



Dacorum Borough Council

Draft Indicative Audit Strategy 2023/25 and Annual Plan
2023/25

2023/24



January 2023

DRAFT

OVERVIEW

Introduction

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across our 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 Government in terms of the macroeconomic and financial environment, spiralling costs and the labour market. We have identified a number of key areas which will individually and collectively affect the sector in various ways; these require consideration when planning internal audit coverage.

Macroeconomic and financial environment: The UK economy has experienced a sequence of significant events including Brexit, the pandemic and the conflict in Ukraine. Further challenges lie ahead as the government seeks to cut spending and raises taxes to plug the gap in the UK's finances. Rapid and increasingly prolonged inflation, rising interest rates, shortages in the labour market and continuing supply chain disruption are leading to increased costs and a challenging financial situation for many.

Increasing wage demands: One of the consequences of the economic situation is demands for significant pay increases to help combat the effect of inflation and a perceived lack of pay progression for over a decade. This has seen strike action taking place or planned by rail workers, postal workers, lecturers, bus drivers and nurses. This will put pressure on organisational budgets and present challenges in recruitment.

Cyber security: This continues to be one of the highest ranked risks for organisations and shows no sign of going away. The widespread move to remote working and increased online service delivery has made organisations more vulnerable to phishing, malware, and ransomware attacks, particularly where there has been a lack of investment in infrastructure.

Commercialisation: Councils are moving 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.

Climate change: Global warming can lead to physical, operational, financial and reputational risks arising. 'Loss and damage' - the phrase used to describe the destruction being wrought by the climate crisis - will remain high on the agenda. Aside from the obvious environmental impact, climate change can stress local economies, threaten business models and pose widespread disruption to organisations.

The impact on government: Individually and collectively, the current climate will present many challenges for local authorities. Public finances have been under tremendous and historic pressure in recent years and local authorities face significant challenges to their financial sustainability. High levels of inflation and energy costs and higher than expected forecasts of the

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2023/24 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the 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 2023/24, 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 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 Dacorum Borough Council. 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 Dacorum Borough Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the S151 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 draft plan issued:	19 th December 2022
Date revised draft plan issued:	30 th January 2023

APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	BAF/Risk Ref	Type	2023/24	2024/25
Governance				
Performance Management		Assurance	✓	
Equality, Diversity and Inclusivity		Assurance		✓
Community Engagement		Assurance		✓
Commissioning and Partnership Services		Assurance		✓
Building Safety Bill Compliance		Assurance	✓	
Risk				
Risk Management Framework		Assurance	✓	
Business Continuity		Assurance		✓
ICT				
Use of Social Media		Assurance		✓
Cyber Security Maturity Assessment		Assurance		✓
Finance				
MTFS		Assurance	✓	✓
		Assurance	✗	
Key Financial Controls		Assurance	✓	✓
Housing Rents		Assurance	✓	
Capital Programme		Assurance		✓
Overtime and Additional Allowances		Assurance	✓	
Income – Cash and Bank		Assurance		✓
Budgetary Control		Assurance	✓	
Agile Working		Assurance		✓
Pensions		Assurance		✓

Review Area	BAF/Risk Ref	Type	2023/24	2024/25
Operational Performance and Infrastructure				
H&S		Assurance	✓	
HRA H&S		Assurance	✓	
General Fund H&		Assurance	✓	
Garage Rents		Assurance	✓	
Commercial Rents		Assurance	✓	
Climate Change		Assurance	✓	
Leisure Contract		Assurance	✓	
Waste Management		Assurance	✓	
Planned and Preventative Estate Maintenance		Assurance	✓	
Fleet Management Strategy		Assurance		✓
Ad Hoc Advice		Assurance	✓	
Workforce				
Agile Working		Assurance	✓	
Absence Management		Assurance		✓
Recruitment and Training		Assurance		✓
Grievance Reporting and Management		Assurance		✓
Workforce Planning		Assurance		✓
Follow Up		Follow Up	✓	✓
Management and Planning				
Annual Planning		Management	✓	✓
Annual Report		Management	✓	✓
Audit Management		Management	✓	✓
Total Days			225	225

APPENDIX B: ANNUAL PLAN – 2023/24

Quarter	Review	Type	Days	High-level Scope
1	MTFS	Assurance	10	<p>The MTFS was released in October 2022, this identified £3million worth of savings that should be delivered. Audit work in 2022/23 is required to provide on-going assurance that scheme delivery against savings in the MTFS are being managed and monitored effectively and reported accurately. In addition, the scope of work will include assurance over the accuracy of the financial assumptions made around spending pressures.</p> <p>A sample of new savings and recurring savings will be selected for review.</p> <p>To Incorporate corporate property and failure to maintain tenancies and to generate the projected return on investment will have significant financial consequences for the Council. The review will focus on the governance and reporting arrangements, project management and budgetary control for a number of key redevelopment projects.</p>
1	H&S	Assurance	5	<p>H&S is a Corporate Priority and appropriate and adequate Health and Safety for Housing is a critical requirement. Previous audit reviews identified a number of initiatives regarding Health and Safety requirements as work in progress. The audit will review the findings of the previous audits and examine and test the arrangements for Health and Safety that should be in place for 2023/24 onwards.</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>
1	HRA H&S	Assurance	5	<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 for HRA</p>
2	General Fund H&S	Assurance	5	<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 for the general fund.</p>
2	Overtime and Additional Allowances	Assurance	5	<p>The review will assess the controls in place to effectively manage, approve and monitor overtime and additional bonus and honorarium payments.</p>
2	Risk Management Framework	Assurance	10	<p>Dacorum has made significant developments in respect of risk management over the last 12 months. This review will consider the arrangements in place to provide for risk management in accordance with the agreed framework.</p>
2	Commercial Rents	Assurance	5	<p>Commercial Rents are becoming 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. The review will focus on the processes for ensuring that all commercial rents are appropriately recorded, the database of commercial properties is accurate and up to date, and testing a number of commercial properties to confirm that rents are paid in accordance with their agreement.</p>

Quarter	Review	Type	Days	High-level Scope
2	Garage Rents	Assurance	5	To provide assurance that all rents are collected in accordance with the rental/lease agreement. The review will focus on the processes for ensuring that all garage rents are appropriately recorded, the database of garages is accurate and up to date, and testing a number of garages to confirm that rents are paid in accordance with their agreement.
2	Building Safety Bill Compliance	Assurance	5	To provide assurance that the council is operating in compliance with the building safety Bill.
2	Community Grants	Assurance	10	A periodic review focusing on the process for awarding grants and monitoring compliance with grant funding conditions. Key areas will include: <ul style="list-style-type: none"> • Appropriate records are maintained to verify applicant eligibility; • Grants are appropriately approved by committee or delegated officers; • All monies expended are done so in accordance with the grant agreement; • There are adequate controls in place with regard to how grant money is spent; and • Adequate budget monitoring and management of grants awarded takes place.
3	Leisure Contract	Assurance	10	A periodic review of the controls in place for managing the contracts for the provision of leisure facilities. The audit will focus on the following areas: <ul style="list-style-type: none"> • An appropriate contract is in place, which sets out key performance indicators / performance targets; • Variations are controlled in accordance with contractual provisions; • Performance management and monitoring processes are in place and are robust enough to ensure compliance with performance standards; • Contract clauses, such as penalties and deductions, are outlined and enforced; • Payments are made accurately in line with contractual arrangements; • Management information on contract performance is provided and regularly reviewed; and <ul style="list-style-type: none"> • Adequate budget controls are in place.
3	Waste Management	Assurance	10	This follow up review will consider Driver's hours/ Log Books or Tachographs; Load management; Care of equipment; Parking; Reversing (banksman); Cleaning of equipment; Driver checks; Defect reporting; Understanding Fleet Compliance and processes; Spot checks conducted by Ops management, on: Log book records, Daily checks, Gate checks, Street checks, Seat belts, Vehicle condition/cleanliness of cab.
3	Performance Management	Assurance	10	The review will consider the way in which key performance data is collated to inform effective decision making, taking in to account the accuracy, integrity and consistency of data.

Quarter	Review	Type	Days	High-level Scope
3	Planning Enforcement	Assurance	10	This follow up review will consider compliance with relevant policies and procedures, in particular to establish if enquiries/complaints received have been prioritised and investigated in accordance with set targets, staff have the appropriate skills to take enforcement action when necessary and related budgets are monitored appropriately. The review will also consider the effectiveness of the '400 Plan Phase 2' in its aim in providing the focus for closing cases that can be closed.
3	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 2023/24, this will include Accounts Receivable, Income Collection and Debt Recovery which will be reviewed.
3	Housing rents	Assurance	10	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
3	Budgetary Control	Assurance	10	Budgetary Control is a fundamental financial process that is audited every other year. Key control objectives that will be considered as part of this audit include: <ul style="list-style-type: none"> • Formally approved budgets are set each year, taking into account all relevant income and expenditure; • The financial management system accurately reflects the agreed budgets; • Budgets are allocated to individuals at an appropriate level, with monitoring responsibilities clearly outlined; • All budget adjustments (including virements) are authorised; • Budgets are adequately monitored and regularly reported, with reasonable variance levels being set which trigger action and explanation; • Appropriate financial reserves are maintained in line with assessed risks.
4	Ad hoc advice days	Assurance	5	Ad hoc advice days on the strategic asset review in Q4
4	Housing Transformation Improvement Programme (HTIP)	Assurance	5	To provide assurance that audit recommendations are being embedded into HTIP or other programmes from the EY work.

Quarter	Review	Type	Days	High-level Scope
4	Climate Change	Assurance	10	<p>This is an area of increasing risk significance amid the Government’s commitment to net zero carbon emissions by 2050. If the Council is not seen to be taking action or working towards government targets this may lead to reputational damage. Key areas for the review include:</p> <ul style="list-style-type: none"> • A Corporate Strategy is in place for tackling Climate Change, with roles and responsibilities clearly defined and an associated action plan in place; • Climate Change considerations are embedded into corporate decision making, targets and objectives. • Adequate performance monitoring and reporting to senior management and Members is in place.
4	Housing Allocations	Follow up	5	Undertake a follow up review to assess the Council’s effectiveness on dealing with Housing Allocations and Homelessness
4	Planned and Preventative Estate Maintenance	Assurance	12	The review will consider the arrangements in place to deliver the programme of planned and preventative maintenance across the estate.
1 – 4	Follow-up	Follow up	12	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 of strategic risks	Management	5	
1 – 4	Audit Committee Training	Management	5	
	Contingency		8	
1	Annual Planning	Management	3	Assessing the Housing Association’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).
Total days			225	

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 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.

Definition of Internal Auditing

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

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 Dacorum Borough Council's senior management and 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 Dacorum Borough 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 Dacorum Borough 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.

As well as providing the required level of assurance, TIAA's may engage in consultancy activity that contributes to the overall assurance that can be delivered to the Audit Committee.

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 Dacorum Borough 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 Dacorum Borough 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 Dacorum Borough Council's 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 Dacorum Borough 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 Dacorum Borough Council and additional time will be required to carry out such testing. Dacorum Borough 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 Dacorum Borough 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.

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 Dacorum Borough 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.

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 Dacorum Borough 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.

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%