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Colchester City Council

Indicative Audit Strategy 2023/26 and Annual Plan 2024/25

January 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.

Macroeconomic and financial environment: The UK economy continues to be impacted by a sequence of significant events including fluctuating interest rates, higher than target inflation, post-pandemic recovery and the conflicts in Ukraine and the Middle East. Shortages in the labour market and continuing supply chain disruption lead to increased costs and a challenging financial situation for many.

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

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. Sustainability is now a high agenda item with organisations further developing their sustainability goals.

Customer Experience: Failure to effectively engage with customers and respond to complaints and feedback and to provide good customer service will come increasingly to the fore as the Tenant Satisfaction Measures Regime starts from April 2023.

Audit Strategy Methodology

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

- Colchester City Council's business strategy and corporate objectives
- The regulatory and legislative framework
- Colchester City 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 organisation; 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 Colchester City Council. This number of days is fixed, and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where ORGANISATION agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Operating Officer 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 Colchester City 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:	11th January 2024
Final Strategy and Plan:	

Appendix A: Rolling Strategic Plan

Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
Governance					
Corporate Governance (including Succession planning)		Assurance		✓	
Complaints management		Assurance			✓
Governance arrangement of Shared Services		Assurance	✓		
Equality, Diversity and Inclusivity		Assurance	✓		✓
Performance Management (including staff training)		Assurance		✓	
Risk					
Risk Management Framework		Assurance		✓	
Conflict of interest (Staff working with other employers)		Assurance	✓		✓
ICT					
Use of Social Media		Assurance		✓	
Cybersecurity		Assurance			✓
Mobile Device Management		Assurance	✓		
Finance					
Procurement		Assurance		✓	✓
Budgetary Control		Assurance		✓	✓
Key Financial Control		Assurance	✓	✓	✓
Accounts Receivable (Debtors) – Cash Management		Assurance	✓		
CCHL / CBC Contract Management and Governance		Assurance	✓		

Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
Other audits					
Council Tax and NNDR		Assurance	✓	✓	✓
Housing Benefit		Assurance	✓	✓	✓
Staff Wellbeing and Sickness Absence		Assurance		✓	✓
Working with Volunteers and Police (Partnership services and Community safety)		Assurance		✓	
Homelessness/Allocations (Joint with CBH)		Assurance		✓	✓
Licensing		Assurance	✓		✓
Safeguarding		Assurance		✓	
Helpline and use of CCTVs		Assurance	✓		✓
Environmental Health		Assurance		✓	
Waste Management		Assurance	✓		✓
Tendring Colchester Borders project		Assurance	✓		
Leisure World		Assurance	✓	✓	✓
Carbon Reduction		Assurance		✓	
Fraud and Corruption (LCFS)		Assurance	✓		✓
Climate Emergency		Assurance	✓		
Corporate Health and Safety		Assurance		✓	✓
Housing Needs and Private Sector Housing		Assurance	✓		
Right to Buy (Joint with CBH)		Assurance		✓	
Homelessness		Assurance	✓		
Planning and Development (Including S106)		Assurance		✓	
Events Management		Assurance	✓		✓
Museums - Merged Services		Assurance	✓	✓	✓

Review Area	BAF/Risk Ref	Type	2024/25	2025/26	2026/27
Parking Services Income / Partnership		Assurance	✓	✓	✓
Housing Disrepair Management		Assurance	✓		✓
Property Asset Management		Assurance	✓		
Allocation for CCHL		Assurance	✓	✓	✓
Management and Planning					
Follow Up		Follow Up	✓	✓	✓
Annual Planning		Management	✓	✓	✓
Annual Report		Management	✓	✓	✓
Audit Management		Management	✓	✓	✓
Total Days			**300**	**300**	**300**

Appendix B: Annual Plan – 2024/25

Quarter	Review	Type	Days	High-level Scope
1	Governance Arrangement of Shared Services	Assurance	12	A review of the governance arrangement for services shared by the Council with other councils.
1	Housing Benefit and Council Tax Support	Assurance	12	Key controls within HB and CTS, impact on higher cases, special payments, overpayments, universal credit.
1	Tendring Colchester Borders Project	Assurance	10	Project management review.
1	Housing Needs and Private Sector Housing	Assurance	10	Use of private sector Housing by the Council to meet demands for Housing.
1	Events Management	Assurance	12	Events booking and income collection, cash flat reconciliation, purchasing and stock management of goods, credit card and income reconciliation, security of Events.
1	Housing Disrepair Management	Assurance	10	Prompt repairs and maintenance on the stock of houses held by the Council.
2	Equality, Diversity and Inclusivity	Assurance	10	The Council ensures that equality, diversity and inclusivity is effectively promoted and managed in the Council.
2	Accounts Receivable (Debtors) – Cash Management	Assurance	10	Receipt and banking of all income including management of cash, management of aged debtors and debt recovery.
2	CCHL / CBC Contract Management and Governance	Assurance	10	Review of contracts managed by CCHL on behalf of CCC to ensure that the targets attached to the key performance indicators in the contracts are being met.
2	Licensing	Assurance	10	The Council issue different types of licences including Taxi Drivers and Private Hire, Animal Licensing, Alcohol and Entertainment (Personal and Premises Licence), HMO Licensing, Scrap Metal Licensing, Charity permits for street and house to house collections among others, to members of the community. Review of the licensing process.
2	Fraud and Corruption (LCFS)	Assurance	10	Review the processes in place to prevent and manage different types of fraud and corruption.
2	Museums - Merged Services	Assurance	10	Policies & procedures, accounting for income, refunds, security & keys, stock control, exhibit inventory, insurance.
3	Conflict of Interest (Staff working with other employers)	Assurance	10	Management of staff conflict of interest and review of processes in place to ensure that staff are not engaged with other employers in contravention with their contracts with CCC.

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Quarter	Review	Type	Days	High-level Scope
3	Council Tax and NNDR	Assurance	12	Key controls within CTAX and NNDR, collection rates, valuations, arrears control, discounts and payment holidays.
3	Helpline and use of CCTVs	Assurance	10	Review of how the helpline and CCTVs are used in the Council.
3	Leisure World	Assurance	12	Cash collection, scale of charges, hire of facilities, credits/refunds, machine income, stock control, vetting of instructors.
3	Homelessness	Assurance	10	Housing allocations and management of Homelessness, with focus on the Council's Housing crisis and processes to address the crisis.
3	Parking Services Income / Partnership	Assurance	12	Policies & procedures, accounting for income, joint committee, management info, cash collection processes, refunds, security & keys, debt management, enforcement, complaints.
4	Mobile Device Management	ICT	12	Security and control of use of Council's mobile ICT devices.
4	Key Financial Control	Assurance	12	Income and Debtors; Creditors; Treasury Management and General Ledger.
4	Waste Management	Assurance	10	Review of the Council's waste management process (collections and recycling of waste).
4	Climate Emergency	Assurance	10	Review of implemented processes and plan in place to achieving carbon neutrality by 2030 and improving on the 40% reduction in carbon footprint the Council has made since 2008.
4	Property Asset Management	Assurance	10	Review of the processes in place to management the Council's property asset, up to date property asset listing, addition and disposal of property asset.
4	CCHL Allocation	Assurance	15	Scope to be determined by CCHL.
1 - 4	Contingency	Contingency	10	Contingency
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	Annual Planning	Management	4	Assessing the Local Government's annual audit needs.
4	Annual Report	Management	3	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	12	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		**300**	

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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 Colchester City 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 Colchester City 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 Colchester City 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 Colchester City 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 Colchester City 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 Colchester City 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 Colchester City 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 Colchester City 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 Colchester City Council and additional time will be required to carry out such testing. Colchester City 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 Colchester City 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 Colchester City 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 Colchester City 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%