



Internal Audit

DRAFT

## Dacorum Borough Council

Internal Audit Annual Report

2021/22

May 2022

# Internal Audit Annual Report

## Introduction

This is the 2021/22 Annual Report by TIAA on the internal control environment at Dacorum Borough Council (the 'Council'). The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report, which incorporates CIPFA guidance on the potential limitation of scope brought about by the impact of COVID-19, is designed to assist the Council in making its annual governance statement.

## Limitations on our opinion arising from Covid-19

The impact of COVID-19 on many organisations has continued to be felt throughout 2021/22 with restrictions continuing to be applied. This has been compounded by the emergence of new variants which has required the vaccination and booster programme to be accelerated. These have impacted staff availability and organisational capacity. It is acknowledged that this has affected some sectors more than others.

For internal audit the question remains as to whether sufficient internal audit work has been undertaken to gain assurance during 2021/22. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) when issuing their annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the organisation relies on for its Annual Governance Statement. Factors that need to be taken in to account in reaching a conclusion include:

- Has any reduction in coverage compared to what was planned resulted in insufficient assurance work?
- Have any limitations in the scope of individual assignments resulted in it only being possible to place partial assurance on the outcome?
- Have changes in ways of working led to gaps in the governance, risk management and control arrangements?

TIAA understands the considerable challenges and the difficult decisions that organisations are having to deal with, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need

to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope.

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

## What this means for Dacorum Borough Council

There has been minimal or no impact on the delivery of the internal audit work for 2021/22 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we are able to deliver the planned work by year-end (or shortly thereafter). There have been no changes to the planned work as a result of COVID-19; any changes to the plan were based on purely on business/operational need.

### HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

**TIAA is satisfied that, for the areas reviewed during the year, Dacorum Borough Council has reasonable and effective risk management, control and governance processes in place.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Council from its various sources of assurance.**

## Internal Audit Planned Coverage and Output

The 2021/22 Annual Audit Plan approved by the Audit Committee was for 250 days of internal audit coverage in the year.

During the year there was no changes to the Audit Plan.

The planned work that has been carried out against the plan and the status of work not completed is set out at Annex A.

An extra piece of work, Business Grants, was carried out which was in addition to that set out in the Annual Audit Plan.

## Assurance

TIAA carried out 20 reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the Council’s objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	6	11
Reasonable Assurance	12	2
Limited Assurance	2	0
No Assurance	0	0

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2021/22. The numbers in brackets relate to 2020/21 recommendations

Urgent	Important	Routine
3 (0)	41 (9)	49 (12)

## Audit Summary

**Control weaknesses:** There were two areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided ‘limited assurance’. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
<b>Directed</b>			
Governance Framework	2	6	14
Risk Mitigation	0	3	2
Compliance	1	29	24
<b>Delivery</b>			
Performance Monitoring	0	2	2
Financial Constraint	0	0	1
Resilience	0	1	6

**Operational Effectiveness Opportunities:** One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
10

### Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

### Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	100%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards and relevant guidance issued by the Accounts & Audit Regulations 2015.

### Release of Report

The table below sets out the history of this Annual Report.

<b>Date Report issued:</b>	27 <sup>th</sup> May 2022
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# Annexes

## Annex A

### Actual against planned Internal Audit Work 2021/22

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Absence Management	Assurance	10	10	Reasonable	
Recruitment	Assurance	10	10	Reasonable	Draft Report issued
Payroll	Assurance	10	10	Reasonable	
Business Continuity (inc Pandemic Response)	Assurance	10	10	Reasonable	
ICT – Network Security (Remote Access)	Assurance	10	10	Reasonable	
Customer Services	Assurance	8	8	Substantial	
Procurement	Assurance	10	10	Reasonable	
Freedom of Information	Assurance	8	8	Reasonable	
Corporate Health & Safety	Assurance	10	0	-	Cancelled – Included in 2022/23 Audit Plan
Waste Management	Assurance	15	15	Limited	
Key Financial Controls	Assurance	15	15	Substantial	
Budgetary Control	Assurance	8	8	Substantial	
NNDR	Assurance	8	8	Substantial	
Council Tax	Assurance	8	8	Substantial	
Housing Benefits	Assurance	8	8	Substantial	
Housing Rents	Assurance	8	8	Reasonable	
Empty Homes	Assurance	10	10	Reasonable	Draft Report issued
Planning Enforcement	Assurance	10	10	Limited	
Safeguarding & Prevention	Assurance	10	10	Reasonable	
Governance & Risk Management	Assurance	10	10	Reasonable	Draft Report issued

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Business Grants	Compliance	0	5	Reasonable	Additional review requested by Section 151 Officer
Benchmarking	Assurance	10	0		Deferred to 2022/23
Follow-up		10	10		
Update Strategic Risks		5	0		Deferred to 2022/23
Audit Committee Training		5	0		Deferred to 2022/23
Contingency		5	0		Cancelled
Annual Planning		4	4		
Annual Report		2	2		
Audit Management		13	13		
	<b>Total Days</b>	<b>250</b>	<b>230</b>		