



Dacorum Borough Council

Indicative Audit Strategy 2024/25 and Annual Plan 2024/25

February 2024

Draft



Executive Summary

Introduction

The Audit Plan for 2024/25 has been informed by a risk assessment carried out across our clients in the sector and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks. This coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Risk Considerations

We have identified a number of key areas which require consideration when planning internal audit coverage.

Financial Management: Five local authorities since 2021 have declared themselves effectively bankrupt, with a number warning they may have to do the same. The LGA has identified a funding gap of three billion pounds over the next two years. This raises the importance of maintaining adequate financial controls.

Gap in Funding for Core Services: There is a risk that inflationary pressures and adverse financial circumstances might lead to a gap in funding to local councils and on key services.

Housing: Local authorities are struggling to build affordable housing that is needed. The number of social housing tenants in England complaining of damp and leaks is on course to more than double in the two years since a child died after living in a rented flat with chronic mould. And complaints handling related to maintenance is a continuing concern.

Project Management: Implementing collaboration between Councils, local authorities and other partners continues to be a significant challenge, Birmingham Council reported a £100 million hole in the EPR upgrade. As well as adding to financial pressures, project failure can impact services or residents lives and result in significant reputational damage.

Audit Strategy Methodology

In producing this audit strategy and annual plan, we have sought to build on our understanding of Dacorum Borough Council's operating environment and risk profile through a review of key documentation and discussions with key staff. We have taken into account:

- Dacorum Borough Council's business strategy and corporate objectives
- The regulatory and legislative framework
- Dacorum Borough Council's risk register
- External Audit recommendations
- Previous Internal Audit coverage

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 prioritised and focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Our approach complies with the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and the Public Sector Internal Audit Standards (PSIAS).

Internal Audit Strategy and Plan

The Audit Strategy at Appendix A incorporates the proposed annual plan for 2024/25 and the indicative coverage for the following two years.

The Annual Plan at Appendix B sets out the assignments that will be carried out in 2024/25, the planned times and the high-level scopes for each of these assignments.

The Annual Plan will be subject to ongoing review and could change as the risks change for the Dacorum Borough Council; this 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 Chief Finance Officer/s and will be clearly set out in the terms of reference for the additional review(s).

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2024/25 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of Dacorum Borough Council'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.

Disclaimer

This document 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 document 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 document and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our document.

Release of Report

The table below sets out the history of this plan.

| | |
|---------------------------------|------------|
| Draft Strategy and Plan: | 12/02/2024 |
| Final Strategy and Plan: | TBC |

Appendix A: 2024/25 Summary Plan

| Review Area | Directorate | Service Area | Type | 2024/25 | Days |
|---|-----------------------------------|---|-----------|---------|------|
| Governance | | | | | |
| Community Engagement | People and Transformation | Communications and Community Engagement | Assurance | ✓ | 8 |
| Risk | | | | | |
| Risk Management Framework | Corporate and Commercial Services | Financial Services | Assurance | ✓ | 12 |
| Business Continuity | Neighbourhood Operations | Corporate Health, Safety and Resilience | Assurance | ✓ | 10 |
| Finance | | | | | |
| Financial Resilience | Corporate and Commercial Services | Financial Services | Assurance | ✓ | 10 |
| Key Financial Controls | Corporate and Commercial Services | Financial Services | Assurance | ✓ | 12 |
| Capital Programme | Corporate and Commercial Services | Financial Services | Assurance | ✓ | 10 |
| Income – Cash and Bank | Corporate and Commercial Services | Financial Services | Assurance | ✓ | 12 |
| MTFS | Corporate and Commercial Services | Financial Services | Assurance | ✓ | 12 |
| Operational Performance and Infrastructure | | | | | |
| Licensing | Corporate and Commercial Services | Financial Services | Assurance | ✓ | 10 |
| Fleet Management Strategy | Neighbourhood Operations | Environmental Services | Assurance | ✓ | 10 |
| Neighbourhood Operations assurance | Neighbourhood Operations | Various | Assurance | ✓ | 10 |
| Tenancy Management and Enforcement | Housing and Property | Housing Operations | Assurance | ✓ | 10 |
| Private Sector Housing | Housing and Property | Safe Communities | Assurance | ✓ | 10 |

| Review Area | Directorate | Service Area | Type | 2024/25 | Days |
|---|-------------------------------|-----------------------------------|------------|---------|------------|
| Leaseholders – Section 20 process | Housing and Property | Housing Operations | Assurance | ✓ | 8 |
| Housing Transformation and Improvement | Housing and Property Services | All Housing and Property Services | Assurance | ✓ | 5 |
| Workforce | | | | | |
| Absence Management | People and Transformation | People | Assurance | ✓ | 10 |
| Recruitment and Training | People and Transformation | People | Assurance | ✓ | 10 |
| Added Value Audit Areas | | | | | |
| Project Management | People and Transformation | Transformation | Assurance | ✓ | 5 |
| Housing Regulatory Compliance and Building Safety | Housing and Property | Various including Safe Homes | Assurance | ✓ | 10 |
| Management and Planning | | | | | |
| Follow Up | All | All | Follow Up | ✓ | 12 |
| Annual Planning | N/A | N/A | Management | ✓ | 3 |
| Annual Report | N/A | N/A | Management | ✓ | 2 |
| Audit Management | N/A | N/A | Management | ✓ | 24 |
| Total Days | | | | | 225 |

List of Advisory Reviews not included in the audit plan

Below is a list of reviews which are undertaken by our Specialists Staff and are available in addition to the plan.

| Review | Indicative High Level Scope |
|----------------------------------|---|
| Website Penetration Test | Web application penetration testing is the practice of simulating attacks on a system in an attempt to gain access to sensitive data, with the purpose of determining whether a system is secure. This is done in a safe and secure way with a report identifying weaknesses and remedial action. |
| Health and Safety Reviews | To provide assurance on a range of Health and Safety related topics to provide assurance and advice on compliance with statutory requirement and regulations. |
| Governance Effectiveness Reviews | The review will consider the Senior Managements effectiveness - including whether it has the structure, processes, people and performance to deliver. The review will also consider how they interact with stakeholders, and whether respective roles are clear. |
| Climate Change | Deep Dive into selected aspects of climate change using a qualified subject matter expert. |

Appendix B: Annual Plan – 2024/25

| Quarter | Review | Type | Days | High-level Scope | Prog Ref | Review Type |
|---|---|-----------|------|--|----------|-------------|
| Core Reviews to support the Head of Internal Audit Opinion | | | | | | |
| 1 | Financial Resilience | Assurance | 10 | Confirm the realism and likely delivery success of identified saving within the current financial year and the Medium-Term Financial Plan. | | IA |
| 1 | Key Financial Controls | Assurance | 12 | 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 2024/25, this will include payments, debtors and income. | | IA |
| 3 | Risk Management Framework | Assurance | 12 | Confirm the adequacy of identification of risks in relation to key objectives and realism and likely success of identified mitigation and associated actions. | | IA |
| Suggested other Topics | | | | | | |
| 1 | Community Engagement | Assurance | 8 | Review the council’s approach to community engagement, involvement, and experience. This includes an assessment of established procedures, cultural aspects and communication strategies supporting meaningful engagement within the community. | | IA |
| 1 | Business Continuity | Assurance | 10 | Review of the adequacy and effectiveness of controls in place at the Council for managing the business continuity planning process and ensuring that the Council is resilient to disruptive events that may impact upon the organisation. | | IA |
| 1 | Housing Regulatory Compliance and Building Safety | Assurance | 10 | To provide assurance that the council is operating in compliance with the Building Safety Bill and other regulatory requirements | | IA |
| 2 | Fleet Management Strategy | Assurance | 10 | Controls and processes in place for managing Council owned fleet of vehicles and monitoring of fuel usage. | | IA |

| Quarter | Review | Type | Days | High-level Scope | Prog Ref | Review Type |
|---------|--|-----------|------|--|----------|-------------|
| 2 | Private Sector Housing | Assurance | 10 | To provide assurance the Council is meeting its responsibilities in this area. To include compliance with regulatory requirements in relation to Housing Act 2004 and in particular, complaints received vs inspection – with due regard to Awaab’s Law. HMO licencing application process, Housing Health and Safety Rating System (HHSRS) inspection processes, leading into identification of Cat 1 hazards and enforcement action of private sector housing. | | IA |
| 2 | Capital Programme | Assurance | 10 | The overall objective of this audit is to provide assurance over the adequacy and effectiveness of current controls over the Capital Programme and provide guidance on how to improve the current controls going forward. In summary, the scope will covered the following areas: Policies and Procedures, Governance Arrangements, Allocation of Capital Programme Budget, Project Initiation, Monitoring, End of Project Evaluation and Tracking Realisation of Proposed Benefits. | | IA |
| 3 | Income – Cash and Bank | Assurance | 12 | This audit will focus on the council’s income management processes, specifically examining efficiency and security of cash and bank transactions. It will assess controls over the collection, recording and deposit of income | | IA |
| 3 | Tenancy Management and Enforcement | Assurance | 10 | To provide assurance on tenancy management and enforcement arrangements including the mutual exchange process, Anti -Social Behaviour reporting and case management. | | IA |
| 3 | Leaseholders- review of section 20 process | Assurance | 8 | To provide assurance on compliance with s20 of the Landlord and Tenant Act. | | IA |
| 3 | MTFS | Assurance | 12 | Audit work 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. A sample of new savings and recurring savings will be selected for review. 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 several key redevelopment projects. | | IA |

| Quarter | Review | Type | Days | High-level Scope | Prog Ref | Review Type |
|-------------------|---|------------|------------|--|----------|-------------|
| 3 | Absence Management | Assurance | 10 | The review will evaluate the absence management practices within the council, focussing on efficiency, compliance, and strategies for minimizing staff absences. This includes assessing policies, monitoring mechanisms, and return-to-work processes with the goal being to optimise workforce productivity, ensure compliance and foster a healthy and supportive work environment. | | IA |
| 4 | Housing Transformation and Improvement Programme (HTIP) | Assurance | 5 | To provide assurance that audit recommendations are being embedded into HTIP or other programmes from the EY work. | | IA |
| 4 | Recruitment and Training | Assurance | 10 | This review will assess the controls governing staff recruitment and training within the council. It will examine policies and procedures to ensure the recruitment process is suitable and attracts the right skilled candidates, also that training is effectively implemented and recorded post recruitment. The goal is to ensure that recruitment and training are conducted appropriately, contributing to a skilled stable workforce. | | IA |
| 4 | Project Management | Assurance | 5 | To review and provide assurance on the Council's project management arrangements and the Project Management Office. | | IA |
| 4 | Licensing | Assurance | 10 | To review and provide assurance on the Council's Licensing service. | | IA |
| 1-4 | Neighbourhood Operations Assurance | Assurance | 10 | Assurance reviews to be undertaken on areas of activity within the Neighbourhood Operations directorate. A review of Council arrangements for the management of and maintenance of trees that the Council has responsibility for to be undertaken. | | IA |
| 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. | | IA |
| 1 | Annual Planning | Management | 3 | Assessing the Council'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 | 24 | 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 | | | |

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.

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 governing body (being the body with overall responsibility for the Dacorum Borough Council) 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 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 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 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 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.

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 Dacorum Borough Council 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 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 Dacorum Borough Council.

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% |

