



Dacorum Borough Council

Audit Strategy 2020/2023 and Annual Plan 2022/23

2022/23



iIn

March 2022

FINAL

## OVERVIEW

### Introduction

The Audit Plan for 2022/23 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 Government in terms of funding, managing additional recruitment and technological advancement. There are a number of operational issues that have also come to prominence; 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.

**Financial Viability:** As we emerge from the clutches of the pandemic and some degree of normality returns the supporting grant aid will end and local authorities will be faced with the reality of unbalanced medium term financial plans without including significant potential savings. Realisation of these savings could be challenging and if not achieved at the outset will fail to provide the funds needed to retail a balanced budget.

**Staff Wellbeing:** COVID-19 has led to mental health declines, increased work demands and feelings of loneliness due to remote working. Staff turnover is at an all-time high. Managing the wellbeing and associated risks is crucial to ensure a stable workforce.

**Climate Change:** Around 300 councils have declared a climate emergency. Councils are taking action to reduce their own carbon emissions and working with partners and local communities to tackle the impact of climate change on their local area.

### Providing Assurance during the COVID-19 pandemic

From the outset, we 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. We continue to consider any gaps in control or exposures that have arisen as a result of this. Whilst many measures have largely been relaxed, it is not inconceivable that further measures might be implemented to stem any increases in cases. We continue to adopt a hybrid approach with a mix of remote and on-site working and tailor this approach to client requirements and the nature of each assignment.

### Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2022/23 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Local Government'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 2022/23, 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 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 Local Government. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. 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 A) and the Annual Plan (Appendix B) 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 each assignment within 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 Dacorum Borough 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 Local Authority agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Finance 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.

<b>Date plan issued:</b>	31 <sup>st</sup> January 2022
<b>Date final plan issued:</b>	14 <sup>th</sup> March 2022

## APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	BAF/Risk Ref	Type	2020/21	2021/22	2022/23
<b>Corporate Services and/or Council Wide Audit</b>					
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 ( <i>rolled forward from 2021/22</i> )		Assurance	10	10	10
Planning		Assurance	10	-	10
Governance and Risk Management	All	Assurance	10	10	10
Benefits/Savings Realisation		Assurance	10	-	
Benchmarking (Topic to be agreed)		Benchmarking	-	10	-
Communications		Assurance	-	-	10
<b>ICT</b>					
Document Management System		Assurance	-	-	10
ICT – Network Security (Remote Access)	SR4	Assurance	-	10	-
GDPR/Information Governance		Assurance	10	-	-
Cybersecurity		Assurance	10	-	-
<b>Financial Services and Resources Audit</b>					
Key Financial Controls	SR1	Assurance	20	15	15
Payroll	SR1	Assurance	-	10	10
Budgetary Control	SR1	Assurance	8	8	-
Council Tax	SR1	Assurance	8	8	8
NNDR	SR1	Assurance	8	8	8
Insurances (include staff owned vehicles on Council business)		Assurance	-	-	10

Review Area	BAF/Risk Ref	Type	2020/21	2021/22	2022/23
Customer Services		Assurance	-	8	-
Housing Benefits and Council Tax	SR1	Assurance	8	8	8
<b>Operational Audit – Law and Governance</b>					
Procurement/Contracts		Compliance	-	10	10
Freedom of Information		Compliance	-	8	-
<b>Operational Audit – Planning and Environment</b>					
Empty Homes	SR5	Assurance	10	10	10
Commercial Asset Management	SR1	Assurance	15	-	15
Planning Enforcement	SR1	Assurance	-	10	-
<b>Operational Audit – Housing and Community Developments</b>					
Housing Repair and Maintenance		Assurance	-	-	10
Housing Allocations and Homelessness		Assurance	-	-	10
Housing Rents	SR1	Assurance	10	8	8
Safeguarding/Prevent		Assurance	-	10	-
Waste Management		Assurance	-	15	-
<b>Management and Planning</b>					
Follow Up		Follow Up	10	10	10
Update Strategic Risks <i>(rolled forward from 2021/22)</i>			5	5	5
Audit Committee Training <i>(rolled forward from 2021/22)</i>			5	5	5
Adhoc <i>(Rolled forward from 2021/22)</i>			25	5	5
Annual Planning		-	4	4	4
Annual Report		-	2	2	2
Audit Management		-	10	13	13
<b>Total Days</b>			<b>225</b>	<b>250</b>	216

## APPENDIX B: ANNUAL PLAN – 2022/23

Quarter	Review	Type	Days	High-level Scope
1 May 2022	Corporate Health & Safety	Assurance	10	The review will 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.
1 May 2022	Communications	Assurance	10	The review will focus on the following key areas of activity: <ul style="list-style-type: none"> <li>• Communications arrangements following the Leadership restructure;</li> <li>• The strategy and policy for communications;</li> <li>• Roles and responsibilities as supported by details in Job Descriptions;</li> <li>• Awareness and training;</li> <li>• Monitoring, reporting and review; and</li> <li>• Future vision for structure and communications (vertical and horizontal).</li> </ul>
1 May 2022	Housing Allocation & Homelessness	Assurance	10	The review will assess the Council's effectiveness on dealing with Housing Allocations and Homelessness.
1 June 2022	Insurances	Assurance	10	The review to provide assurance that the Council has effective and robust insurance procedures, to ensure that appropriate insurance cover is in place, and that processes are well defined and adhered to.
2 July 2022	Document Management Systems	Assurance	10	The review will assess: <ul style="list-style-type: none"> <li>• Application Management and Governance;</li> <li>• System Security;</li> <li>• Interface Controls and Processing;</li> <li>• Data Input and Output;</li> <li>• Change Control;</li> <li>• System Resilience and Recovery; and</li> <li>• Support Arrangements.</li> </ul>
2 July 2022	Payroll	Assurance	10	The review will provide assurance over the adequacy and effectiveness of current controls over Payroll.

Quarter	Review	Type	Days	High-level Scope
2 August 2022	Housing Benefit	Assurance	8	The review will focus on Housing Benefits Overpayments, namely identification of overpayments, monitoring, reporting, write off and adherence to policy and procedures.
2 August 2022	Commercial Management Asset	Assurance	15	<p>The review will consider, the following key areas:</p> <ul style="list-style-type: none"> <li>• How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise;</li> <li>• The current portfolio of commercially rented properties and how these are managed/verified are accurate;</li> <li>• To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place;</li> <li>• To establish that the database of commercial properties is accurate and up to date; and</li> <li>• To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement</li> </ul>
2 Sept 2022	Housing Repairs & Maintenance	Assurance	10	The review will assess the delivery of an effective repairs service to manage emergency, urgent and routine repairs in a timely but cost effective manner.
3 Oct 2022	Key Financial Controls	Assurance	15	Key financial controls will be reviewed on an annual basis covering main finance systems and processes, with a more detailed review of each finance area on a modular basis over a three-year period. For 2022/23, this will include Creditors and Payments
3 Oct 2022	Council Tax	Assurance	8	The review will focus on arrears management and adherence to policy and procedures.
3 Oct 2022	NNDR	Assurance	8	The review will focus on arrears management and adherence to policy and procedures.
3 Nov 2022	Planning	Assurance	10	To review s106 planning permissions and application of these funds.
3 Nov 2022	Housing Rents	Assurance	8	The review will focus on arrears management and adherence to policy and procedures.

Quarter	Review	Type	Days	High-level Scope
4 Mid Jan 2023	Procurement/Contract Management	Assurance	10	To determine whether Major Revenue and Capital Contracts entered into by the Council adhere to Policies and Procedures.
4 Feb 2023	Empty Homes	Assurance	10	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.
4 Feb 2023	Governance & RM	Assurance	10	To review: <ul style="list-style-type: none"> <li>• the Council's Governance arrangements (<b>topic to be specified</b>); and</li> <li>• Risk Management - arrangements for identifying and monitoring the mitigating controls with regards to the Council's business significant risk map.</li> </ul>
1 – 4	Follow-up	Follow up	10	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Housing Association are implementing recommendations, and providing reports to the Audit Committee.
1-4	Update Strategic Risks		5	To aid the Council with their Strategic Risks
1-4	Audit Committee Training		5	To provide Audit Committee Members training, on areas requested.
1-4	Adhoc		5	Contingency for additional work
1	Annual Planning	Management	4	Assessing the Local Government's annual audit needs.
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	Audit Management	Management	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).
<b>Total days</b>			<b>216</b>	



## APPENDIX C: 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 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 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 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 of 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 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 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/IIA standards and 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 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 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 PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of 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.

### 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.

### Performance Standards

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

Performance Measure	Target
Completion of planned audits.	100%
Audits completed in time allocation.	100%
Draft report issued within 10 working days of exit meeting.	100%
Final report issued within 10 working days of receipt of responses.	100%
Compliance with TIAA’s audit charter and PSIAS/IIA Standards.	100%