charter for Councils

The Audit Remit/Charter (Council's) (Annex D) formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position and defines the scope of internal audit activities.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and the IIA UK & Ireland standards.

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

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and the IIA UK & Ireland standards. The Annual Report will include our opinion of the overall adequacy and effectiveness of the Council's governance, risk management and operational control processes.

Other Briefings: During the year Client Briefing Notes, benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

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Providing Assurance

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

Liaison with the External Auditor

We will liaise with Council's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Performance

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

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

Conflict of Interest

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and the IIA UK & Ireland standards, the Council's requirements and TIAA's internal policies.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval and agreement of the Council. The Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed

so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

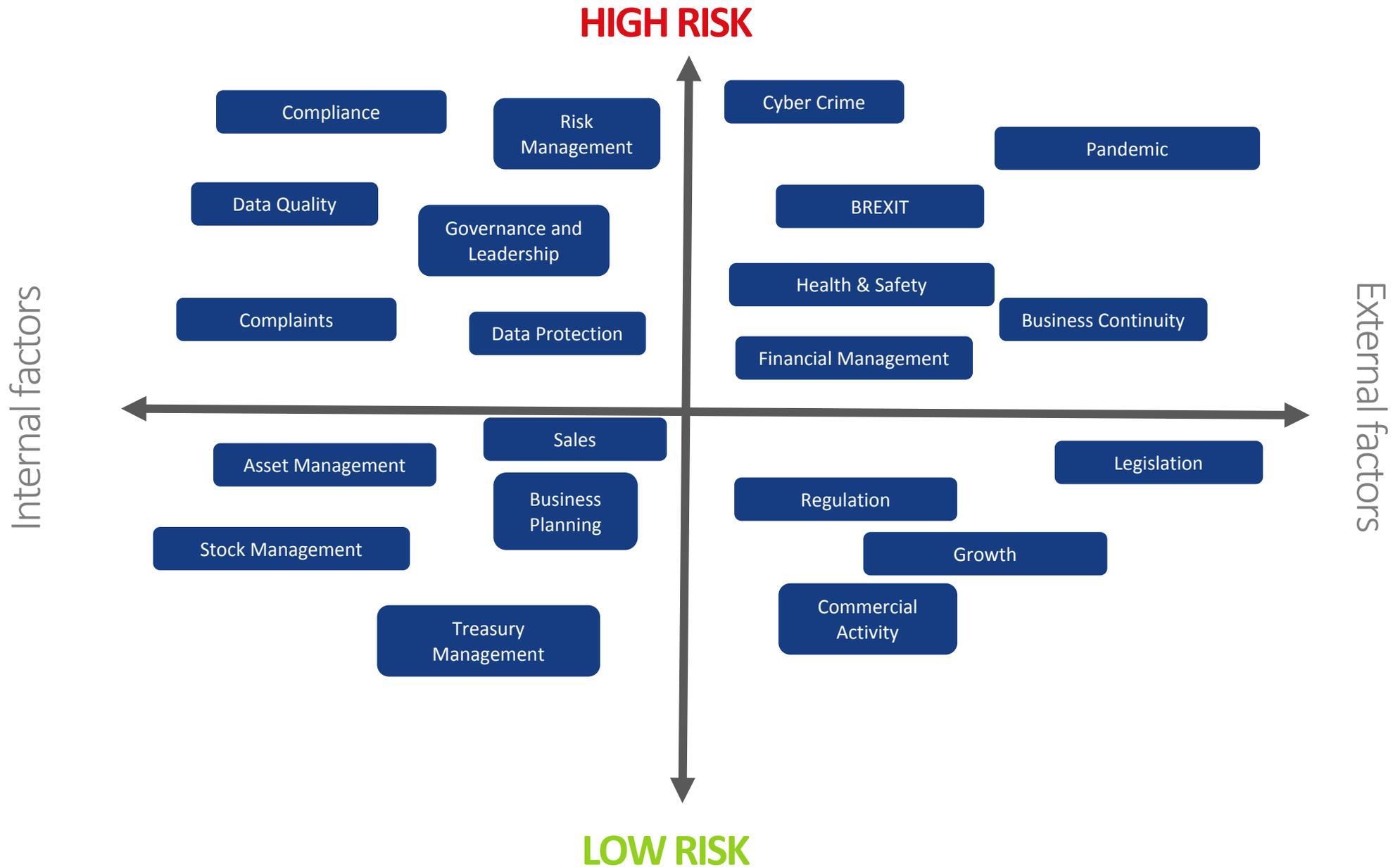
Audit Committee Responsibility

It is the responsibility of the Audit Committee to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

Release of Report

The table below sets out the history of this plan.

Date plan issued:	9 th March 2020
Date revised draft plan issued:	13 th March 2020
Date 2nd revised draft plan issued:	16 th March 2020
Date final plan issued:	17 th March 2020
Date revised final plan issued:	28 th May 2020



Review Area	Type	2020/21	2021/22	2022/23
Corporate Services and/or Council Wide Audit				
Business Continuity	Assurance	✓	✓	✓
Community Safety Partnerships	Assurance	✓		
Human Resources – Absence Management	Assurance	✓	✓	✓
Human Resources – Recruitment	Assurance		✓	✓
Corporate Health and Safety	Assurance	✓		✓
Planning	Assurance	✓		✓
Governance and Risk Management	Assurance	✓		✓
Benefits/Savings Realisation	Assurance	✓		✓
Communications	Assurance		✓	✓
ICT				
Document Management System	Assurance			✓
ICT – Network Security	Assurance		✓	
GDPR/Information Governance	Assurance	✓		
Cybersecurity	Assurance	✓		
Financial Services and Resources Audit				
Key Financial Controls	Assurance	✓	✓	✓
Budgetary Control	Assurance	✓	✓	✓
Council Tax	Assurance	✓	✓	✓
NNDR	Assurance	✓	✓	✓
Insurances (include staff owned vehicles on Council business)	Assurance			✓
Customer Services	Assurance		✓	
Housing Benefits and Council Tax	Assurance	✓		

Review Area	Type	2020/21	2021/22	2022/23
Operational Audit - Law and Governance				
Procurement/Contracts	Compliance		✓	✓
Housing Rents	Compliance	✓	✓	✓
Freedom of Information	Compliance		✓	✓
Operational Audit - Planning and Environment				
Empty Homes	Assurance	✓	✓	✓
Commercial Asset Management	Assurance	✓	✓	✓
Commercial Property	Assurance	✓	✓	✓
Planning Enforcement	Assurance		✓	✓
Operational Audit-Housing and Community Developments				
Housing Repair and Maintenance	Assurance		-	✓
Housing Allocations and Homelessness	Assurance		-	✓
Housing Rents	Assurance		✓	-
Safeguarding/Prevent	Assurance		✓	-
Waste Management	Assurance	-	✓	-
Follow Up				
We will carry out a continuous follow up of internal audit recommendations utilising TIAA's client portal and recommendation tracker.	Follow Up	-	-	✓
Data Analytics & Benchmarking				
Benchmarking Topic to be agreed	-		✓	
Management and Planning				
Briefings	-	✓	✓	✓
Planning	-	✓	✓	✓
Annual Report	-	✓	✓	✓
Management	-	✓	✓	✓

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
Finance Topics					
2&3	Key Financial Controls (Main Accounting/ Treasury Management/Cash and Bank Accounts Receivable/Accounts Payable)	Assurance	SR1	20	<p>Rationale: This is the main financial ledger and an important system for the Councils which is audited annually.</p> <p>Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems.</p> <p>The review comprising a number of compliance checks on activities in the areas of core financial responsibility for the organisation. The checks to be carried out against the authorised procedures, and for any non-compliant transactions additional checks to be performed to establish whether the organisation's responsibilities and accountabilities had been met.</p>
2	Budgetary Control	Assurance	SR1	8	<p>Rationale: Budgetary Control is a fundamental finance system that is audited every other year. The Council is currently in the final year of a 4-year funding deal with MHCLG, which has provided relative certainty over the minimum level of funding the Council can expect until April 2020.</p> <p>Scope: The control objectives that will be considered as part of this audit include:</p> <ul style="list-style-type: none"> Formally approved budgets are set each year, taking into account all relevant income and expenditure All budget adjustments (including virements) are authorised The financial management system accurately reflects the agreed budgets Budgets are allocated to named individuals Budgets are adequately monitored The budget position is regularly reported Appropriate financial reserves are maintained in line with assessed risks.
2	Council Tax	Assurance	SR1 -	8	<p>Rationale This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems.</p> <p>Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.</p>
3	NNDR	Assurance	SR1 -	8	<p>Rationale This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems.</p> <p>Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing NNDR.</p>

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
2	Housing Benefits and Council Tax	Assurance	SR1 -	8	<p>Rationale: This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems.</p> <p>Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for benefits.</p>
Operational Risks					
2	Community Safety Partnerships	Assurance	SR6 -	7	<p>Rationale: The Council's corporate priorities include 'a clean, safe and enjoyable environment' and 'building strong and vibrant communities'. Efficient and effective governance arrangements for Community Safety Partnerships are key to ensuring that statutory duties surrounding Community Safety are met and that CSP priorities and targets are delivered, in order to reduce crime and anti-social behaviour to make the borough safer for all residents.</p> <p>Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing Community Safety. The audit will focus on the following key areas:</p> <p>Strategies are in place for the reduction of crime and disorder, and for combatting the misuse of drugs in the area, in accordance with statutory requirements;</p> <p>There are adequate governance arrangements in place to assist in the delivery of actions identified in the Community Safety Partnership (CSP) Plan;</p> <p>Guidance is provided to local residents to raise awareness of Community Safety issues;</p> <p>Grant schemes and other available funding are suitably identified and applied for, with spending outcomes adequately reported; and</p> <p>There is adequate performance monitoring and reporting to the CSP and Council Members in respect of crime and disorder reduction and progress against action plans.</p>

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
2	Business Continuity – including Pandemic Arrangements	Assurance	SR6 -	10	<p>Rationale</p> <p>The outbreak of the Covid-19 pandemic has severely tested the resilience of organisations’ Business Continuity arrangements. It is imperative that the council has effective Business Continuity arrangements in place to ensure it can enable its staff to continue in their roles, where possible and to maintain the delivery of essential services.</p> <p>Scope</p> <p>The review considers the overarching response to the Covid-19 pandemic in terms of business continuity arrangements and will consider the following: the Business Continuity Plan; business impact analysis; controls over the continuation of business critical functions and resources required for this; arrangements for remote working; arrangements for making changes to working practices/staff terms and conditions, if required; communication with staff and stakeholders during period of lockdown; arrangements for identifying and promoting good practice and for sharing this with staff; lessons learnt and any remedial action taken; and monitoring and reporting arrangements.</p> <p>The following key control areas will be included:</p> <p>IT functions and controls regarding key information.</p> <p>The existence of complete and up to date policies and processes for remote working;</p> <p>The process for tracking the continuation of business critical functions to ensure they are kept up to date;</p> <p>Authorisation and approval controls;</p> <p>Controls to ensure the consistency across the organisation;</p> <p>Processes for ensuring staff and other stakeholders are made aware of key and relevant process and procedures;</p> <p>Sufficiency of staff resources for managing policies and procedures.</p> <p>Exact scope to be discussed and agreed with management.</p> <p>The review will also seek to share any identified good practice from similar organisations.</p>
2	Planning	Assurance	SR1	10	<p>Rationale: This is a periodic audit to provide assurance over the Planning process.</p> <p>Scope: The audit will include the following keys areas of activity:</p> <ul style="list-style-type: none"> Delegation to Officers Monitoring Data and Information Security Risk and how this is managed Managing Income Streams Communication

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
3	Housing Rents	Assurance	SR5 -	10	<p>Rationale: Due to the high volume of transactions and the income involved this is a high risk area and subject to an annual audit. The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.</p> <p>Scope: To audit will review the following key areas:</p> <p>There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them,</p> <p>Recommendations from the previous audit report have been implemented,</p> <p>Rents due are being collected and promptly allocated to the correct rent accounts,</p> <p>Benefits awarded are being properly allocated to the correct rent accounts,</p> <p>Case records provide a management trail and complete case history</p>
4	Empty Homes	Assurance	SR5 -	10	<p>Rationale: The council has rolled out council tax relief changes to empty homes in 2019/20. This audit will be able to ensure successful implementation of the policy in regard to empty homes.</p> <p>Scope:</p> <p>It is import that maintaining a fit for purpose housing stock and that turnaround is kept to a minimum. Ascertain and report on the systems and processes the council has in place to ensure empty homes are kept to a minimum and compliance with procedures and provide assurance that these are designed and operating effectively. Including compliance with the Decant policy</p>
Strategic					
3	Commercial Asset Management (delayed from Q1 owing to pandemic).	Assurance	SR6 -	15	<p>Rationale: Commercial Rents are a major income stream for the Council and an annual audit is required to provide assurance that all rents are collected in accordance with the rental/lease agreement</p> <p>Scope: The review will consider the following key areas:</p> <p>How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise.</p> <p>The current portfolio of commercially rented properties and how these are managed/verified are accurate.</p> <p>To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place.</p> <p>To establish that the database of commercial properties is accurate and up to date.</p> <p>To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement</p>

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
2	GDPR/Information Governance	Assurance	SR4	10	<p>Rationale: Failure to comply with the new General Data Protection Regulations could mean very substantial fines. An assurance audit to assess compliance with the Regulations will help to identify any weakness or omission.</p> <p>Scope: To review compliance with the General Data Protection Regulations (GDPR). The review will directly assess how compliant the Council is with the GDPR. This will include key elements such as (but not limited to):</p> <ul style="list-style-type: none"> Privacy Impact Assessments Data Subject rights (e.g. Right to be forgotten) Data Classification and Asset management Data Security Breach Management Governance Consent Data Controllers & Processors
2	Corporate Health and Safety	Assurance	N/A	10	<p>Rationale: Corporate Safety is a high risk area with a high a high impact for non-compliance with mandatory regulation and guidelines.</p> <p>Scope: Ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance.</p>
3	Cyber Security	Assurance	SR4	10	<p>Rationale: The actions have been appropriately embedded within the organisation and recorded, that they have a responsible officer and assigned completion date and where relevant actions have been completed in a timely manner;</p> <p>That cybersecurity risks have been identified and where local systems are in use that local registers identify risks and that controls have been identified and are being undertaken;</p> <p>Scope: To determine that an appropriate structure is in place to support controls over cyber security across the organisation; and</p> <p>That appropriate funding is in place to support a robust infrastructure.</p>
2-4	Governance and Risk Management	N/A	All	10	Workshops Risk Training
3	Benefits/Savings Realisation (Delayed from Q1 owing to the pandemic)	Assurance	SR1	10	To provide assurance processes are in place to measure initiatives.

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
2-4	Follow-up	Follow up		10	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Organisation is implementing recommendations, and providing reports to the Audit and Risk Committee.
2-4	Management, Planning & Audit Committee Reporting	Management		10	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
	Strategic Risk Update			5	
	Audit Committee Training			5	
	Ad Hoc			25	
1	Annual Planning	Management		4	Assessing the Organisation's annual audit needs – requirement of Internal Audit Standards.
4	Annual Report	Management		2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1-4	Client Portal				The client portal provides a one stop shop of internal audit reports, progress and recommendation tracker as well as briefings, fraud alerts, fraud updates and committee briefings.
Total days				225	

Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. TIAA is responsible for giving assurance to Council's "Governing Body" (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of Council's risk management, control and governance processes.

Scope

All Council's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Council's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Audit Committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Council's and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Standards and Approach

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

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within Council's and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Council's management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Corporate Assurance Risks

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

Assurance Assessment Gradings

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

LEVELS OF ASSURANCE PROVIDED



Benchmarking

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

Types of Audit Review

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

