



Internal Audit

DRAFT

Dacorum Borough Council

Audit Strategy and Annual Internal Audit Plan

2021/22

March 2021

Overview

Introduction

The Audit Plan for 2021/22 has been informed by a risk assessment carried out across our local government clients and by an updated audit risk assessment 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

This year will continue to be another challenging year for local authorities in terms of funding, balancing budgets, service delivery and dealing with the ongoing impact of the COVID-19 pandemic. We have identified a number of key areas which require consideration when planning internal audit coverage.

“Multi-channel” resident engagement: Partly as a result of COVID-19 but also as process changes through improved technology, councils will need to embrace cutting edge technology. Adopting a multi-channel approach to resident engagement will enable council services to be more readily available, more accessible and more transparent.

Commercialisation: Councils are being driven towards being more self-sufficient and cost effective, with pressure to close funding gaps and rebalance budgets. Councils will already be operating in different financial and more commercial environments. The pandemic is likely to have brought significant unforeseen risks to these investments and their underlying assumptions.

Cyber Security: As more services move on-line, risks and vulnerabilities are likely to increase. Cyber security is as much about awareness and behaviours as it is about network security. Resilience needs to be regularly and stringently stress tested across the organisation to ensure it is operating effectively.

Council mergers: Reorganisation is very much back on the table with central government inviting submissions for locally-led proposals for unitary government. The merger process itself and the cost of any redundancies is likely to add to short-term financial pressures. Mergers don't just involve the transfer of assets but also liabilities and risks; there needs to be certainty that the outcome will lead to better public services and the identified efficiencies.

Further analysis of the risks facing the sector can be found at Appendix A.

Providing Assurance during the COVID-19 pandemic

We have successfully transitioned to new and remote ways of working without any diminution of the service and we recognise that many if not all of our clients have had to implement changes in the way that they work. This may have resulted in gaps in control or exposures that previously didn't exist.

We have carried out extensive research to establish the Root Cause Indicators (RCI) which underpin the reasons for any weaknesses identified by our Internal Audit work in an organisation's governance, risk and control framework.

The RCIs include identifying the extent to which COVID-related factors are the cause of the identified exposure.

Further details in relation to RCIs can be found at Appendix B.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2021/22 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

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. For 2021/22, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing Dacorum Borough Council (the 'Council') and those within the sector and has been developed with senior management and Committee. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS).

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing The Council. Appendix 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. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix C) and the Annual Plan (Appendix D) sets out the reviews that will be carried out, the planned times and the high-level 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; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

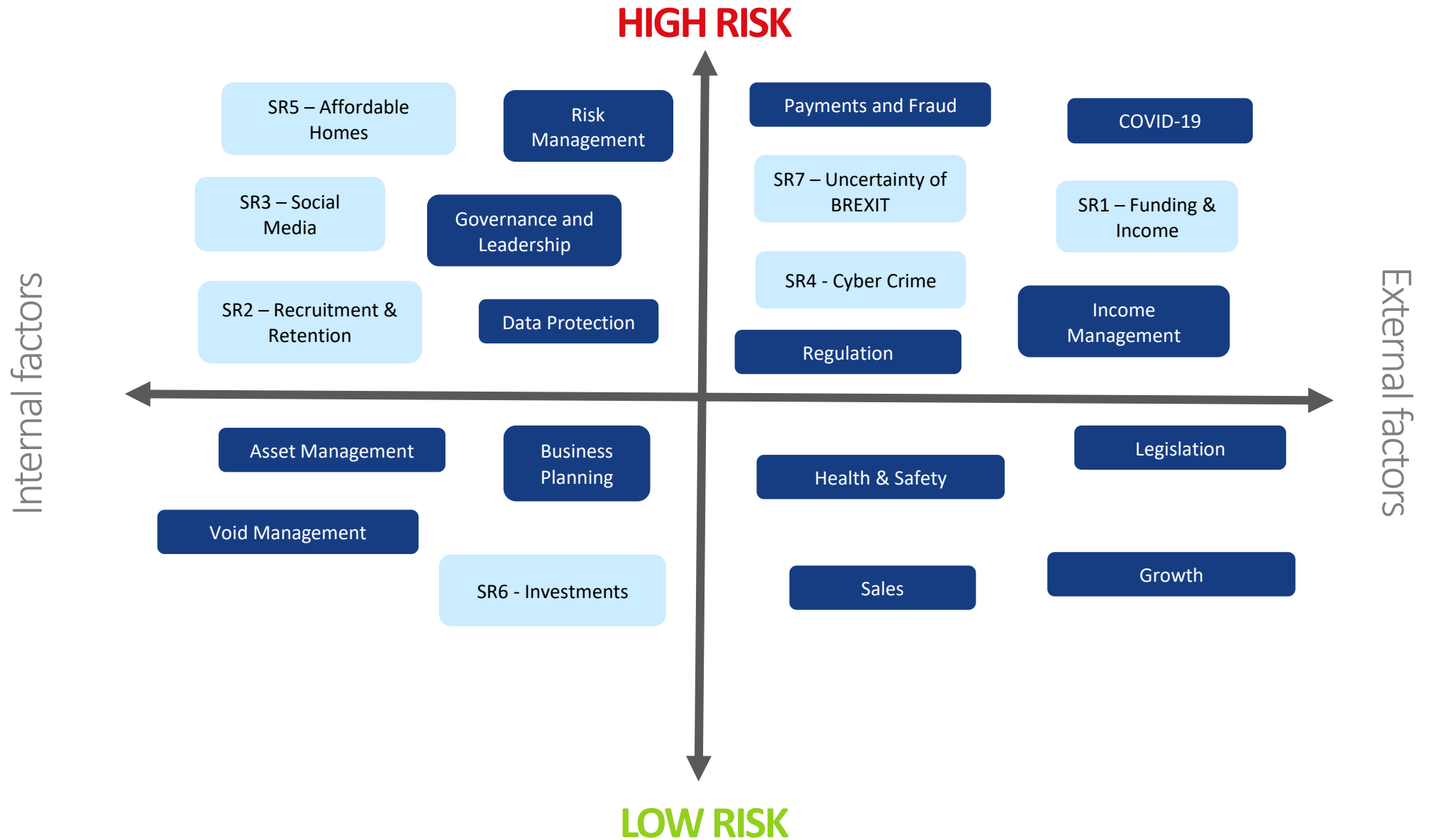
The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Council. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where the Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Section 151 Officer and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

Date plan issued:	12 th February 2021
Date revised plan issued:	24 th February 2021
Date 2nd revised plan issued:	1 st March 2021

Appendix A: GUARD Risk Analysis



Appendix B: Providing Assurance

Corporate Assurance Risks

We consider two corporate assurance risks – Directed and Delivery. Underneath these corporate risks sit six Root Cause Indicators (RCI). We have carried out extensive research to establish the RCI which underpin the reasons for any weaknesses identified by our Internal Audit work in an organisation’s governance, risk and control framework. The benefits of adopting this new approach is that it enables management and Audit Committees to clearly understand and focus on the significant issues arising from our work. For each audit assignment, we will provide a RCI for each of our findings in that area.



Directed Risk: Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Root Cause Indicator	Governance Framework	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.
	Risk Mitigation	The documented process aligns with the mitigating arrangements set out in the corporate risk register.
	Compliance	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.



Delivery Risk: Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Root Cause Indicator	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.
	Financial Constraint	The process operates within the agreed financial budget for the year.
	Resilience	Good practice to respond to business interruption events and to enhance economic, effective and efficient delivery is adopted.

Appendix C: Rolling Strategic Plan

Review Area	Risk Ref	Type	2020/21	2021/22	2022/23
Corporate Services and/or Council Wide Audit					
Business Continuity (rolled forward from 2020/21)		Assurance	10	10	✓
Community Safety Partnerships		Assurance	7	-	
Human Resources – Absence Management	SR2	Assurance	-	10	
Human Resources – Recruitment	SR2	Assurance	-	10	
Corporate Health and Safety (rolled forward from 2020/21)		Assurance	10	10	✓
Planning		Assurance	10	-	✓
Governance and Risk Management	All	Assurance	10	10	✓
Benefits/Savings Realisation		Assurance	10	-	
Benchmarking (Topic to be agreed)		Benchmarking	-	10	✓
Communications		Assurance	-	-	✓
ICT					
Document Management System		Assurance	-	-	✓
ICT – Network Security (Remote Access)	SR4	Assurance	-	10	-
GDPR/Information Governance		Assurance	10	-	-
Cybersecurity		Assurance	10	-	-
Financial Services and Resources Audit					
Key Financial Controls	SR1	Assurance	20	15	✓
Payroll	SR1	Assurance	-	10	-
Budgetary Control	SR1	Assurance	8	8	✓
Council Tax	SR1	Assurance	8	8	✓

Review Area	Risk Ref	Type	2020/21	2021/22	2022/23
NNDR	SR1	Assurance	8	8	✓
Insurances (include staff owned vehicles on Council business)		Assurance	-	-	✓
Customer Services		Assurance	-	8	-
Housing Benefits and Council Tax	SR1	Assurance	8	8	8
Operational Audit – Law and Governance					
Procurement/Contracts		Compliance	-	10	✓
Freedom of Information		Compliance	-	8	✓
Operational Audit – Planning and Environment					
Empty Homes	SR5	Assurance	10	10	✓
Commercial Asset Management	SR1	Assurance	15	-	✓
Planning Enforcement	SR1	Assurance	-	10	✓
Operational Audit – Housing and Community Developments					
Housing Repair and Maintenance		Assurance	-	-	✓
Housing Allocations and Homelessness		Assurance	-	-	✓
Housing Rents	SR1	Assurance	10	8	✓
Safeguarding/Prevent		Assurance	-	10	-
Waste Management		Assurance	-	15	-
Management and Planning					
Follow Up		Follow Up	10	10	✓
Update Strategic Risks			5	5	✓
Audit Committee Training			5	5	✓
Adhoc			25	5	✓
Annual Planning		-	4	4	✓

Review Area	Risk Ref	Type	2020/21	2021/22	2022/23
Annual Report		-	2	2	✓
Audit Management		-	10	13	✓
Total Days			225	250	

Note: The 25 Adhoc days, listed in the 2020/21 Audit Plan, will be offset against the 2021/22 Audit Plan.

Appendix D: Annual Plan – 2021/22

Quarter	Review	Type	Days	Risk, Rationale and Scope
1	Absence Management	Assurance	10	<p>Risk: SR2</p> <p>Rationale: If an organisation does not manage absence in an effective and appropriate manner, this may lead to high operational costs imp.</p> <p>Scope:</p> <p>The review will consider:</p> <ul style="list-style-type: none"> • There is an Absence Management Policy which is reviewed periodically; • Procedures in relation to managing attendance have been documented, are up to date and made available to all staff; • Line Managers are managing attendance effectively and in accordance with required procedures; • All employees are aware of their responsibilities in relation to managing attendance; • Management are notified of all absences within the required timeframes and statements of fitness for work certificates are produced, where applicable, to cover complete absence periods; • ‘Return to Work’ interviews are carried out after every instance of absence; and • Absence is monitored and reported on, on a regular basis.

Quarter	Review	Type	Days	Risk, Rationale and Scope
1	Recruitment	Assurance	10	<p>Risk: SR2</p> <p><u>Rationale:</u> Good recruitment is vital for all organisations.</p> <p><u>Scope:</u></p> <p>To evaluate the adequacy and effectiveness of controls over the new recruitment processes, in particular:</p> <ul style="list-style-type: none"> • there is a recruitment and selection policy in place which details staff roles and responsibilities; • staff recruitment is carried out in accordance with the recruitment and selection policy; and • adequate reporting mechanisms are in place to monitor staff recruitment.
1	Payroll	Assurance	10	<p>Risk: SR2</p> <p><u>Rationale:</u> The Council has implemented a new Midland HR payroll system prior to Christmas (2020) and have requested a review of the implementation and the system processes and controls, prior to external audit starting in July 2021.</p> <p><u>Scope:</u></p> <p>To review the post implementation of the Midland HR payroll system and to assess the key processes and controls implemented.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
1	Business Continuity (inc Pandemic Response)	Assurance	10	<p>Risk: SR6</p> <p><u>Rationale:</u> 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><u>Scope:</u></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> <ul style="list-style-type: none"> • IT functions and controls regarding key information. • The existence of complete and up to date policies and processes for remote working; • The process for tracking the continuation of business critical functions to ensure they are kept up to date; • Authorisation and approval controls; • Controls to ensure the consistency across the organisation; • Processes for ensuring staff and other stakeholders are made aware of key and relevant process and procedures; • Sufficiency of staff resources for managing policies and procedures. • Exact scope to be discussed and agreed with management. • The review will also seek to share any identified good practice from similar organisations.

Quarter	Review	Type	Days	Risk, Rationale and Scope
1	ICT – Network Security (Remote Access)	Assurance	10	<p>Risk: SR4</p> <p>Rationale: Remote access is key for all organisations, new arrangements have had to be put in place, which has come about as a result of the Covid-19 pandemic.</p> <p>Scope:</p> <p>To assess the Council’s IT remote working arrangements including controls that were put in place to support continued use and availability of ICT systems during the Covid-19 pandemic.</p> <p>The review will consider:</p> <ul style="list-style-type: none"> • Remote working policies and procedures; • Remote working training needs have been identified and training provided to users; • Remote access rights are restricted to valid and authorised users; • User authentication and password security settings; • Endpoint security including virus protection, WSUS and data encryption; and • Patch Management of all remote devices.
2	Customer Services	Assurance	8	<p>Risk: N/a</p> <p>Rationale: It is essential that an organisation has a robust and effective Customer service in place. As this service is customer/ client facing and sets the tone of how the organisation operates.</p> <p>Scope:</p> <p>To review processes operating to ensure that calls are promptly and accurately recorded with an appropriate Audit trail. Internal Audit also reviewed the procedures in place in relation to open calls forwarded to ‘back office’ functions to ensure that calls are appropriately and promptly dealt with.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
2	Procurement	Assurance	10	<p>Risk: SR1</p> <p>Rationale: Any form of procurement exercise/ activity must adhere to the Trusts Procurement rules and demonstrate value for money.</p> <p>Scope:</p> <p>To determine whether the Council's Standing Orders for Procurement are being adhered to across the organisation and whether Brexit rules will be introduced, if any, from 2021/22.</p>
2	Freedom of Information	Assurance	8	<p>Risk: N/a</p> <p>Rationale: The Freedom of Information Act 2000 provides public access to information held by public authorities. It does this in two ways:</p> <ul style="list-style-type: none"> • public authorities are obliged to publish certain information about their activities; and • members of the public are entitled to request information from public authorities. <p>Scope:</p> <p>The review will consider:</p> <ul style="list-style-type: none"> • The Council maintains a log of all information request sheets; • Freedom of Information requests are fully replied to within the required timescale; • The Council has produced and published policies and procedures for members of the general public on how to apply for information; and • The Information provided meets the requirements of the Freedom of Information Act and is considered by appropriate officers.
2	Corporate Health & Safety	Assurance	10	<p>Risk: N/a</p> <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:</p> <p>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>

Quarter	Review	Type	Days	Risk, Rationale and Scope
2	Waste Management	Assurance	15	<p>Risk: SR1</p> <p>Rationale: It is critical that waste is collected both public and commercial, as in doing so protects the environment and health of the population.</p> <p>Scope:</p> <p>To ensure that:</p> <ul style="list-style-type: none"> • there is adequate enforcement of and compliance with Environmental legislation; • compliance with site licences and ensure that there are adequate site management plans in place; • commercial service refuse contracts are monitored on a regular basis; • third party service providers are monitored on a regular basis; • there are adequate controls in respect of payments to Waste Management Contractors. • returns submitted to Government are accurate and in a timely manner. • there is adequate security at the recycling centres; and <p>Waste Management targets have been identified.</p>
3	Key Financial Controls	Assurance	15	<p>Risk: SR1</p> <p>Rationale: This is the main financial ledger and an important system for the Council which is audited annually.</p> <p>Scope:</p> <p>To assess the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems.</p> <p>For 2021/22, Accounts Receivable, Income Collection and Debt Recovery will be reviewed.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
3	Budgetary Control	Assurance	8	<p>Risk: SR1</p> <p>Rationale: Budgetary Control is a fundamental finance system that is audited every other year. More importantly, the Council will be introducing changes to budgetary control in quarter 1 of 2021/22.</p> <p>Scope:</p> <p>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.
3	Council Tax	Assurance	8	<p>Risk: SR1</p> <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:</p> <p>To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.</p>
3	NNDR	Assurance	8	<p>Risk: SR1</p> <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:</p> <p>To assess the adequacy and effectiveness of the internal controls in place at the Council for managing NNDR.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
3	Housing Benefits	Assurance	8	<p>Risk: SR1</p> <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:</p> <p>To assess the adequacy and effectiveness of the internal controls in place at the Council for benefits.</p>
3	Housing Rents	Assurance	8	<p>Risk: SR1</p> <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:</p> <p>To audit will review the following key areas:</p> <ul style="list-style-type: none"> • There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them, • Recommendations from the previous audit report have been implemented, • Rents due are being collected and promptly allocated to the correct rent accounts, • Benefits awarded are being properly allocated to the correct rent accounts, • Case records provide a management trail and complete case history

Quarter	Review	Type	Days	Risk, Rationale and Scope
4	Empty Homes	Assurance	10	<p>Risk: SR5</p> <p>Rationale: It is import that maintaining a fit for purpose housing stock and that turnaround is kept to a minimum</p> <p>Scope:</p> <p>Assess 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 Decent Homes policy.</p>
4	Planning Enforcement	Assurance	10	<p>Risk: SR1</p> <p>Rationale: Planning Enforcement are responsible for monitoring, investigating and taking enforcement action on unauthorised development that has taken place in Dacorum</p> <p>Scope:</p> <p>The review will focus on:</p> <ul style="list-style-type: none"> • The Service have complied with policies and procedures with regard to Planning Enforcement; • Enquiries/Complaints received are prioritised and investigated in accordance with set targets; • Staff have the appropriate skills to take enforcement action when necessary; and • Service budgets are monitored against their forecast, with explanations for any variances.

Quarter	Review	Type	Days	Risk, Rationale and Scope
4	Safeguarding & Prevention	Assurance	10	<p>Risk: N/a</p> <p>Rationale: The Children's Act 2004 and the Care Act 2014 place a duty on Local Authorities to safeguard and promote the welfare of children and vulnerable adults, protecting those at risk of harm.</p> <p>Scope:</p> <p>The review will assess:</p> <ul style="list-style-type: none"> • Governance arrangements – including partnership/interagency working arrangements; clear accountability; performance/risk management (annual audit/action plan) • Policies, procedures, guidance – are up to date; subject to regular review; implementation of updates to ensure compliance with current legislation; and are accessible; • Training and communication – appropriate levels for staff, members, contractors and customers; mandatory training is monitored to ensure appropriate coverage of new starters/updates for existing personnel; information to contractors is monitored; • Information management – there are appropriate arrangements regarding referrals, sharing of information and record retention
4	Governance and Risk Management	Assurance	10	<p>Risk: SR</p> <p>Rationale: It is vital for organisations to have good governance in place which in turn drives effective risk management.</p> <p>Scope:</p> <p>To review:</p> <ul style="list-style-type: none"> • the Council's Governance arrangements (topic to be specified); and • Risk Management - arrangements for identifying and monitoring the mitigating controls with regards to the Council's business significant risk map. <p>Two risks currently included in the Council's business significant risk map will be selected and the effectiveness of the identified controls will be reviewed</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
4	Benchmarking		10	Topic to be agreed – initial thoughts on Waste financial analytics and volume of waste.
3-4	Follow-up	Follow up	10	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Council is implementing recommendations, and providing reports to the Audit Committee.
1-4	Update Strategic Risks		5	To provide updates on strategic risks, based on outcomes of audit work undertaken during the year.
1-4	Audit Committee Training		5	Provide training to Audit Committee Members, as and when requested during the year.
1-4	Contingency		5	Contingency days requiring approval for unplanned requests or other use.
1	Annual Planning	Management	4	Assessing the Council’s annual audit needs.
4	Annual Report	Planning/Reporting	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	Audit Management	Planning/Reporting	13	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).
Total days			250	

Appendix E: Internal Audit Charter

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Dacorum Borough Council (the 'Council') and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.

The Role of Internal Audit

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 framework of governance, risk management and control. TIAA is responsible for providing assurance to the Council's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All the Council 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 the Council 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 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 the Council 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.

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 the Council 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 the Council management.

Conflict of Interest

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.

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 internal policies, the PSIAS and the IIA standards and the Council's requirements.

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.

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 of the Council and additional time will be required to carry out such testing. 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.

Liaison with the External Auditor

We will liaise with the 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.

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 PSIAS/IIA standards.

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

Follow Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

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 Global IIA standards. The Annual Report will include a summary opinion of the effectiveness of the Council’s governance, risk management and operational control processes based on the work completed during the year.

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.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Performance Standards

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.	100%
	Final report issued within 10 working days of receipt of responses.	100%
Professional Standards	Compliance with TIAA’s audit charter and PSIAS/IIA Standards.	100%

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

Audit Committee Responsibility

It is the responsibility of the Council 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.

By approving this document, the Audit Committee is also approving the Internal Audit Charter.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.