

# Audit Agenda



**Wednesday 20 November 2019 at 7.30 pm**

## **Conference Room 2 - The Forum**

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

### Membership

Councillor Birnie	Councillor Silwal
Councillor Herbert Chapman (Chairman)	Councillor Symington
Councillor Mahmood	Councillor Townsend

For further information, please contact Corporate and Democratic Support or 01442 228209

## **AGENDA**

- (a) Internal Audit Reports (Pages 2 - 39)



## **DACORUM BOROUGH COUNCIL**

## **INTERNAL AUDIT PROGRESS REPORT**

## **Audit Committee – November 20 2019**

### **Status of our reports**

This report ("Report") was prepared by Mazars LLP at the request of Dacorum Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix C of this report for further information about responsibilities, limitations and confidentiality.

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## Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1<sup>st</sup> 2019 to November 13<sup>th</sup> 2019 by Mazars.

Appendix 1 outlines progress to date against the 2019/20 Internal Audit Plan.

## Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Corporate Director (Finance & Operations) and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Corporate and Service Risk Registers and how the internal audit plan can provide this assurance.

## Progress to Date

Progress against the 2019/20 Internal Audit plan is shown in Appendix 1 and shows the status of work to date and the number of days delivered. At the time of this report, progress against the plan is as follows:

<b>Number of audits in plan</b>	<b>15</b>	
Number of audits finalised	4	27%
Number of audits issued at draft	-	-
Number of audits currently in progress	3	20%
Number of audits with planned start dates	3	20%
Number of audits with start dates to be agreed	5	33%
<b>Total</b>	<b>15</b>	<b>100%</b>

We have issued the following Final reports for 2019/20 since the last Audit Committee meeting:

- Making Tax Digital (Overall assurance: **Good**)
- Housing Benefit and Council Tax Support (Evaluation assurance: **Good**, Testing assurance: **Good**)

## Follow-up of Recommendations

### 2018/19 and 2019/20





The table at Appendix 2 details the recommendations raised in the audit reports for 2018/19 and 2019/20. The summary of the outcome of our follow up work to the 30<sup>th</sup> September 2019 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%
2018/19	30	21	70%
2019/20	4	3	75%
<b>Total</b>	<b>34</b>	<b>24</b>	<b>71%</b>

## Definition of Assurance & Priorities

### Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
<b>Good</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
<b>Substantial</b>		Whilst there is a basic sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses, which put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

## Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action. Major issues for the attention of senior management and the Audit Committee
<b>Priority 2</b>	Recommendations, which, although not fundamental to the system, provide scope for improvements to be made. Recommendations for local management action in their areas of responsibility.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Detailed problems of a minor nature resolved on site through discussions with local management.

## Priority 1 Recommendations

No Priority 1 recommendations have been raised in the final reports issued since the last Audit Committee meeting.

## Appendix 1 – Status of Audit Work 2019/20

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	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
<b>Core Financial Systems</b>	Main Accounting	Audits previously given a high level of assurance: continuous auditing methods will be used in these areas to cover the adequacy and effectiveness of the Key Controls in place across the four areas.	16		Q3-Q4							
	Treasury Management, Cash & Bank											
	Accounts Receivable											
	Accounts Payable											
	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	8		Q4							
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting.	8	2	Q3							Audit started 14 <sup>th</sup> November
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, income maximisation, fair revenue distribution and appeals.	8	2	Q3							Audit started 14 <sup>th</sup> November
	Housing Benefit and Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations.	8	8	Q3	Final Report issued	Good	Good	-	-	-	
Payroll & Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	8	8	Q2	Final Report Issued	Good	Substantial	-	1	-		
<b>Core Financial Systems Total</b>			<b>56</b>	<b>20</b>								



	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Operational Risks	Community Safety Partnerships	Covering adequacy and effectiveness of controls over community safety, including governance, monitoring of priorities, award of grant funding and performance management.	7	1	Q3							Audit deferred to 2020/21
	Apprenticeships Scheme & Levy	Covering controls in place over compliance with the scheme requirements, maximisation of take up and integration into organisation	5		Q4							
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	10	10	Q1	Final Report Issued	Substantial	Substantial	-	2	1	
<b>Operational Risks Total</b>			<b>22</b>	<b>11</b>								
Strategic Risks	VAT – Making Tax Digital	To confirm the Council's systems and processes are MTD compliant.	15	15	Q2	Final Report Issued	N/A	Good				
	Leisure Services Contract Management	Covering adequacy and effectiveness of controls over management and monitoring of the new Leisure Contract.	12	0.5	Q3	ToR Issued						Audit starting November 26th
	Capital Programme	To review the Council's controls in place to prevent slippage of significant capital projects. The review will also look at the whole approach that the Council takes with a focus on particular projects.	15	8	Q3	WIP						
<b>Strategic Risks Total</b>			<b>42</b>	<b>23.5</b>								
Governance, Fraud & other Assurance Methods	Governance and Risk Management	Resources to assist in the development of Corporate/ Directorate Risk Registers, the use of CRSA to provide assurance that managers understand their requirements and take ownership of their	20	1	Q2-Q4	Ongoing	N/A					

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
		responsibilities. Risk Management workshops/training.										
	Fraud	A review of the Fraud training programme, processes and communications.	10	0.5	Q3							
	Governance Role	Review of the new member induction and training processes and delivery. Prior to May and the next round of new member inductions and training post the 2019 elections.	10		Q3							
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	10		Q2-4							
<b>Governance, Fraud &amp; other Assurance Methods</b>			<b>50</b>	<b>1.5</b>								
ICT	Disaster Recovery	The specific areas will be agreed with management but suggestions could include IT Asset Management, Disaster Recovery, Change Management, IT Project Management	10	7	Q3	WIP						
	Social Media Review	Review present controls and training in place for officers involved in Social Media. Gap analysis on where we do and do not use SM and where improvements could be made.	15		Q4							
<b>ICT total</b>			<b>25</b>	<b>7</b>								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	5								
	Management		20	8								
<b>Other total</b>			<b>30</b>	<b>13</b>								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
<b>Plan total</b>			<b>225</b>	<b>76</b>								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	25	-								
<b>TOTAL</b>			<b>250</b>	<b>76</b>								

## Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2019/20 audit plan. The objective was to confirm the extent to which the recommendations made in 2018/19 internal audit final reports have been implemented.

The tables below provides a summary of the status of all 2018/19 and 2019/20 recommendations raised in final reports issued.

### 2018/19

Title	Raised	Implem ented	Partly Impleme nted	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	3	3				31 Oct 2018			Katie Kiely
GDPR	3	3				31 Oct 2018			John Worts
Commercial Asset Management (Garages)	3	3				31 Jan 2019			Layna Warden
IT Asset Management	2	2				31 May 2019			Gary Osler
NNDR	1	1				31 August 2019			Chris Baker
Council Tax	1	1				31 August 2019			Chris Baker
Procurement Strategy	3					31 Dec 2019		3	Ben Hosier
Planning	6	6				30 Sept 2019			Sara Whelan
Core Financials (Accounts Payable)	1	1				30 Sept 2019			Fiona Jump
IT Change Management	2	1				31 Dec 2019		1	Ben Trueman
Business Continuity	5					31 Oct 2019		5	Emma Walker
<b>Total</b>	<b>30</b>	<b>21</b>						<b>9</b>	

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2019/20

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	3	3				30 Sept 2019			Layna Warden
Payroll and Pension Administration	1					31 Oct 2019		1	Fiona Jump
<b>Total</b>	<b>4</b>	<b>3</b>						<b>1</b>	

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## Appendix 3 - Statement of Responsibility

We take responsibility to Dacorum Borough Council for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or reply for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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Dacorum Borough Council

 Internal Audit Report  
**Making Tax Digital for VAT**  
November 2019

## EXECUTIVE SUMMARY

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- 01 Introduction
- 02 Background
- 03 Key Findings and Recommendations

## Appendices

- A1 Audit Information
- A2 Statement of Responsibility

If you should wish to discuss any aspect of this report, please contact Sarah Knowles, Senior Manager, [sarah.knowles@mazars.co.uk](mailto:sarah.knowles@mazars.co.uk) or Peter Cudlip, Partner, [peter.cudlip@mazars.co.uk](mailto:peter.cudlip@mazars.co.uk)

### Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Dacorum Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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## 01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Making Tax Digital for VAT – Accounting Software System and Process Review. The objectives of the audit were to evaluate the adequacy of the system of internal control and its application in practice within the area under review.

Since 1<sup>st</sup> April 2019, businesses registered for VAT in the UK with taxable turnover above the VAT registration threshold (currently £85,000), are no longer able to submit the VAT return figures online by manually entering them into the HM Revenue and Customs (HMRC) website. The requirement for Public Sector organisations was deferred until 1<sup>st</sup> October 2019. For VAT periods beginning after 1<sup>st</sup> October 2019, VAT returns must be submitted digitally using HMRC approved “functional compatible software” (FCS) via HMRC’s application programming interface (API). In addition, certain records must be held digitally within approved accounting software, and where multiple software packages are used, any data transferred must be digitally linked.

We engaged with a number of staff members during the review and are grateful for their assistance during the course of the audit.

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A1.

The report summarises the results of our internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

## 02 Background


The overall objective of this audit was to provide assurance over the adequacy and effectiveness of the current accounting systems and VAT return preparation process following a major change to the UK’s tax regime by HMRC.

The following procedures were adopted to assess the Council’s compliance with Making Tax Digital and thus enable us to identify any gaps:

- Review the method by which sales and purchases are recorded to consider whether the transactional data meets the MTD requirements;
- Review how the transactional data is then captured in the reports required for the VAT return workings;
- Review the reports generated and currently exported for the VAT return calculation and whether this causes a break in the digital link;
- Review the processes where currently data is moved from one system to another and whether this causes a break in the digital link; and
- Review the current VAT calculation spreadsheets to recommend what will be required to revolutionise and fully automate the process, without breaking the digital links.

# 03 Key Findings

Our assessment in terms of the compliance with the system of internal control is set out below:

Assurance on Effectiveness of Internal Controls	
	<b>Good Assurance</b>

Examples of areas of strength
<ul style="list-style-type: none"> <li>• The VAT return end-to-end process undertaken by the finance team at Dacorum Borough Council includes all of the necessary digital links to comply with the Making Tax Digital requirements.</li> <li>• The review of the flow of digital records from the original software where date is input (Orchard, Unit 4 Business World, Excel and an API enabled spreadsheet), through to submission to HMRC were all MTD compliant.</li> <li>• The review also confirmed that the transactional data originating from the software above met the mandatory digital record requirements.</li> <li>• Manual intervention at the Excel spreadsheet stage has been eliminated as this will create a break in the digital link.</li> <li>• A bridging software was purchased to submit VAT digitally from 1 October 2019.</li> </ul>

Main Findings
<p>Our main finding was:</p> <ul style="list-style-type: none"> <li>• The only digital gap identified during the review was that the data was being uploaded from Orchard via a journal to U4 manually. The solution for this was found during the site review.</li> </ul> <p>DBC confirmed that the October 2019 VAT return was submitted successfully via the purchased bridging software, using a fully Making Tax Digital compliant method.</p>

## A1 Audit Information

<b>Audit Control Schedule</b>	
<b>Client contacts:</b>	<p>Lexie Schultz – Team Leader- Financial and Regulatory Accounting</p> <p>Fiona Jump – Group Manager (Financial Services)</p>
<b>Internal Audit Team:</b>	<p>James Hurst, Partner, Indirect Tax</p> <p>Sarah Knowles, Senior Audit Manager</p> <p>Heena Sandhu, Indirect Tax Assistant Manager</p> <p>Jamie Hyne, Indirect Tax Assistant</p>
<b>Finish on Site \ Exit Meeting:</b>	23 <sup>rd</sup> September 2019
<b>Final report issued:</b>	12 <sup>th</sup> November 2019

## A2 Statement of Responsibility

We take responsibility to Dacorum Borough Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those, which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Dacorum Borough Council

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 Internal Audit Report  
 **Housing Benefit and Council Tax Support**  
 November 2019

**FINAL REPORT**

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- 01 Introduction
- 02 Background
- 03 Key Findings
- 04 Areas for Further Improvement and Action Plan

## Appendices

- A1 Audit Information
- A2 Risk and Control Matrix
- A3 Statement of Responsibility

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## 01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Housing Benefit and Council Tax Support. The objectives of the audit were to evaluate the adequacy of the system of internal control and its application in practice within the area under review.

Housing Benefit and Council Tax Support is available to those on a low income and need help paying their rent or council tax. The amount of benefit a claimant would be entitled to is dependent on a number of factors; including, but not limited to; if they have a spare room, the household income, and the amount of savings they have.

The Council maintains a mainly reactive approach with regards to Housing Benefit Reviews. This is because the Council is reliant on the claimant informing them where they have had a change of circumstance, which may affect their benefit entitlement. Late notification of a change of circumstance is the main cause of overpayments of Housing Benefit and Council Tax Support.

We engaged with a number of staff members during the review and are grateful for their assistance during the course of the audit.

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A1, whilst further analysis of the control environment over Housing Benefit and Council Tax Support is shown in Appendix A2.

The report summarises the results of our internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

## 02 Background

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Housing Benefit and Council Tax Support, and provide guidance on how to improve the current controls going forward.



The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

In summary, the scope covered the following areas: Policies and Procedures, Administration and Assessment of New Claims, Local Housing Allowance, Reviews, Backdated Benefits and Discretionary Payments, Payments and Reconciliations, Cancellations, Overpayments and Recovery Action, Fraud Management, Follow Up of Previous Audit Recommendations and Universal Credit.

# 03 Key Findings

Our assessment in terms of the design, and compliance with, the system of internal control is set out below:

Adequacy of System Design	Effectiveness of Operating Controls
 <b>Good Assurance</b>	 <b>Good Assurance</b>

Main Findings
<p>We did not raise any recommendations as a result of this audit.</p> <p>In our previous audit report, no recommendations were raised.</p>

Priority	Number of recommendations
1 (Fundamental)	0
2 (Significant)	0
3 (Housekeeping)	0
<b>TOTAL</b>	<b>0</b>

Examples of areas of strength
<ul style="list-style-type: none"> <li>Up-to-date policies and procedures are available for all staff to access via the Council's intranet site.</li> <li>From our sample of Housing Benefits and Council Tax Support new claims, changes in circumstances, discretionary housing payments, and backdated benefits, all decisions were assessed in a fair and timely manner and only valid claims were processed.</li> <li>The parameters entered into Northgate for 2019/20 were subject to a secondary check to ensure completeness and validity in the information stored on the system.</li> <li>The Local Housing Allowance rates were correctly published on the Council website and entered onto Northgate in accordance with the published rates from Central Government.</li> <li>The Council completes a regular reconciliations of all benefit payments made through Agresso against the Northgate system.</li> </ul>



## Risk Management

The key organisational risks most relevant to Housing Benefit and Council Tax Support are as follows:

- The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need (*SR5, Strategic Risk Register December 2018*)
- The impact of Universal Credit roll out leading to increased arrears, debt and homelessness (*included in SR5, Strategic Risk Register December 2018*)

A suggested risk and control matrix for Housing Benefit and Council Tax Support is included at Appendix A2. This matrix will help to inform senior management of the effectiveness of the existing controls in place to manage Housing Benefit and Council Tax Support and to illustrate where issues identified in the audit report will strengthen existing controls.

## Value for Money

The Council is responsible for ensuring that value for money in the use of resources is achieved. The monitoring of assessment quality helps ensure consistency, accurate outcomes for customers, reputation and efficient processing.

It is our opinion that the controls in place which monitor quality control and enable segregation of duties are working effectively to encourage improvements in the effectiveness and efficiency of processing Housing Benefit and Council Tax Support.

## 04 Areas for Further Improvement and Action Plan

No recommendations were raised as a result of this audit.

# A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	<p>Matthew Kelly – Benefits Team Leader</p> <p>Stuart Potton – Revenues and Benefits Support Team Leader</p> <p>Chris Baker – Group Manager (Revenues, Benefits &amp; Fraud)</p> <p>Nigel Howcutt – Assistant Director (Finance and Resources)</p> <p>James Deane – Corporate Director (Finance and Operations) (Final Report only)</p> <p>Sally Marshall – Chief Executive (Final Report only)</p>
<b>Internal Audit Team:</b>	<p>Peter Cudlip, Partner</p> <p>Sarah Knowles, Senior Audit Manager</p> <p>Mark Lunn, Audit Manager</p> <p>Carmela Alas, Auditor</p>
<b>Work commenced</b>	17 <sup>th</sup> October 2019
<b>Finish on Site \ Exit Meeting:</b>	23 <sup>rd</sup> October 2019
<b>Draft report issued:</b>	14 <sup>th</sup> November 2019
<b>Management responses received:</b>	14 <sup>th</sup> November 2019
<b>Final report issued:</b>	14 <sup>th</sup> November 2019

## Scope and Objectives

The overall objective of this audit was to provide assurance that the systems of control in respect of Housing Benefits and Council Tax Support, with regards to the areas set out below are adequate and are being consistently applied.

**Policies and Procedures:** Policies and procedures are available to staff which are reviewed on an annual basis. Tasks within the service are allocated to appropriate teams and there is segregation of duties.

**Administration and Assessment of New Claims:** Claims for Housing Benefits and Council Tax Support are accurately assessed in a fair and timely manner and only valid claims are processed. The Risk Based Verification process has been correctly implemented and appropriate verification action has been taken for the allocated risk score.

**Local Housing Allowance:** Benefit payments to private tenants are made in a complete, accurate and timely manner in accordance with published rates.

**Reviews:** Changes in claimant circumstances are identified in a timely manner and necessary action to address changes is undertaken in a timely manner.

**Backdated Benefits/Discretionary Payments:** Only genuine claims based on well-established criteria of "good cause" are paid against.

**Payments and Reconciliations:** Only valid, appropriate and accurate payments are made in a timely manner, and balances on the Housing Benefit/Council Tax Support system are regularly reconciled to the Housing Rents and Council Tax systems.

**Cancellations, Overpayments and Recovery Action:** All cancellations are effected in a timely manner and any overpayments are accurately and completely identified for subsequent recovery action. Only appropriately justified write-offs are made.

**Fraud Management:** Adequate and effective processes are in place to detect, prevent, and deal with fraudulent activity in order to ensure the impact of such activity is minimised.

**Follow Up:** To confirm the audit recommendations made during the previous audit visit have been implemented

**Universal Credit:** To confirm that appropriate plans/procedures have been put in place for the introduction of universal credit.

Testing was performed on a sample basis and, as a result, our work does not provide absolute assurance that material error, loss or fraud does not exist.

Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Good Assurance:</b>	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
<b>Substantial Assurance:</b>	Whilst there is a basic sound system of internal control design, there are weaknesses in design, which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses, which put some of the system objectives at risk.
<b>Limited Assurance:</b>	Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>No Assurance</b>	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.  Major issues for the attention of senior management and the Audit Committee
<b>Priority 2 (Significant)</b>	Recommendations, which, although not fundamental to the system, provide scope for improvements to be made.  Recommendations for local management action in their areas of responsibility.
<b>Priority 3 (Housekeeping)</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.  Detailed problems of a minor nature resolved on site through discussions with local management.

# A2 Risk & Control Matrix

## Area: Policies, Procedures & Legislation

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						R01.01	
						Ineffective, inefficient and / or outdated working practices	
						Linked Issues	
				Significance		H	
				Current Exposure		A	
				Future Exposure		A	
A01	Policies, Procedures & Legislation						
<b>Existing Controls</b>							
C01.01	Up-to-date policies and procedures in place		Key	E		M	
C01.02	Policy documents available to staff		Key	E		M	

# Area: Administration and Assessment of New Claims

				Invalid/incorrect claims accepted	R02.01	Claims not processed in a timely manner	R02.02	Linked Issues
		Significance		H	H			
		Current Exposure		A	A			
		Future Exposure		A	A			
A02	<b>Administration and Assessment of New Claims</b>							
<b>Existing Controls</b>								
C02.01	Automatic calculation of entitlement in a timely manner		Key	E	M	M		
C02.02	Supporting Documentation is Retained		Key	E	M	M		
C02.03	Risk Based Verification for documentation requirement		Key	E	M	M		
C02.04	Parameters are Checked by a Second Officer for Accuracy		Key	E	M			
C02.05	Quality Check on all Officers		Key	E	M	M		

# Area: Local Housing Allowance

						Incorrect rates are paid R03.01	Linked Issues
				Significance		H	
				Current Exposure		A	
				Future Exposure		A	
A03	Local Housing Allowance						
<i>Existing Controls</i>							
C03.01	Checks to confirm LHA rates are in accordance with Central Government limits		Key	E		M	
C03.02	Checks to confirm LHA Rates correctly entered into Northgate Parameters		Key	E		M	

# Area: Reviews

							R04.01 Inaccurate changes to claimant benefits	R04.02 Claimant not informed of changes to their entitlement	R04.03 Changes in circumstances are not identified	Linked Issues
				Significance			H	H	H	
				Current Exposure			A	A	A	
				Future Exposure			A	A	A	
A04	Reviews									
<b>Existing Controls</b>										
C04.01	Changes made accurately and in a timely manner based on information from claimant		Key	E		M				
C04.02	Change of Circumstance Results Letter sent to claimant		Key	E			H			
C04.03	VEP alerts service is used by the Council		Key	E		M			M	
C04.04	Single Housing Extract Benefit is reported to DWP		Key	E					M	



# Area: Backdated Benefits / Discretionary Payments

					Invalid benefits back dated R05.01	Inconsistency in discretionary payments R05.02	Payments promised but not made R05.03	Linked Issues	
					<b>Significance</b>	H	H	H	
					<b>Current Exposure</b>	A	A	A	
					<b>Future Exposure</b>	A	A	A	
<b>A05</b>	<b>Backdated Benefits / Discretionary Payments</b>								
<b>Existing Controls</b>									
C05.01	Requests for DHP are submitted in writing by claimants	DOM	Key	V-TAE			M		
C05.02	Segregation of Duties from Referral to Decision of DHP	DOM	Key	V-TAE		M			
C05.03	Claimants Informed of DHP Decision in Writing	DOM	Key	V-TAE			M		
C05.04	Failed DHPs that are appealed are reviewed by an independent panel	DOM	Key	V-TAE		M			
C05.05	Backdated Decision Sheet with reasoning on decision	DOM	Key	V-TAE	M				
C05.06	Backdate Decision Letter sent to claimants	POM	Key	V-TAE	M				

# Area: Payments and Reconciliations

				Claimants do not receive payments (private tenants) R06.01	Invalid payments are made (private tenants) R06.02	HB & CTS amounts not accurately reflected in the Council's rents R06.03	Linked Issues
		<b>Significance</b>		H	H	H	
		<b>Current Exposure</b>		A	A	A	
		<b>Future Exposure</b>		A	A	A	
<b>A06</b>	<b>Payments and Reconciliations</b>						
<b>Existing Controls</b>							
C06.01	Payment run is processed based on the payment schedule profiled on Northgate	Key	E	H		M	
C06.02	Regular reconciliation of payments from Northgate to BACS	Key	E		M		
C06.04	Monthly control checklist in place for key HB tasks	Key	E		M	M	
C06.05	Reconciliation of Northgate and Orchard	Key	E		M	M	

# Area: Cancellations, Overpayments & Recovery Action

				Overpayments not recovered / identified	Outstanding debts are inappropriately written off	Linked Issues
				R07.01	R07.02	
		<b>Significance</b>		H	H	
		<b>Current Exposure</b>		A	A	
		<b>Future Exposure</b>		A	A	
<b>A07</b>	<b>Cancellations, Overpayments &amp; Recovery Action</b>					
<b>Existing Controls</b>						
C07.01	Overpayments recovered through ongoing entitlement		Key E	M		
C07.02	Overpayments recovered through invoice via Sundry Debtors		Key E	M		
C07.03	Write off is supported by adequate documentation and accurately added onto Northgate		Key E	M	M	
C07.04	Write offs are appropriately authorised		Key E	M	M	
C07.05	Monitoring of overpayments on a monthly basis		Key E	M		

# Area: Fraud Management

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<b>A08</b>		<b>Fraud Management</b>			<b>Linked Issues</b> Untimely identification of fraudulent activity R08.01
<b>Existing Controls</b>					
C08.01	Fraud Awareness Training is carried out	Key	E	M	
C08.02	All Fraud Suspicions forwarded to DWP to investigate	Key	E	M	
		<b>Significance</b>		<b>H</b>	
		<b>Current Exposure</b>		<b>A</b>	
		<b>Future Exposure</b>		<b>A</b>	

# Area: Universal Credit

						Inadequate preparation for the introduction of Universal Credit R09.01 <b>Linked Issues</b>		
				Significance Current Exposure Future Exposure		H A A		
A9	<b>Universal Credit</b>							
<b>Existing Controls</b>								
C09.01	Universal Credit Guidance is available to staff and public				Key	E	H	

# Key to Codes

## Significance

H	High
L	Low
M	Medium

## Exposure

A	Acceptable
L	Limited
U	Unacceptable

## Effectiveness

E	Effective
I	Ineffective
P	Partly Effective

## A3 Statement of Responsibility

We take responsibility to Dacorum Borough Council for this report, which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those, which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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