

# Audit Agenda



**Wednesday 5 February 2020 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

Substitute Members:  
Councillors

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

## **AGENDA**

### **7. INTERNAL AUDIT REPORTS F\_PR**

- C Tax
- Leisure Contract Management
- NNDR
- Capital Programme

Dacorum Borough Council

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Internal Audit Report  
**Council Tax**  
January 2020

**FINAL REPORT**

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- 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

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.

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 A3 of this report for further information about responsibilities, limitations and confidentiality.

## 01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Council Tax. 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.

Council Tax is a system of local taxation by local authorities. It is a tax on domestic property. Council Tax and is paid by everyone in the UK that is over 18 and owns, or is renting, their own house. There are some instances where reductions or exemptions of the council tax can occur and these are based on nationally set criteria. All homes are given a council tax valuation band by the Valuation Office Agency (VOA), each band has a different amount of council tax that is charged and it is the local authority's responsibility for the collection of Council Tax.

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 Council Tax 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 Council Tax, 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, Procedures and Legislation, Council Tax Transactions and Records, Valuation and Tax Setting, Discounts, Exemptions, Allowances and Premiums, Billing, Receipts from Tax Payers and Refunds, Receipt from Tax Payers and Refunds, Suspense Account, Recovery and Enforcement, Write-off, Management of Collection Rates, and Follow Up of Previous Audit Recommendations.

# 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, one recommendation was raised. This has been fully implemented.</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 SharePoint site.</li> <li>The Council completes daily reconciliations of Council Tax payments received in Agresso against the Northgate system.</li> <li>For a sample of properties, all were confirmed as being set up on the Northgate system with the correct charge in accordance with data provided by the Valuation Office.</li> <li>For a sample of discounts, exemptions, allowances and premiums, all were applied where applicants met the set criteria. They were also applied accurately and in timely manner.</li> <li>Council Tax payers were billed in a timely and accurate manner.</li> <li>For a sample of refunds made, they were all valid and appropriately authorised.</li> <li>The suspense account is monitored on a regular basis and identified items correctly posted in a timely manner.</li> <li>For a sample of accounts with outstanding debts, recovery action was undertaken in line with procedures and legislation.</li> <li>For a sample of debts written-off, they were all valid, appropriately authorised and accurately processed on the Northgate system.</li> <li>Collection Rates are monitored on a quarterly basis and reported to the Assistant Director.</li> </ul>

## Risk Management

The key organisational risks most relevant to Council Tax are as follows:

- Funding and income is not sufficient to deliver the Council's Corporate objectives (*SR1, 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 Council Tax is included at Appendix A2. This matrix will help to inform senior management of the effectiveness of the existing controls in place to manage Council Tax 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 and assessment of quality helps ensure consistency for customers.

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 Council Tax.

## 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>	Anna Elliot – Revenues Team Leader  Jake Seabourne – Systems Development Officer  Chris Baker – Group Manager (Revenues, Benefits & Fraud)  Nigel Howcutt – Assistant Director (Finance and Resources)  James Deane – Corporate Director (Finance and Operations) (Final Report only)  Sally Marshall – Chief Executive (Final Report only)
<b>Internal Audit Team:</b>	Peter Cudlip, Partner  Sarah Knowles, Senior Audit Manager  Mark Lunn, Audit Manager  Kanta Patel and Thushika Jegathasan, Auditors
<b>Work commenced</b>	14 <sup>th</sup> November 2019
<b>Finish on Site \ Exit Meeting:</b>	18 <sup>th</sup> November 2019
<b>Draft report issued:</b>	31 <sup>st</sup> December 2019
<b>Management responses received:</b>	2 <sup>nd</sup> January 2020
<b>Final report issued:</b>	15 <sup>th</sup> January 2020

## Scope and Objectives

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

**Policies, Procedures and Legislation:** Policies and procedures are in place to minimise the risk of non-compliance with legislative and management requirements and ensure that Council Tax functions are undertaken in an economic, effective and efficient manner.

**Council Tax Transactions and Records:** Reliability, integrity, confidentiality and security of the Council Tax system and taxpayer records is maintained through the reliable operation of the system and its interface with the main accounting systems. Council Tax records agree to the Council's main financial accounts and also to the bank account.

**Valuation and Tax Setting:** All relevant properties are set up on the Council Tax system with the correct charge, in accordance with data provided by the Valuation Office. New and structurally altered dwellings are notified to the Valuation Office Agency (VOA) promptly so that chargeable dwellings are included on the VOA valuation listing in a complete, accurate, valid and timely manner, and that these are also recorded on the Council Tax system in accordance with legislative requirements. Chargeable amounts for each banding are correctly set up on the system in accordance with the approved rates

**Discounts, Exemptions, Allowances and Premiums:** Discounts, exemptions and allowances are only applied where applicants meet the set criteria, and they are applied promptly and accurately. Premiums on empty and unfurnished properties are applied promptly and accurately. Periodic reviews are undertaken to identify any taxpayers no longer meeting the criteria of the discounts/exemptions/allowances and actions are taken promptly to withdraw the reliefs where appropriate.

**Billing:** Accurate rate of Council Tax is raised against all properties based on the property banding. All Council Tax payers are billed in a timely and accurate manner in order to help ensure timely receipt.

**Receipts from the Tax Payers and Refunds:** All income due from tax payers has been received and recorded accurately. Only valid and authorised refunds are made. Refunds on closed credit accounts are made in a timely manner.

**Suspense Account:** Any unidentified receipts are coded to the suspense account. These are then investigated and correctly posted in a timely manner so as to avoid inappropriate recovery action.

**Recovery and Enforcement:** The Council promptly identifies all accounts where the amount due is not received, and for each outstanding debt, recovery action is undertaken in a prompt, consistent and effective manner.

**Write-off:** Debts are only written-off after all investigation and appropriate recovery actions have been exhausted. Write-offs are accurate and are processed in accordance with the Council's Financial Regulations.

**Management of Collection Rates:** Collection targets are met and management are provided with sufficient, accurate and timely information on debt collection rates to allow for effective decision making

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 and Legislation

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				Ineffective, inefficient and/or out date working practices	01.01	01.02	Linked Issues
				<b>Significance</b>	H	H	
				<b>Current Exposure</b>	A	A	
				<b>Future Exposure</b>	A	A	
01	<b>Policies, Procedures and Legislation</b>						
<b>Existing Controls</b>							
01.01	Regularly updated policies and procedures are in place		E		H	H	
01.02	Policies and Procedures are easily accessible to staff		E		H	M	

# Area: Council Tax Transactions and Records

				Inaccurate information held on the system	02.01	Linked Issues
				Significance	H	
				Current Exposure	A	
				Future Exposure	A	
02	Council Tax Transactions and Records					
<i>Existing Controls</i>						
02.01	Daily reconciliation between Agresso and Northgate		E		H	
02.02	Monthly Reconciliation between finance system and bank account		E		H	

# Area: Valuation and Tax Setting

				03.01 Inaccurate property value information held on the system		03.02 Loss of income from new properties		Linked Issues
				Significance	H	H		
				Current Exposure	A	A		
				Future Exposure	A	A		
03	Valuation and Tax Setting							
<b>Existing Controls</b>								
03.01	Weekly reconciliation of VOA data and Northgate system		E		H	H		
03.02	Department proactively informs VOA of new properties		E		M	H		

# Area: Discounts, Exemptions, Allowances and Premiums

				04.01	04.02	04.03	04.04	04.05
				Discounts/exemptions/allowances are invalidly awarded	Premiums are invalidly calculated and attached	Council tax discounts/exemptions/premiums not awarded and processed in timely manner	Awarded council tax discounts/exemptions not reflected on the system	Incorrect discounts/exemptions/allowances are awarded
		Significance		H	H	H	H	H
		Current Exposure		A	A	A	A	A
		Future Exposure		A	A	A	A	A
04	<b>Discounts, Exemptions, Allowances and Premiums</b>							
<b>Existing Controls</b>								
04.01	Set criteria for each exemption/discount		E	H				H
04.02	An application form was completed and retained on file		E	H				H
04.03	Applications are processed in a timely manner		E			H	H	
04.04	A review timetable is in place which is adhered to		E					M
04.06	Premium accurately applied to the account		E		H		H	

# Area: Billing

				Inaccurate/incomplete billing	05.01	Timely billing	05.02	Linked Issues
		<b>Significance</b>		H	H			
		<b>Current Exposure</b>		A	A			
		<b>Future Exposure</b>		A	A			
<b>05</b>	<b>Billing</b>							
<b>Existing Controls</b>								
05.01	Billings timetable in place		E		M	M		
05.02	Bills are sent out 14 days prior to charges going live		E		H	H		
05.03	A reconciliation of actual letters sent and letters meant to be sent		E		H			

# Area: Receipts from the Tax Payers and Refunds

					Income is not recorded	Invalid/inaccurate refunds are made	Untimely processing of refunds	Linked Issues
					06.01	06.02	06.03	
		Significance			H	H	H	
		Current Exposure			A	A	A	
		Future Exposure			A	A	A	
06	Receipts from the Tax Payers and Refunds							
<b>Existing Controls</b>								
06.01	Daily reconciliation of amounts collected		E		H			
06.02	Segregation of duties maintained		E			M		
06.03	Refunds are processed in a timely manner		E				H	
06.04	Samples check conducted on refunds each month		E			H	M	
06.05	Monthly report of accounts with credit balances		E			M		
06.06	Refunds on closed accounts made in a timely manner		E				H	

# Area: Suspense Account

				Inaccurate/inefficient recovery or arrears	07.01	Inaccurate financial data	07.02	Linked Issues
				<b>Significance</b>	H	H		
				<b>Current Exposure</b>	A	A		
				<b>Future Exposure</b>	A	A		
07	<b>Suspense Account</b>							
<b>Existing Controls</b>								
07.01	Suspense Account is Monitored Regularly		E		H	H		



# Area: Recovery and Enforcement

				08.01	08.02	
				Outstanding debts remain unpaid	Residents not notified of debt	Linked Issues
		<b>Significance</b>		H	H	
		<b>Current Exposure</b>		A	A	
		<b>Future Exposure</b>		A	A	
<b>08</b>	<b>Recovery and Enforcement</b>					
<b>Existing Controls</b>						
08.01	Debt recovery timetable in place for debt monitoring		E	M	M	
08.02	Stages of recovery are undertaken		E	H	H	

# Area: Write-Off

				Invalid write-offs are made	09.01	Inaccurate write offs	09.02	Linked Issues
		<b>Significance</b>		H	H			
		<b>Current Exposure</b>		A	A			
		<b>Future Exposure</b>		A	A			
09	<b>Write-Off</b>							
<b>Existing Controls</b>								
09.01	Write off procedure in place		E		M		M	
09.02	Write off is supported by adequate documentation		E		H		M	
09.03	Debt write offs appropriately authorised		E		H		M	
09.04	Write offs accurately added and approved on Northgate after authorisation from S151 Officer		E		M		M	

# Area: Management of Collections Rates

				Collection targets are not met	10.01	10.02	Linked Issues
		<b>Significance</b>		H	H		
		<b>Current Exposure</b>		A	A		
		<b>Future Exposure</b>		A	A		
10	<b>Management of Collections Rates</b>						
<i>Existing Controls</i>							
10.01	Collection rate information produced on a quarterly basis		E		H	M	
10.02	Collection and debt information presented to Assistant Director		E		M	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.

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 rely 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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 Internal Audit Report  
 **Leisure Services Contract Management**  
 January 2020

**FINAL REPORT**

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

## Appendices

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### Status of our reports

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## 01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Leisure Services contract management. This follows the award of Dacorum's Leisure Services contract to Everyone Active in 2018. 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.

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 Leisure Services Contract Management 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.

- 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: Form of Contract; Variations to Contract; Governance Arrangements and Management Reporting; Management of Performance and Outcomes; Contract Payments and Budgetary Control.

## 02 Background

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over the Leisure contract, 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;



# 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>Substantial Assurance</b>

Main Findings
<p>We have raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This is detailed in Section 04 of this report.</p> <p>Our main finding was that records of actions arising from monthly operational meetings between the Council and the Contractor are not documented.</p>

Examples of areas of strength
<ul style="list-style-type: none"> <li>• The budget is regularly monitored and updated by the Authority regarding the Contract.</li> <li>• Six monthly Strategic Board meetings take place, attended by Members and the Chief Executive. Board minutes show that there is good visibility of contractor performance against contract KPIs and this is discussed at every meeting.</li> <li>• Monthly Operational meetings take place to discuss the performance against targets at the different sites managed by EA.</li> <li>• Written intention to remove two sites from the contract in 2019/20 was carried out in line with contract requirements. Termination notices were signed in accordance with contract requirements.</li> </ul>

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

## Risk Management

The key organisational risk most relevant to the Leisure Contract is as follows:

- Funding and income is not sufficient to deliver the Council's Corporate objectives (*SR1, Strategic Risk Register December 2018*)

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

## Value for Money

Value for money (VfM) considerations can arise in various ways and our audit process aims to include an overview of the efficiency of systems and processes in place within the auditable area.

The issues surrounding VFM are that the Council itself does not stand to start making money from this contract until the 2020/21 financial year. The aim is for the contractor to start making increasing payments over the remainder of the contract.

The aim for the Council is to make sure that the contract is in a financially stable position by the time that it is expected to make money for Dacorum Borough Council.

## 04 Areas for Further Improvement and Action Plan

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Meeting Records</b></p> <p>Records of operational meeting actions will allow the Council and the contractor to ensure that everyone involved in the contract has all the relevant information from the meetings regarding decisions made and action points agreed.</p> <p>Audit testing found that there is often inconsistency in the attendees for the regular meetings and only a limited sample of notes are made during operations meetings. These are not distributed widely enough to be effective as a record of the meeting and what actions have been decided.</p> <p>Where records of previous meetings are not kept and distributed, there is a risk that attendees at following meetings are uninformed about resolutions and discussions at prior meetings, possibly leading to duplicated or contradictory decision making and inefficiencies.</p>	At each of the monthly meetings between the Council and the contractor, records of the meeting should be taken and distributed to everyone invited to the meetings.	2	In future all operational meetings will be recorded and formal minutes will be written up and distributed to all members of the operational board.	With immediate effect Group Manager (Procurement and Contracted Services)

# A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	<p>Mark Brookes – Assistant Director (Corporate and Contracted Services)</p> <p>Linda Roberts – Assistant Director (Performance, People and Innovation)</p> <p>Ben Hosier – Group Manager (Procurement and Contracted Services)</p> <p>Matt Rawdon – Group Manager (People and Performance)</p> <p>Contract Officers and Managers – Victoria Coady and Alex Care</p>
<b>Internal Audit Team:</b>	<p>Peter Cudlip, Partner</p> <p>Sarah Knowles, Senior Audit Manager</p> <p>Ross Oakley, Auditor</p>
<b>Work commenced</b>	25 <sup>th</sup> November 2019
<b>Finish on Site \ Exit Meeting:</b>	6 <sup>th</sup> December 2019
<b>Draft report issued:</b>	28 <sup>th</sup> January 2020
<b>Management responses received:</b>	28 <sup>th</sup> January 2020
<b>Final report issued:</b>	28 <sup>th</sup> January 2020

## Scope and Objectives

The overall objective of this audit was to provide assurance that the systems of control in respect of the Leisure Contract with Everyone Active, with regards to the areas set out below are adequate and are being consistently applied.

**Form of Contract:** To confirm that signed contracts are in place which include terms and conditions to protect the Council. To confirm that performance requirements and indicators are outlined to help ensure that the council receives quality services and value for money.

**Variations to Contract:** To confirm that variations to contract are appropriately documented and approved by both the Council and the contractor.

**Governance Arrangements and Management Reporting:** To ensure that roles and responsibilities relating to the contract management are clearly defined and agreed with the relevant staff. To ensure that adequate governance arrangements (Operations Board and Strategic Board meetings) are in place to deal with any matters requiring escalation.

**Management of Performance and Outcomes:** To confirm that performance against contract is monitored and corrective action is taken where poor performance is identified. To ensure that the outcomes set out in the contract are on track to be delivered.

**Contract Payments and Budgetary Control:** To confirm that payments/management fees are made in accordance with contractual agreements and the Council's financial scheme of delegation. To confirm that agreed budgets are monitored and action taken where variances are identified.

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: Form of Contract

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				The Contractor does not work towards the expectations of the contract R01.01	Inability for the contractor to be liable in regards to a dispute R01.01	Linked Issues	
		Significance		H	H		
		Current Exposure		A	A		
		Future Exposure		A	A		
A01	Form of Contract						
<b>Existing Controls</b>							
C01.01	A legally binding contract has been signed by both parties.		Key	E		H	
C01.02	Key Indicators are present in the contract		Key	E	H		

# Area: Contract Variations

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				Variations/Changes to the contract are not legally enforceable R02.01		Linked Issues	
				Significance	H		
				Current Exposure	A		
				Future Exposure	A		
A02	<b>Contract Variations</b>						
<b>Existing Controls</b>							
C02.01	Signed documents are retained agreeing to changes			Key	E	H	
C02.02	Written intention of a change to the contract is sent and retained			Key	E	H	

# Area: Governance Arrangement and Management Reporting

				R03.01 Understanding of job roles is not apparent to either Council or Contractor		R03.02 Governance Arrangements are not properly put in place		Linked Issues	
				Significance		M			
				Current Exposure		A			
				Future Exposure		A			
A03	Governance Arrangement and Management Reporting								
<b>Existing Controls</b>									
C03.01	Roles are clearly defined				E	H			
C03.02	Strategic Meetings take place every 6 months			Key	E		H		
C03.03	Operations Meetings regularly take place and meetings are recorded			Key	PE		M		4.1
								I03.01 Official notes should be taken at Operations meetings	



# Area: Management of Performance and Outcomes

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						<b>Linked Issues</b> Issues arising from a lack of monitoring performance R04.01	
							<b>Significance</b>
							<b>Current Exposure</b>
							<b>Future Exposure</b>
<b>A04</b>	<b>Management of Performance and Outcomes</b>						
<i>Existing Controls</i>							
C04.01	KPI Master Document maintained consistently					Key	E
C04.02	Quarterly Performance Updates received from Everyone Active						E
<b>A05</b>	<b>Contract Payments and Budgetary Control</b>						
<i>Existing Controls</i>							
C06.02	Regular budget monitoring updates from contractor reviewed					Key	E

# Area: Contract Payments and Budgetary Control

				R05.01	R05.02	
				Wrong amounts of money are either received or paid out by Dacorum.	The Authority is unaware of its actual financial position	Linked Issues
		Significance	H	H		
		Current Exposure	A	A		
		Future Exposure	A	A		
A05	Contract Payments and Budgetary Control					
<b>Existing Controls</b>						
C06.01	Invoices agree to contractual value	Key	E	H		
C06.02	Regular budget monitoring updates from contractor reviewed	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.

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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 rely 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

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Internal Audit Report  
**NNDR**  
January 2020

**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

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 NNDR. 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.

NNDR is the charge that is given on most non-domestic properties such as shops, offices, pubs, warehouses and factories. It is calculated through the properties Rateable Value, which is an open market rental value, which is calculated by the Valuation Office Agency (VOA). Some non-domestic properties will be exempt or eligible to claim for Business Rate Relief,

It is the Borough's responsibility to make sure that each non-domestic property is being charged the appropriate rate and that all monies are collected.

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 NNDR 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 NNDR 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, Procedures and Legislation, NNDR Transactions and Records, Valuation, NNDR Multiplier and Rate Setting, Liabilities and Reliefs, Billing, Receipts from Rate Payers and Refunds, Suspense Account, Recovery and Enforcement, Write-off, Management of Collection Rates, and Follow Up of Previous Audit Recommendations.

# 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, one recommendation was raised and this was found to be fully implemented.</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>• There are up-to-date policies and procedures in place and these are available for all staff to access via the Council’s SharePoint site.</li> <li>• The Council completes daily reconciliations of NNDR payments received in Agresso against the Northgate system.</li> <li>• For a sample of properties, all were confirmed as being set up on the Northgate system with the correct charge in accordance with data provided by the Valuation Office.</li> <li>• For a sample of liability and reliefs selected, they were all were applied where applicants had met the set criteria. They were also applied accurately and in timely manner.</li> <li>• Business rate payers were billed in a timely and accurate manner.</li> <li>• For a sample of refunds made, they were all made for a valid reason and appropriately authorised.</li> <li>• The suspense account is monitored on a regular basis and identified items correctly posted in a timely manner.</li> <li>• For a sample of accounts with outstanding debts, recovery action was undertaken in line with procedures.</li> <li>• For a sample of debts written-off, they were all valid, appropriately authorised and accurately processed on the Northgate system.</li> <li>• Collection Rates are monitored on a quarterly basis and reported to the Assistant Director (Finance and Resources).</li> </ul>



### Risk Management

A suggested risk and control matrix for NNDR is included at Appendix A2. This matrix will help to inform senior management of the effectiveness of the existing controls in place to manage NNDR 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 NNDR.

## 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>	Anna Elliot – Revenues Team Leader  Jake Seabourne – Systems Development Officer  Chris Baker – Group Manager (Revenues, Benefits & Fraud)  Nigel Howcutt – Assistant Director (Finance and Resources)  James Deane – Corporate Director (Finance and Operations) (Final Report only)  Sally Marshall – Chief Executive (Final Report only)
<b>Internal Audit Team:</b>	Peter Cudlip, Partner  Sarah Knowles, Senior Audit Manager  Mark Lunn, Audit Manager  Kanta Patel and Thushika Jegathasan, Auditors
<b>Work commenced</b>	14 <sup>th</sup> November 2019
<b>Finish on Site \ Exit Meeting:</b>	18 <sup>th</sup> December 2019
<b>Draft report issued:</b>	28 <sup>th</sup> January 2020
<b>Management responses received:</b>	28 <sup>th</sup> January 2020
<b>Final report issued:</b>	28 <sup>th</sup> January 2020

## Scope and Objectives

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

**Policies, Procedures and Legislation:** Policies and procedures are in place to minimise the risk of staff non-compliance with legislative and management requirements and ensure that NNDR functions are undertaken in an economic, effective and efficient manner.

**NNDR Transactions and Records:** Reliability, integrity, confidentiality and security of the NNDR system and ratepayer records is maintained through the reliable operation of the system and its interface with the main accounting systems. NNDR records agree to the Council's main financial accounts and also to the bank account.

**Valuation and Tax Setting:** New and structurally altered hereditaments are notified to the Valuation Office Agency (VOA) so that chargeable hereditaments are included on the VOA rating list and these are recorded on the NNDR system in a complete, accurate, valid and timely manner. NNDR base is updated on the system in accordance with the central government notification.

**Liability and Reliefs:** Chargeable hereditaments, liable occupiers (corporate bodies/organisations/persons), empty property rates and other relief (mandatory, discretionary and transitional) are identified and applied in a complete, accurate, valid and timely manner and recorded in the authority's accounts in line with regulatory requirements. There is a proper and independent arrangement for verifying void properties (including retrospective void claims) before a void allowance is given to a particular rate payer. Reliefs are authorised prior to being applied retrospectively and evidence of verification is retained.

**Billing:** Annual reconciliations between the gross debit and valuation list ensure that the debit set up is based on the most up to date information on the valuation list. All NNDR income due to the Council are billed in a timely and accurate manner in order to help ensure timely receipt.

**Receipts from the Rate Payers and Refunds:** All daily income collection reports obtained from each cash receipting system are reconciled with the Revenues Section's own records of income received. Only valid and authorised refunds are made and approved refunds are processed in a complete and accurate manner.

**Suspense Account:** All unidentified payments promptly investigated, monitored and authorised before being transferred to appropriate accounts.

**Recovery and Enforcement:** The Council promptly identifies all accounts where the amount due is not received, and for each outstanding debt, recovery action is undertaken in a prompt, consistent and effective manner.

**Write-off:** Debts are only written-off after all investigation and appropriate recovery actions have been exhausted. Write-offs are accurate and are processed in accordance with the Council's Financial Regulations.

**Management of Collection Rates:** Periodical monitoring of collection rates against targets takes place to ensure that the expected income is being received.

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

# A2 Risk & Control Matrix

## Area: Policies, Procedures and Legislation

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						01.01	01.02
						Ineffective, inefficient and/or out date working practices	Non-compliance with legislative/regulatory requirements
							Linked Issues
				Significance		H	H
				Current Exposure		A	A
				Future Exposure		A	A
01	<b>Policies, Procedures and Legislation</b>						
<b>Existing Controls</b>							
C01.01	Policies and Procedures are in place			E	H	H	
C01.02	Policies and Procedures are easily accessible to staff			E	M	M	
C01.03	Policies and Procedures are reviewed and updated regularly			E	M	M	

# Area: NNDR Transactions and Records

					Inaccurate/invalid data on the system	Inaccurate/invalid data transferred to the main accounting system	Linked Issues
					Significance	H	H
					Current Exposure	A	A
					Future Exposure	A	A
02	<b>NNDR Transactions and Records</b>						
<b>Existing Controls</b>							
02.01	Restricted user profiles in place			E	M	M	
02.02	Daily reconciliation of Agresso and Northgate			E	H	H	
02.03	Unique account and property reference number		Key	E	H	M	

# Area: Valuation, NNDR Multiplier and Rate Setting

				Property assigned to incorrect banding	03.01	03.02	Linked Issues
		Significance		H	H		
		Current Exposure		A	A		
		Future Exposure		A	A		
03	Valuation, NNDR Multiplier and Rate Setting						
<b>Existing Controls</b>							
03.01	Department proactively informs VOA of new properties		Key	E	M		
03.02	Weekly reconciliation of VOA data and Northgate system			E	H		
03.03	NNDR Multiplier applied correctly		Key	E		H	

# Area: Liability and Reliefs

						Inappropriate/incorrect exemptions or relief rates applied	NDR reliefs not awarded and processed in a timely manner	Awarded NDR reliefs/exemptions not reflected on the system	NDR liability not identified	Linked Issues
						04.01	04.02	04.03	04.04	
		<b>Significance</b>				H	H	H	H	
		<b>Current Exposure</b>				A	A	A	A	
		<b>Future Exposure</b>				A	A	A	A	
<b>04</b>	<b>Liability and Reliefs</b>									
<i>Existing Controls</i>										
04.01	A business rate relief policies is in place				E	M	M	M		
04.02	An application form was completed and retained on file				E	M	M	M		
04.03	Applications are processed accurately and in a timely manner				E		H	H		
04.04	Empty properties are regularly inspected				E	M			H	



# Area: Billing

				Inaccurate/incomplete billing	Timely billing	Linked Issues
		<b>Significance</b>		H	H	
		<b>Current Exposure</b>		A	A	
		<b>Future Exposure</b>		A	A	
05	<b>Billing</b>					
<b>Existing Controls</b>						
05.01	Billings timetable in place		E	M	H	
05.02	Bills are sent out 14 days prior to charges going live		E		H	
05.03	A reconciliation of actual letters sent and letters meant to be sent		E	H		

# Area: Receipts From Rate Payers and Refunds

				06.01	06.02	06.03	
				Income not accounted for fully/ accurately	Invalid/inappropriate refunds are issued	Untimely processing of refunds	Linked Issues
			Significance	H	H	H	
			Current Exposure	A	A	A	
			Future Exposure	A	A	A	
06	Receipts From Rate Payers and Refunds						
<b>Existing Controls</b>							
1	06.0	Daily reconciliation between income received and finance system		E	H		
2	06.0	Supporting documents retained on file		E	M	M	
3	06.0	Refunds are appropriate authorised		E		H	H
4	06.0	Segregation of duties maintained		E	M	H	M
5	06.0	Refunds are processed in a timely manner		E			H

# Area: Suspense Accounts

				Items remain unmatched in suspense account	07.01	07.02	Linked Issues	
				Inaccurate financial data				
		<b>Significance</b>			H	H		
		<b>Current Exposure</b>			A	A		
		<b>Future Exposure</b>			A	A		
07	<b>Suspense Accounts</b>							
<b>Existing Controls</b>								
07.01	Suspense Account is monitored regularly			E	H	H		
07.02	Suspense Account is used appropriately			E	M	H		

# Area: Recovery and Enforcement

				08.01	08.02	
				Outstanding debts remain unpaid	Liable parties not notified of debts	Linked Issues
		<b>Significance</b>		H	H	
		<b>Current Exposure</b>		A	A	
		<b>Future Exposure</b>		A	A	
<b>08</b>	<b>Recovery and Enforcement</b>					
<b>Existing Controls</b>						
08.01	Debt recovery timetable in place for debt monitoring		E	H	M	
08.02	Stages of recovery are undertaken		E	H	H	

# Area: Write Offs

				Invalid write offs are made	09.01	Inaccurate write offs	09.02	Linked Issues
		<b>Significance</b>		H	H			
		<b>Current Exposure</b>		A	A			
		<b>Future Exposure</b>		A	A			
09	<b>Write Offs</b>							
<b>Existing Controls</b>								
09.01	Write off procedure in place		E	M	M			
09.02	Write off is supported by a request form	Key	E	M	M			
09.03	Debt write offs appropriately authorised and retained on file	Key	E	M	M			
09.04	Write offs accurately added and approved on Northgate after authorisation from S151 Officer	Key	E	M	H			

# Area: Management of Collection Rates

		Collection targets are not met <sup>10.01</sup>		Incorrect/inappropriate management decisions <sup>10.02</sup>		Linked Issues
		H	H	H	H	
		<b>Significance</b>	H	H		
		<b>Current Exposure</b>	A	A		
		<b>Future Exposure</b>	A	A		
10	<b>Management of Collection Rates</b>					
<b>Existing Controls</b>						
10.01	Collection rate information is produced on a quarterly basis		E	H	H	
10.02	Collection and debt information presented to Assistant Director		E	M	H	

# Area: Follow Up

					Continued exposure to identified risk	11.01	Linked Issues
					Significance	H	
					Current Exposure	A	
					Future Exposure	A	
11	<b>Follow Up</b>						
<b>Existing Controls</b>							
11.01	There was one recommendation to implement from 2018/19 report				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



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## **DACORUM BOROUGH COUNCIL**

## **INTERNAL AUDIT PROGRESS REPORT**

### **Audit Committee – February 05 2020**

#### **Status of our reports**

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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 January 28<sup>th</sup> 2020 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	7	47%
Number of audits issued at draft	2	13%
Number of audits currently in progress	1	7%
Number of audits with planned start dates	2	13%
Number of audits with start dates to be agreed	2	13%
Number of audits deferred to following year	1	7%
<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:

- Council Tax (Evaluation assurance: **Good**, Testing assurance: **Good**)
- NNDR (Evaluation assurance: **Good**, Testing assurance: **Good**)
- Leisure Services Contract Management (Evaluation assurance: **Good**, Testing assurance: **Substantial**)

## 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 31<sup>st</sup> December 2019 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%
2018/19	30	25	83%
2019/20	5	4	80%
<b>Total</b>	<b>35</b>	<b>29</b>	<b>83%</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 'Good' 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		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	8	Q3	Final Report issued	Good	Good	-	-	-	
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, income maximisation, fair revenue distribution and appeals.	8	8	Q3	Final Report issued	Good	Good	-	-	-	
	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>32</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	N/A							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	12	Q3	Final Report Issued	Good	Substantial	-	1	-	
	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	14	Q3	Draft Report Issued						
<b>Strategic Risks Total</b>			<b>42</b>	<b>41</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	5	Q4	WIP						Audit started 20 <sup>th</sup> January
	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>6.5</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	9	Q3	Draft Report Issued						
	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>9</b>								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	7								
	Management		20	13								
<b>Other total</b>			<b>30</b>	<b>20</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>119.5</b>								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	25	-								
<b>TOTAL</b>			<b>250</b>	<b>119.5</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	3				31 Dec 2019			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	2				31 Dec 2019			Ben Trueman
Business Continuity	5					31 Oct 2019 *  <i>Not yet followed up</i>		5	Emma Walker
<b>Total</b>	<b>30</b>	<b>25</b>						<b>5</b>	

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**2019/20**

<b>Title</b>	<b>Raised</b>	<b>Implem ented</b>	<b>Partly Impleme nted</b>	<b>Outstanding</b>	<b>No longer relevant</b>	<b>Original Due Date</b>	<b>Revised Due Date</b>	<b>Not yet due</b>	<b>Resp. Officer</b>
Housing Rents	3	3				30 Sept 2019			Layna Warden
Payroll and Pension Administration	1	1				31 Oct 2019			Fiona Jump
Leisure Services Contract Managment	1					31 Jan 2020		1	Ben Hosier
<b>Total</b>	<b>5</b>	<b>4</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.

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