

# Audit Agenda



**Wednesday 6 February 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 Douris  
Councillor McLean

Councillor Silwal  
Councillor Taylor (Chair)  
Councillor Tindall

### Substitute Members:

Councillors G Adshead, Anderson, England, Link, Pringle and Ransley

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

## **AGENDA**

### **1. APOLOGIES FOR ABSENCE**

To receive any apologies for absence

### **2. DECLARATIONS OF INTEREST**

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

- (ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

### **3. MINUTES AND ACTIONS (Pages 4 - 7)**

To confirm the minutes of the previous meeting and consider the actions

### **4. PUBLIC PARTICIPATION**

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation

### **5. STRATEGIC RISK REGISTER (Pages 8 - 21)**

To update the committee on the current Risk Register.

### **6. EXTERNAL AUDIT PROGRESS REPORT (Pages 22 - 35)**

### **7. DRAFT INTERNAL AUDIT PLAN (Pages 36 - 43)**

### **8. INTERNAL AUDIT PROGRESS REPORT (Pages 44 - 54)**

### **9. INTERNAL AUDIT SERVICE REPORTS (Pages 55 - 88)**

To consider the following reports

- Council Tax
- NNDR
- Housing Benefit & Council Tax Support

**10. AUDIT COMMITTEE WORK PROGRAMME - JANUARY 2019** (Pages 89 - 90)

To consider the Audit Committee Work Programme for January 2019.

**11. EXCLUSION OF THE PUBLIC**

That, under section 100A(4) of the Local Government Act 1972, the public be excluded during the item in Part II of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that if members of the public were present during this item there would be disclosure to them of exempt information relating to the financial and business affairs of the Council or of any particular person, (including the authority holding that information).

Local Government Act 1972, Schedule 12A, Part 1, paragraph 3 and 5.

**12. ANNUAL REVIEW OF THE RISK BASED VERIFICATION POLICY** (Pages 91 - 100)

# Agenda Item 3

## DACORUM BOROUGH COUNCIL

### AUDIT COMMITTEE MINUTES

21 November 2018

**Present:**

**Councillors:** Taylor (Chairman)  
Birnie Silwal  
Douris Tindall

**Also Attended:** Councillor Elliot, Portfolio Holder for Finance & Resources.

**Officers:** J Deane Corporate Director (Finance and Operations)  
N Howcutt Assistant Director (Finance & Resources)  
F Jump Group Manager (Financial Services)  
S Desor Interim Financial Accountant  
L Warden Group Manager (Tenants & Leaseholders)  
J Doyle Group Manager (Democratic Services)  
M Sells Corporate & Democratic Support Officer

**Others:** M Towler Mazars  
S Ironmonger Grant Thornton  
A Conlan Grant Thornton

The meeting began at 7.30 pm

#### 1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor G.Elliot

The Chair welcomed the group and informed them that Andy Conlan will be leaving, He thanked him for his service on behalf of all the Members of the committee.

Amber Banister will be attending the next meeting as his successor.

#### 2. DECLARATIONS OF INTEREST

Councillor Douris rental of a commercial DBC garage by a company he has an interest in

#### 3. MINUTES AND ACTIONS (Agenda Item 3)

Councillor Tindall – in relation to Item 72 Cllr Tindall enquired as to whether the report mentioned at the end of item 72 had been circulated. The chair apologised that this hadn't been completed, Nigel Howcutt confirmed the report would be circulated after the meeting.

Councillor Douris asked for confirmation that the Action Schedule would be added to the minutes going forward as per the discussion at the last meeting.

The Chair confirmed that going forward all actions points will be collated and presented in table format in the minutes under "Minutes and Actions"

The minutes of the meeting held on 18 September 2018 were agreed by the members present and signed by the Chairman.

Actions of the meeting

MEETING DATE	TASK / ACTION	ACTIONER	DEADLINE	STATUS
21-Nov-18	Update on whether DBC incurred fines from the ombudsman- (in Relation to item 72)	Nigel Howcott	06/02/19	Email circulated 29/11/2018
21-Nov-18	An outstanding Report on FOI responses.	TBC	06/02/19	
21-Nov-18	Amber Banister - Name plate to be made	Marie sells	06/02/19	
21-Nov-18	Section 106 and CIL handbook to be sent to all Members	Councillor Taylor	06/02/19	
21-Nov-18	New property & Place manager to be added to the distribution list	Marie Sells	06/02/19	
21-Nov-18	Enhanced KPIs to be circulated to Members	F.Williamson	06/02/19	

#### 4. PUBLIC PARTICIPATION (Agenda Item 4)

There was no public participation.

#### 5. STRATEGIC RISK REGISTER – REVIEW#

James Deane provided a verbal update to the group.

There was a review of the Risk Register undertaken as advised during the meeting on 18 September 2018, this included Chief Officers, Cabinet and the Opposition.

As part of the review, Members were asked to provide any concerns they may have, the information was collected and the first draft is being prepared to send to Mazars.

The results of this review will be available at the next Audit Meeting in February 2019.

#### 6. STRATEGIC RISK REGISTER

**Item C6**, Councillor Tindal enquired as to whether it would be possible for the updates regarding recruitment to be detailed on the report so that the Audit committee can keep track of how this risk is progressing. J.Deane confirmed this would be a priority.

**Item C6**, Councillor Douris requested confirmation of the areas in which DBC are struggling to recruit.

J.Deane confirmed these are: Finance, Environmental Health, Planning and Building Control, this is mainly due to DBCs proximity to London and the competition with other local Authorities & the private sector.

**Item I3** (page 15 of 18) Councillor Douris would like clarification regarding CIL and how the funds can be used. The Chair will ensure a Handbook is sent to all Members which will provide further information on Section 106 and CIL.

## **7. EXTERNAL AUDIT PROGRESS REPORT**

Andy Conlan provided a verbal update to the Group

Work is ongoing but there is little to report at the moment, the annual certification letter will be reported in December and more information will be provided in the February Audit Meeting

Councillor Douris enquired as to whether there were any issues that were causing concern, A.Conlan confirmed DBC is a low risk organisation without any major concerns.

## **8. INTERNAL AUDIT PROGRESS REPORT**

Mark Towler provided a verbal update to the Group.

Steady progress has been made with 4 reports finalised and a further 5 either planned or in progress. There are an additional 5 reports which are yet to commence. Everything is running to schedule.

All recommendations from the previous year have been followed up and implemented with 5 recommendations outstanding from the current year, however the date for the implementation has not yet been reached.

Councillor Douris raised concerns regarding the number of reports still to be completed and the limited time left in order to do them.

M.Towler reassures the group they are on schedule and all the work will be completed on time.

## **9. INTERNAL AUDIT: SERVICE REPORT**

### Commercial Asset Management (Garages) Report

3 recommendations were given:

- Roles and responsibilities within the department - Priority 2
- Updating procedure for repairs - Priority 2
- KPIs - Priority 3

Councillor Tindall is concerned that the number of departments and people who are involved in the process could cause confusion, he is hoping these new recommendation will provide direction and clarity within the process.

J.Deane understands the concern however he feels this is not the case, part of the management objectives are to make capital receipts from the sale of garage sites and to increase revenue, however the decisions have been made against a number of different criteria including the level of anti-social behaviour, the level of occupancy, the cost of repairs, the developability of the sites and ability to decant current tenants into neighbouring sites. The overall strategy aims to produce a more efficient use of garage stock by consolidating all the vacancies and selling off those sites, in his view there are no conflicting objectives.

F.Williamson explained the auditors concerns are more focused on the operational level and the sharing of information, all of which are being monitored.

Councillor Tindall would like to know what assurances can be made to ensure unnecessary repairs are not being made to garage sites which are then sold on.

F.Williamson confirmed there are safeguards in place to ensure investment is put into sites which have demand and aren't within the strategy as well as those which will provide the highest income. No repairs have been made to garages which are going to be sold within the next 12 months.

Councillor Douris would like to know if there is a way of distinguishing between Council owned garages and those which are privately owned.

F.Williamson confirmed that a possible agreed colour scheme is being looked into.

F.Williamson will distribute the enhanced list of KPIs to Members

A new property and place manager has been appointed and should be included on the distribution list going forward.

## **10. Audit committee work Programme**

The 19/20 internal Audit plan will be presented at the February meeting.

The meeting ended at 20:20



SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives					
Corporate Priority:	Risk Owner:	Portfolio Owner:	Tolerance		
Delivering an Efficient and Modern Council	James Deane	Graeme Elliot	Treating		
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
Consequences		Current Controls		Assurance	
<p>The Council is currently in the third year of a 4-year funding deal with MHCLG, which, subject to a fundamental policy change from Government, provides certainty over the minimum level of funding the Council can expect until April 2020.</p> <p>Government has stated that Revenue Support Grant will not continue beyond 2020 and that local authorities will be funded solely through the national redistribution of Business rates. The model for determining post 2020 funding levels will be based on assessment of need, and is currently being devised through the Government's Fair Funding Review.</p> <p>As yet there is no certainty over the level of funding that Dacorum or any other authority can expect. However, there is a strong belief across the sector that the new model will divert funding away from lower tier authorities in favour of those authorities with responsibility for the provision of social care.</p> <p>There are two major elements of risk associated with the impending change in funding methodology. Firstly, the Council must ensure that it's in a position to adapt to significant funding reductions at short notice when the new model is announced in November 2019. Secondly, the longer term funding outcome of the new methodology may threaten the sustainability of the services the</p>		<p>The Council's Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment. Sound financial planning maximises the opportunity for the Council to identify funding risks in advance, and therefore grants more time for it to plan to provide its services differently in order to continue delivering its corporate priorities. The Council's sound financial planning processes, detailed below, have resulted in my reducing the inherent probability score from '4', Very Likely, to a residual probability score of '3', Likely.</p> <p>The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link: <a href="https://democracy.dacorum.gov.uk/documents/g1742/Public%20reports%20pack%2031st-Jul-2018%2019.30%20Cabinet.pdf?T=10">https://democracy.dacorum.gov.uk/documents/g1742/Public%20reports%20pack%2031st-Jul-2018%2019.30%20Cabinet.pdf?T=10</a></p> <p>The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.</p> <p>The Council's reviewing of its Corporate Plan together with its Communications Strategy mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently by managing aspiration and expectation (detail below). On this basis, I have reduced the Impact score from '4', Severe, to '3', High.</p> <p>The Council reviews its Corporate Plan periodically to ensure that the vision for the borough remains relevant and realistic within the financial constraints outlined within the MTFS and the HRA plan. The aspirations of the Council and the community are managed through the Council's Communications Strategy both through social media, the local press and Digest.</p>		<p>The financial planning controls the Council has in place to mitigate this risk are audited annually by both Internal Auditors (Mazars) and External Auditors (Grant Thornton).</p> <p>The most recent internal audits undertaken (in May 2018) were 'Budgetary Control' and 'Benefits and Savings Realisation'. Both audits received a FULL level of assurance, which is the highest possible.</p> <p>The external auditors, Grant Thornton, most recently gave the following 'value for money' opinion within the 2017/18 year end audit of the Council: 'based on the work we performed to address the significant risk, we concluded that [the Council] had proper arrangements in place in all significant respects to ensure it delivered value for money in its use of resources.'</p> <p>These independent audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives.</p>	

# STRATEGIC RISK REGISTER

December 2018



Council plans to deliver in support of its Corporate Priorities.		
Sign Off and Comments		
<p><b>Sign Off Complete</b></p> <p>The Provisional Local Government Finance Settlement for 2019/20, announced in December 2018, was in line with the Council's expectation and therefore consistent with the financial plans.</p> <p>2019/20 will be the fourth year of the 4-year funding deal agreed with MHCLG, and the last before the new Fair Funding Mechanism is revealed for 2020/21.</p> <p>It is anticipated that the Council's funding will continue to decrease beyond 2020, as Government has previously stated its intention to drive funding towards those authorities with responsibility for social care. The extent of these reductions cannot yet be calculated with any degree of certainty. As a result, the Council has currently taken the prudent view that reductions will continue at the same average rate as since 2010, leading to self sufficiency, i.e. no government funding, by the end of the MTFS planning period (2022/23).</p>		

# STRATEGIC RISK REGISTER

December 2018



SR2 - The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council					
Corporate Priority:	Risk Owner:	Portfolio Owner:	Tolerance		
Delivering an Efficient and Modern Council	Sally Marshall	Neil Harden	Treating		
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
<p>The Council is currently finding it challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas such as Legal, Finance, Surveyors, Environmental Health, Planning and Building Control etc.</p> <p>This challenge has grown significantly over recent years – as the economy has emerged from the worst of the recession, the private sector employment market has become relatively more buoyant due to the continued constraints on public sector funding. General competition with the private sector for skilled employees is exacerbated for Dacorum by its close proximity to the higher salaries of the London market.</p> <p>This has resulted in the appointment of a number of agency staff across the Council in order to maintain service delivery. The Council's increasing reliance on agency staff brings a number of specific risks:</p> <ul style="list-style-type: none"> <li>• Statutory – staff shortages can put delivery of the Council's statutory services at risk, e.g. Environmental Health, Housing repairs and Fire safety, and Building Control;</li> <li>• Resilience – the increased flexibility of agency staff leaves the Council vulnerable to higher turnover and loss of knowledge which can affect continuity of service provision;</li> <li>• Financial – the cost of agency staff is higher than for permanent staff, which is pressurising budgets in several areas across the Council.</li> </ul> <p>- Staff Morale - could be affected in areas which are carrying vacancies, due to increased workload pressure and as a result of lack of team rapport</p> <p>This challenge affects all public sector organisations within the region, and a solution is high on the agenda for county-wide working groups of which DBC is a member.</p>		<p>A programme of work has been developed to enhance our ability to recruit and retain staff:</p> <ul style="list-style-type: none"> <li>- Terms and conditions have already been reviewed in 2017/18 to develop a range of benefits within the remuneration package</li> <li>- Flexible working arrangements have been implemented at the time of moving to the Forum which provided a modern and efficient working environment</li> </ul> <p>Further measures currently being developed and implemented include:</p> <ul style="list-style-type: none"> <li>- Enhanced and expanded Graduate/apprenticeship scheme to create up to 8 new posts within areas experiencing recruitment and retention difficulties, this will be supported by a planned approach to utilising the Council's apprenticeship levy to support some of the professional training costs</li> <li>- Creation of a DBC framework for a talent management programme and succession planning approach supported by the career development plans</li> <li>- Implementation of more robust management information which will be enabled by the implementation of a new Human Resources technology system</li> <li>- Streamlining of recruitment campaigns and modernisation of recruitment web pages; further develop the use of social media platforms for recruitment.</li> <li>- Hosting of recruitment days to generate interest in high volume recruitment service areas and retain CV's for future reference to fast track the filling of vacancies</li> <li>- Establish DBC as employer of choice by presence at careers fairs, developing links with Schools, Colleges and Universities</li> </ul>		<p>A recruitment and retention Project Initiation Document has been prepared for CMT.</p> <p>The Chief Executive is the project sponsor and is holding regularly project management meetings. project updates will be provided to Corporate Management Team, Performance Board and Finance &amp; Resources Overview and Scrutiny Committee.</p>	
Sign Off and Comments					
Sign Off Complete					

# STRATEGIC RISK REGISTER

December 2018



Work has been undertaken to establish the Council's position based on evidence from the Council's HR system. This work has confirmed that whilst the current recruitment market is very competitive and challenging, there are currently a small number of areas where recruitment is more difficult. The programme of projects and initiatives has been developed to address recruitment and retention should help address this situation.

# STRATEGIC RISK REGISTER

December 2018



SR3 - Social media risk					
Corporate Priority:	Risk Owner:	Portfolio Owner:	Tolerance		
Delivering an Efficient and Modern Council	Sally Marshall	David Collins	Treating		
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
<p>“Almost nine in ten (86%) of UK adults now have internet access at home, and this is highest among those aged under 55. Facebook continues to be the largest social network service in the UK. In April 2016, it attracted a digital audience of 38.9 million (more than three-quarters of active internet users). This was larger than that of LinkedIn (21.8 million) and Twitter (20.9 million)” (Ofcom report 2016).</p> <p>By design, social media is widely accessible and offers users easy electronic communication of personal information and other content, such as news, videos and photos. With public participation and exchange of content so readily available, this introduces a certain level of risk.</p> <p>The consequences of using social media include members of the public, pressure groups or employees using DBC social media accounts to raise negative, confidential, incorrect or abusive statements/campaigns aimed at damaging the reputation of DBC. Similarly, the risk of DBC not using social media will exclude a large proportion of residents and key demographic groups including younger residents and businesses.</p>		<p>The Council monitors and protects its social media presence through a Social Media Management Platform (Social SignIn). Social SignIn provides management options for automatic moderation of abusive messages and other risk mitigation tools.</p> <p>All staff are required to read and sign up to a range of policies including:</p> <ul style="list-style-type: none"> <li>• Corporate Information Security Management Policy</li> <li>• Corporate Information Technology Security Policy</li> <li>• Data Protection Act Policy</li> <li>• Freedom of Information Policy</li> <li>• PSN/Government Connect (GSx) Acceptable Usage Policy</li> <li>• Information Security Incident Procedure</li> </ul>		<p>An audit of DBC’s internal controls in strategy and governance, training and awareness, processes and technology, found that there is a sound system of internal control designed to achieve the system objectives. (Formally audited by Mazars in 2018).</p>	
Sign Off and Comments					
<p>Sign Off Complete</p> <p>The renewed comments in the above sections reflect the position as at the end of Q3 2018/19.</p>					

# STRATEGIC RISK REGISTER

December 2018



SR4 - Cyber Attack					
Corporate Priority:	Risk Owner:	Portfolio Owner:	Tolerance		
Delivering an Efficient and Modern Council	Sally Marshall	David Collins	Treating		
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber
Consequences		Current Controls	Assurance		
<p>At least 98 million cyber-attacks were carried out on local authorities between 2013 and 2017. 114 (29%) councils experienced at least one cyber security breach - between 2013 and 2017.</p> <p>The Council's ICT team is aware that the council's network is the subject of attempted cyber-attacks on a daily basis from a range of sources, likely to include organised crime and state operators.</p> <p>The potential consequences of a successful cyber-attack are extremely damaging to any organisation. In the public sector, cyber-attacks on NHS trusts have led to cancelled operations, including the WannaCry attack in 2017 that affected 45 NHS organisations. In 2016 Lincolnshire County Council were hit with a £1M demand following a ransomware infection. Within Dacorum, a successful and extensive cyber-attack has the potential to impair the delivery of all services to its residents. Also any successful Cyber Attack could significantly impact the Council's reputation, as residents may lose confidence in the management of electronic records.</p>		<p>The Council monitors and protects against threats with particular attention to the following, in line with the Government's Cyber Essentials direction:</p> <ul style="list-style-type: none"> <li>• Boundary firewalls and internet gateways</li> <li>• Secure configuration</li> <li>• Access control</li> <li>• Malware protection</li> <li>• Patch management</li> </ul>	<p>Adherence to National Cyber Security Centre (NCSC) Cyber Essentials (formally audited 2017); Public Sector Network (PSN) Compliance (including annual vulnerabilities assessment by approved cyber security consultancy)</p>		
Sign Off and Comments					
<p>Sign Off Complete</p> <p>The renewed comments in the sections above reflect the position as at the end of Q3 2018/19</p>					



**SR5 - The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need**

<b>Corporate Priority:</b> Providing Good Quality Homes, in Particular for Those Most in Need	<b>Risk Owner:</b> Mark Gaynor	<b>Portfolio Owner:</b> Margaret Griffiths	<b>Tolerance</b> Treating		
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
<p>Housing costs in Dacorum are already extremely high and among the highest in the country outside of London. The impact of this is that local people (and potential new residents) face considerable difficulties accessing decent and affordable homes. This has potential risks in increased homelessness, difficulties in attracting new business and inward investment and breakdown of family support networks if people have to move away or have to stay longer in parental homes than is desirable.</p> <p>The causes for this are complex and varied, and some are outside of the Council's control, but include:</p> <ul style="list-style-type: none"> <li>The high cost of owner occupation due to location, local income levels, market shortage and increasing demand from people moving out from London. This can mean owner occupation is well beyond the reach of a large number of local people.</li> <li>The Private Rented Sector is not focused on providing homes of quality to those on low incomes with short 6 months tenancies and often in poor condition.</li> <li>The planning system does not have the levers to require new homes to be built and with respect of providing affordable homes the rented product – usually affordable rent at 80% of market rent - they are too expensive for those on low incomes.</li> <li>There are still cuts being made to the benefits systems and Universal Credit has seen a dramatic increase in the levels of rent arrears in those areas that have already had the full roll out. This will cause further difficulty for low income households to afford rent and would lead to still further homelessness.</li> </ul> <p>The key risks this raises for the Council are:</p> <ul style="list-style-type: none"> <li>The supply of homes is unable to match demand</li> <li>An increase in the levels of homelessness resulting from landlords in private renting seeking to maximise their rents</li> <li>The impact of Universal Credit roll out leading to</li> </ul>		<p>The Local Plan is currently under development and is likely to go out for public consultation in the summer of 2019. This will incorporate a very high level of housing growth and the plan needs to ensure that the sites are identified and are likely to be delivered in the timescales identified. There will be a strong affordable housing policy, building on the current one, which will require at least 35% affordable homes on every scheme above 10 units. The council is strengthening its expertise in Planning on robustly testing developers viability submissions. This will include no longer accepting developer arguments that the cost of land prevents or reduces the amount of affordable they can deliver – they should take account of the council's policy when agreeing the price.</p> <p>Ensuring good masterplanning of the larger sites emerging from the Local Plan will mean that they are more likely to be built out as planned and will be more attractive for potential buyers.</p> <p>The Private Housing Service in Housing, which includes Private Renting, has been reshaped and is geared up to the licensing of up to 900 Houses in Multiple Occupation and addressing issue of disrepair and harassment in the sector. It will work with and support landlords who are prepared to grant longer tenancies which will allow families more security and stability.</p> <p>There is already a new build council home programme of 370 new homes by 2022 that is just starting. The government has announced that the cap on the HRA borrowing will be ended in April 2019 and the programme will be further expanded. A full assessment of the capacity of the HRA to move to an output of around 100-200 new homes per year will be made in the very near future and will gear up for that level of delivery. This will help, though not solve, the shortage of affordable homes for rent. Housing Associations will be encouraged to include social rented homes at lower rent levels than affordable to be built as grant is now</p>		<p>The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above in controls.</p> <p>Regular reports will also made to the Housing and Community Overview and Scrutiny Committee on new build council homes, homeliness performance, and Private Renting sector performance.</p>	

# STRATEGIC RISK REGISTER

December 2018



<p>increased arrears, debt and homelessness</p> <ul style="list-style-type: none"><li>• A general risk that the construction industry may not have the capacity to meet the level of demand for development</li><li>• The HRA will not be able to access sufficient funds to fulfil the Council's programme of social rented housing</li></ul>	<p>available from Homes England for this aim.</p> <p>The introduction of the Homeless Reduction Act has allowed the Council to be geared up to dealing with an increased number of homeless households with the initial aim of preventing the homelessness from happening. One important route will be working with those private landlords that have a desire to help those in housing need, and there are many, to be able to continue renting without losing income.</p>	
<b>Sign Off and Comments</b>		
<p>Sign Off Complete</p> <p>The renewed comments in the above sections capture the position as at Q3 2018/19.</p>		



**SR6 - That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future**

<b>Corporate Priority:</b> Ensuring Economic Growth and Prosperity	<b>Risk Owner:</b> Mark Gaynor	<b>Portfolio Owner:</b> Margaret Griffiths	<b>Tolerance</b> Treating		
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
<p>The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. The risk is, therefore, that new development at a scale not experienced in Dacorum since the New Town development will not be matched with the infrastructure that a healthy and thriving community depends upon.</p> <p>Failure to provide this infrastructure will have a number of damaging consequences:</p> <ul style="list-style-type: none"> <li>• a reduction in the quality of life and opportunities for people in the Borough</li> <li>• a serious constraint to economic growth with the impact on the prosperity of local people</li> <li>• reduced financial contribution to service provision through Business Rates growth</li> <li>• increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope</li> <li>• damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council.</li> </ul> <p>The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it.</p>		<p>Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.</p> <p>The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:</p> <ul style="list-style-type: none"> <li>• Ensuring that the Local Plan (and its component elements such as site allocations, supporting policies and so on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials.</li> <li>• Working with other South West Herts councils and HCC to make a case at national level for strategically important infrastructure</li> <li>• Bidding into government funding pots such as the Housing Infrastructure Fund where possible.</li> <li>• Use of masterplanning which supports what is required to be delivered to produce sustainability on larger sites and formalising as a Special Planning Document where appropriate to give it more 'teeth'.</li> <li>• The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision that local people want.</li> <li>• Operating an 'open for business' approach to how the Council deals with potential development with a</li> </ul>		<p>These controls are exercised and reported within the following:</p> <ul style="list-style-type: none"> <li>• Regular reporting to the Growth and Infrastructure Group, CMT, Cabinet and Overview and Scrutiny Committee</li> <li>• Fortnightly reporting on key projects to CMT</li> <li>• Reporting to Performance Board before each Cabinet Meeting</li> <li>• A clear programme for the Local Development Framework and CIL Quarterly reporting to Overview and Scrutiny</li> <li>• Regular reporting to Cabinet</li> <li>• Adherence to the agreed performance and project management processes</li> </ul> <p>The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, income achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above.</p>	

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presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.

- Stimulating required growth through the Council's own regeneration activity, including the Enterprise Zone making inward investment being more likely.
- Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.
- Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.
- Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)
- Working to create key partnerships to bring forward development capable of funding major infrastructure such as Hemel Garden Communities with the Crown Estate, St Albans and City Council, HCC, the LEP and the Enterprise Zone.

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### Sign Off and Comments

Sign Off Complete

The renewed comments in the sections above reflect the situation as at the end of Q3 2018/19.

# STRATEGIC RISK REGISTER

December 2018



SR7 - Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short- to medium-term					
Corporate Priority:	Risk Owner:	Portfolio Owner:	Tolerance		
Delivering an Efficient and Modern Council	Sally Marshall	Andrew Williams	Treating		
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	4 Very Likely	2 Medium	8 Amber
Consequences		Current Controls		Assurance	
<p>On 23 June 2016, the UK voted, through a referendum, to leave the EU. In March 2017, the Prime Minister invoked article 50 of the Lisbon Treaty, formally notifying the European Council of the UK's intention to leave. This provided a two-year negotiation period in which to agree future ties, with the UK exiting the EU on 29th March 2019.</p> <p>The ongoing negotiations around Brexit, and in particular the risk of a 'no-deal' outcome, leaves the Council uncertain as to whether or how there may be increased demand for its services in the short-, medium-term.</p> <p>The Brexit negotiations pose a strategic threat to the Council primarily because there is lack of clarity over how or to what extent the outcome may threaten achievement of its corporate priorities. In the absence of more detail, the Council is, in general terms, planning to 'be prepared'.</p> <p>In addition, there is the possibility that the Council may be required to carry out functions under its Civil Contingencies responsibilities.</p>		<p>The Chief Executive has prepared a report to Members outlining the sector's view on where the key Brexit risks currently lie.</p> <p>The Corporate Management Team (CMT) has put Brexit negotiations as a standing item on its agenda. All service areas are represented at this meeting, and the majority of CMT members operate within county- and nation-wide professional groups. This means that the knowledge reach of the group is wide and varied, meaning that emerging issues are likely to be raised for discussion around impact as they arise.</p> <p>CMT has also ensured that all service areas revisit their Business Continuity plans to ensure that they remain up-to-date and capable of mitigating known and emerging risks.</p>		<p>The subject of Brexit has been designated as a standing item on the CMT agenda. Members will be kept advised as more information becomes available.</p>	
Sign Off and Comments					
<p>Sign Off Complete</p> <p>The comments in the above section capture the position as at the end of Q3 2018/19.</p>					



## AGENDA ITEM:

### SUMMARY

<b>Report for:</b>	<b>Audit Committee</b>
<b>Date of meeting:</b>	<b>5 February 2019</b>
<b>PART:</b>	<b>1</b>

<b>Title of report:</b>	<b>Strategic Risk Register – Quarter 3 2018/19</b>
<b>Contact:</b>	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations) Linda Dargue, Lead Officer Insurance & Risk
<b>Purpose of report:</b>	To provide the Quarter 3 update on the Strategic Risk Register
<b>Recommendations</b>	That Committee notes the content of the report, seeks further assurance where required, and provides any feedback it deems necessary for consideration by Cabinet.
<b>Corporate objectives:</b>	Delivering an Efficient and Modern Council – risk management is an essential part of ensuring that the Council meets all of its objectives.
<b>Implications:</b>	<u>Financial</u> Contained within the body of the report.
<b>'Value For Money Implications'</b>	<u>Value for Money</u> Contained within the body of the report.
<b>Risk Implications</b>	Contained within the body of the report.
<b>Equalities Implications</b>	None
<b>Health And Safety Implications</b>	There are no health and safety implications

### **Quarter 3 position**

1. Attached at Appendix A is the revised Strategic Risk Register showing the Council's position as at the end of Q3 2018/19. Although similar in substance, there have been more changes than normal to the strategic risks since the last quarter's position was reported to Audit Committee in December 2018.
2. The background to these changes is detailed in the paragraphs below, and Committee is asked to note and feedback on the changes.

### **Background on Strategic Risk Register**

3. Cabinet has overall responsibility for the Council's Strategic Risk Register, with scrutiny performed by the Audit Committee on a quarterly reporting cycle, and day-to-day management undertaken by Chief Officers.
4. A strategic risk is defined as a threat that may prevent the Council delivering one or more of its strategic priorities, i.e. one of the five Corporate Priorities outlined in the Corporate Plan. The risk register is a dynamic document and the quarterly reporting cycle is designed to enable both the addition of emerging risks to these priorities, and, where appropriate, the amendment of perceived threat levels.
5. The Council's current Corporate Plan runs until 2020, at which point there will be a full review of strategic risks to ensure that they are still applicable to renewed corporate priorities. However, the continued uncertainty around Brexit negotiations and its potential implications for local government, together with feedback from previous Audit Committee meetings prompted an earlier, interim review, held in September 2018.

### **Review of strategic risks**

6. Vanessa Bateman from Mazars, the Council's Internal Auditors, facilitated the review and present at the meeting were Cabinet Members, the Leader of the Opposition, Chief Officer Group, and the Assistant Director (Finance & Resources).
7. Given that the Strategic Risk Register is actively managed throughout the year and that Corporate Priorities have not changed since the last review, the review was not expected to result in fundamental change. However, it did provide an opportunity to re-evaluate the rationale behind each of the strategic risks, which resulted in the updated risk register, attached at Appendix A.

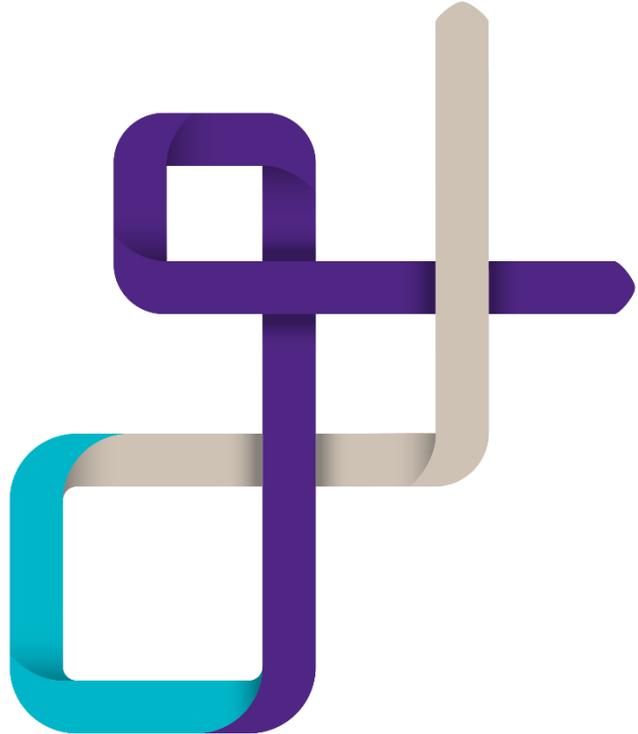
### **Next steps**

8. If Members approve the new strategic risks, the next step will be to renew the links with the Operational Risk Register (which governs the management of day-to-day risks) and the Key Performance Indicators (which demonstrate the effectiveness of controls put in place to manage risks).
9. This work will be supported by Vanessa Bateman of Mazars, and will involve all Assistant Directors (as the owners of the operational risks), and in particular the Assistant Director (Performance, People & Innovation) who is responsible for management of the performance reporting structure.

10. The Audit Committee has previously noted that the information in the Strategic Risk Register could be more accessible to the reader. Although in the short-term we are heavily constrained by the reporting software, we have put in place some amendments that should make it easier for Members to consider each risk.
11. The medium-term suitability of the current software package will be reviewed alongside the project to integrate the Strategic Risk Register with performance and operational risk management.
12. Members of Audit Committee are asked to feedback on the updated risks for consideration by Cabinet at its meeting in March.

# External Audit Plan

*Year ending 31 March 2019*



# Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Dacorum Borough Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Dacorum Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

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## Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- revenue cycle includes fraudulent transactions (rebutted)
- management override of controls
- valuation of property, plant and equipment
- valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

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## Materiality

We have determined planning materiality to be £2.856 million (PY £2.848 million) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.14 million (PY £0.14 million).

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## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial sustainability in the medium term

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## Audit logistics

Our interim visit will take place in February 2019 and our final visit will take place in June and July 2019. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £56,480 (PY: £73,350) for the Authority, subject to the Authority meeting our requirements set out on page 12.

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## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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# Key matters impacting our audit

## External Factors

### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

Dacorum Borough Council for 2018/19 to date is demonstrating challenging financial circumstances with the Q2 overall forecast for the General Fund outturn demonstrating a pressure of £249k against the agreed budget. This is due predominantly to overspends in recycling, building control and garage income. There is also slippage in terms of the General Fund capital budget with £2.8 million being moved to the 2019/20 budget and predicted £90k of overspend in Housing Revenue Account capital budget.

However the HRA is performing well with £119k underspends against budget for the quarter.

### Brexit

On 29 March 2019, the United Kingdom (UK) is set to leave the European Union (EU).

The impact of this is uncertain and has the potential to affect a number of areas relevant to the public sector and the Authority including staffing and property valuations.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

## Internal Factors

### New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.
- We will have on-going discussions to understand the emerging impact and the potential effect on the Authority's Value for Money arrangements
- We will liaise with your property valuation experts to understand the potential effect on the asset base and confirm Brexit has been included in his estimate.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Dacorum Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Dacorum Borough Council</p>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness;</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness;</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>
<b>Valuation of land and buildings</b>	<p>The Authority revalues its land and buildings on a rolling five-yearly.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1 billion of PPE in 2017-18) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• discuss with the valuer the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p data-bbox="51 321 279 406"><b>Valuation of the pension fund net liability</b></p> <p data-bbox="93 606 155 771">Page 28</p>	<p data-bbox="279 321 1098 406">The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p data-bbox="279 435 1098 521">The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£69 million in the Authority's balance sheet in 2017-18) and the sensitivity of the estimate to changes in key assumptions.</p> <p data-bbox="279 549 1098 635">We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p data-bbox="1098 321 2007 349">We will:</p> <ul data-bbox="1098 364 2007 875" style="list-style-type: none"><li data-bbox="1098 364 2007 449">• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li><li data-bbox="1098 464 2007 521">• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li><li data-bbox="1098 535 2007 592">• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li><li data-bbox="1098 606 2007 664">• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li><li data-bbox="1098 678 2007 763">• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li><li data-bbox="1098 778 2007 875">• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li></ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

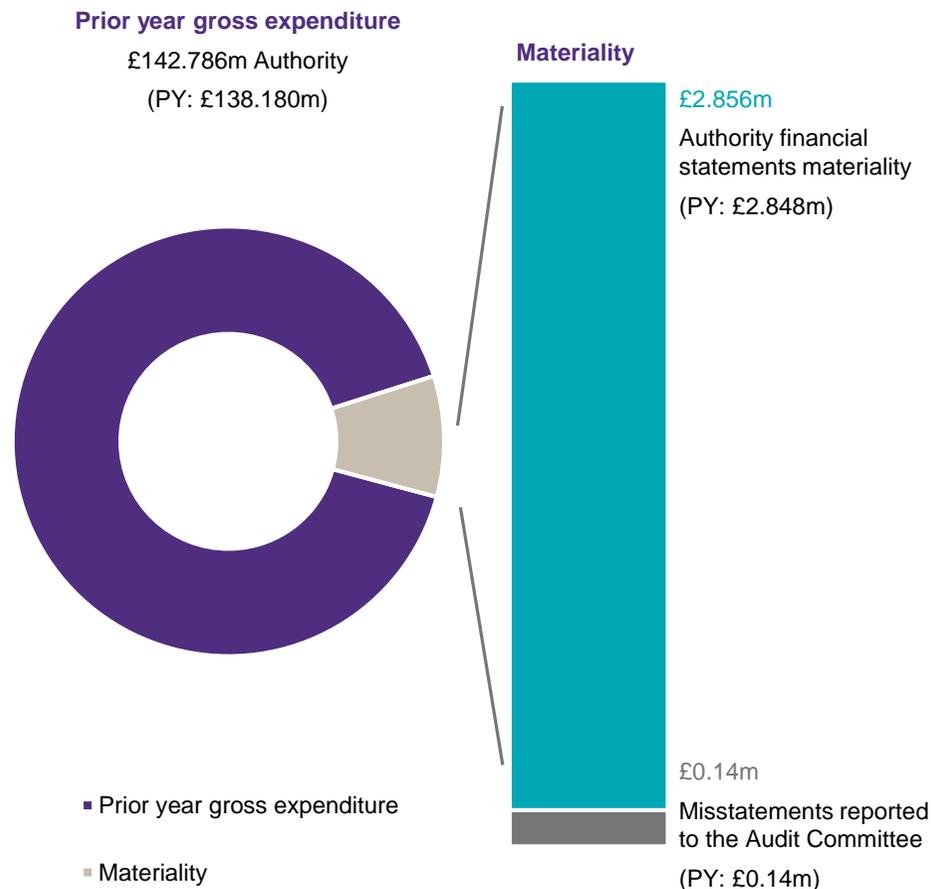
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £2.856 million (PY £2.848 million) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We consider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.14 million (PY £0.14 million).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

## Background to our VFM approach

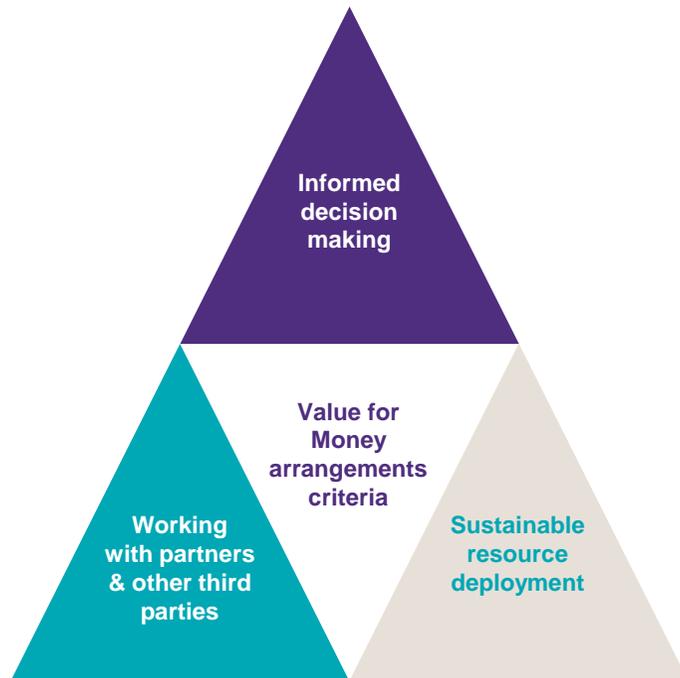
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:

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## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Financial Sustainability in the Medium Term – Sustainable Resource Deployment

The overall Local Government sector has been facing a challenging financial outlook in recent years, which is to continue for 18/19 and for the medium term. Further pressure is expected across the sector as a result of continued increasing demand for services and falling central government funding, factors which are also affecting Dacorum Borough Council.

The Authority has set a medium term financial strategy for 2018/19 to 2022/23 however this incorporates some challenging assumptions such as a four-year General Fund savings target of £2.8 million, the savings requirement for 18/19 is £0.889 million. In addition the previous Local Government Settlement Agreement only agreed RSG grant funding levels until 2019/20, in the last 2 years of this settlement Dacorum Borough Council will receive no RSG. At the time of our risk assessment the MTFs, approved in July 2018, had planned for a negative RSG tariff in 2019/20 of circa £0.9 million, in line with the local government 2018/19 finance settlement figures.

The provisional local government finance settlement for 2019/20 was released in December 2018, and the Authority is now expecting not to have to fund a negative RSG tariff of circa £0.9 million. The Authority are assuming that this is additional one off windfall will be allocated to revenue reserves for 2019/20 and therefore represents a short term financial benefit.

All of the above indicate pressure on resources in the medium term.

### Planned Response

We will update our understanding the Authority's financial arrangements. Evaluating the robustness of their medium term financial plan and budgeting to ensure that resources are deployed to achieve planned and sustainable outcomes for local tax payers.

# Audit logistics, team & fees



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**Sarah Ironmonger**  
Engagement Lead



**Amber Banister**  
Audit Manager

## Audit fees

The planned audit fees are £56,480 (PY: £73,350) for the financial statements audit completed under the Code, which are in line with the scale fee published by PSAA. £20,000 of fees are planned for the for the grant certification (PY PSAA set: £22,220). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

# Early close

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For you, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

Overall we felt that the process to meet the earlier deadline in 2017/18 was successful from both perspectives. We successfully brought forward much of work and completed testing earlier in the year. We received the final draft accounts, narrative report and a complete set of good quality working papers by the first day of our fieldwork. This allowed us to commence the audit immediately and provide our final by the brought forward deadline. We have since held a feedback meeting with yourselves discussing learning points for both parties to increase efficiency in the process further for the 2018/19 year.

Going into 2018/19 we have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline, as we did successfully in the prior year.

On occasions individual clients experience difficulties in producing accounts on time, providing appropriate working papers or identified errors in the accounts are challenging to resolve. If this happens, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where either the elapsed time to complete an audit exceeds that agreed or additional audit resources are required to resolve issues arising, we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, our expectation is that you will:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit grant	20,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £20,000 in comparison to the total fee for the audit of £56,480 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
<b>Non-audit related</b>			
None			

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.





## Dacorum Borough Council

# Draft Internal Audit Operational Plan 2019/20

January 2019

This report has been prepared on the basis of the limitations set out on page 6.

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### **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 at the end of this report for further information about responsibilities, limitations and confidentiality.

## 1. Background

This document sets out the Internal Audit operational plan for Dacorum Borough Council (DBC) for discussion and approval by the Audit Committee. The purpose of this plan is to identify the work required to achieve a reasonable level of assurance to be provided by Internal Audit in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and the Audit Committee 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 in accordance with an annual operational plan as approved by the Audit Committee.

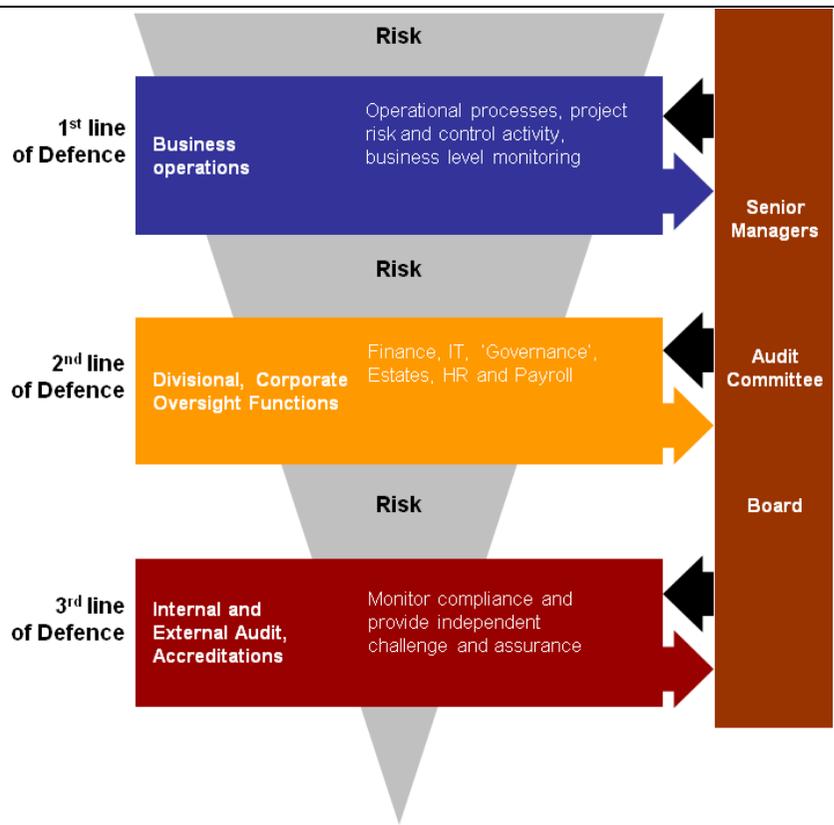
## 2. 2019/20 Audit Planning

As part of the audit planning for 2019/20, we have prepared a proposed plan of internal audit work for the period 1 April 2019 to 31 March 2020.

The Internal Audit Plan 2019/20 was developed based on:

- Review of the risks and priorities contained in DBC's strategic and operational risk registers;
- Review of DBC's key objectives, plans and frameworks; and
- Reference to previous audit and assurance work and the progress towards implementing recommendations.

Our strategy is based upon a three lines of defence model of assurance, which is shown in the diagram below. Internal audit seeks to identify assurances provided through the first and second lines of defence, and selects the most appropriate method for obtaining assurance to support the Head of Internal opinion and the Council's governance requirements.



The Internal Audit Plan 2019/20 detailed in Appendix A particularly seeks to:

- Address areas of specific concern identified by management; and
- Provide independent assurance where high reliance is placed by management on first and second layers of defence.

The Internal Audit Plan will remain flexible during the current financial year to adapt, as required, to the changing needs of DBC. Any proposed changes to the Internal Audit Plan, in year, will be presented to the Audit Committee for approval. Appendix A contains the proposed timings of the audits for 2019/20.

# Internal Audit Plan 2019/20

# Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20	Prior Audit/Assurance
Core Financial Systems	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.	Key Financial Systems	Financial/Operational	16	Q1-Q4	2017/18 Full/Substantial
	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.	Key Financial Systems	Financial/Operational	8	Q4	2017/18 Full/Full
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting.	Key Financial Systems	Operational	8	Q3	2017/18 Full/Full
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, income maximisation, fair revenue distribution and appeals.	Key Financial Systems	Operational / Business Change	8	Q3	2017/18 Full/Full
	Housing Benefit & Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations.	Key Financial Systems	Operational / Business Change	8	Q3	2017/18 Full/Substantial
Payroll & Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	Key Financial Systems	Operational	8	Q1	2016/17 Full/Full	
<b>Core Financial Systems Total</b>					<b>56</b>		

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20	Prior Audit/Assurance
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.	ND_R03	Operational	7	Q2	New
	Apprenticeships Scheme & Levy	Covering controls in place over compliance with the scheme requirements, maximisation of take up and integration into organisation	PP_R016	Financial/Operational	5	Q4	New
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	F6, F7	Financial	10	Q1	2018/19 Full / Substantial
<b>Operational Risks Total</b>					<b>22</b>		
Strategic Risks	VAT – Making Tax Digital	To confirm the Council's systems and processes are MTD compliant.	-	Regulatory/Financial	15	Q1	New
	Leisure Services Contract Management	Covering adequacy and effectiveness of controls over management and monitoring of the new Leisure Contract.	PP_R014	Infrastructure	12	Q2	New
	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.	FR_F02	Reputational/Financial	15	Q3	2017/18 Full / Substantial
<b>Strategic Risks Total</b>					<b>42</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	PP_R018	Technical/Operational	15	Q2 and Q3	
ICT/Comms	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.	PP_R015	Technical/Operational	10	Q2	
<b>ICT Total</b>					<b>25</b>		
Governance, Fraud & Other Assurance Methods	Fraud	A review of the Fraud training programme, processes and communications.	All	All	10	Q1	New
	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.	All	Operational	10	Q3	New
	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.		All	10	Q1-Q4	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2019/20	Proposed Quarter 2019/20	Prior Audit/Assurance
	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 responsibilities. Risk Management workshops/training.		All	20	Q1-Q4	
<b>Fraud &amp; Other Assurance Methods Total</b>					<b>50</b>		
<b>Other</b>	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.			10		
	Audit Management	Includes audit planning, annual audit report, committee reports, attending committee meetings, holding meetings with the External Auditor, giving advice on audit matters as well as general management of the internal audit service.			20		
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Director (Finance & Operations).			25		
<b>Other Total</b>					<b>55</b>		
<b>Total</b>					<b>250</b>		

## 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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## **DACORUM BOROUGH COUNCIL**

## **INTERNAL AUDIT PROGRESS REPORT**

## **Audit Committee – February 06 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.

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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> 2018 to January 31<sup>st</sup> 2019 by Mazars.

Appendix 1 outlines progress to date against the 2018/19 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 2018/19 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>13</b>	
Number of audits finalised	7	54%
Number of audits issued at draft	3	23%
Number of audits currently in progress	-	-
Number of audits with planned start dates	3	23%
Number of audits with start dates to be agreed	-	-
<b>Total</b>	<b>13</b>	<b>100%</b>

We have issued the following Final reports since the last Audit Committee meeting:

- NNDR (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Council Tax (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Housing Benefit and Council Tax Support (Evaluation assurance: **Full**. Testing assurance: **Full**)

We have also issued the following draft reports for which we are awaiting the final management responses before issuing the Final Report:

- Business Continuity
- Procurement
- Planning

## Follow-up of Recommendations

### 2018/19

The table below details the recommendations raised in the audit reports for 2018/19. The summary of the outcome of our follow up work to the 31<sup>st</sup> December 2018 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%	Implemented / partly implemented / no longer relevant	%
2018/19	13	6	46%	6	46%
<b>Total</b>	<b>13</b>	<b>6</b>	<b>46%</b>	<b>6</b>	<b>46%</b>

Appendix 2 provides a summary of the status of all recommendations where the proposed implementation date was before 31<sup>st</sup> December 2018.

## 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>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may 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.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## 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 2018/19

Page 50

	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: CRSA will be used in these areas to cover the adequacy and effectiveness of the Key Controls in place across the four areas	20	0.5	Q4	ToR Issued						Fieldwork starting w/c 4 <sup>th</sup> March
	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	0.5	Q4	ToR Issued						Fieldwork starting w/c 4 <sup>th</sup> March
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	8	Q3	Final Issued	Full	Full				
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	8	Q3	Final Issued	Full	Full				
	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. CRSA to be applied.	8	8	Q3	Final Issued	Full	Full				
<b>Core Financial Systems Total</b>			<b>52</b>	<b>25</b>								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Operational Risks	Business Continuity	Covering adequacy and effectiveness of the Council's arrangements for Business Continuity including maintenance and testing of plans.	10	9	Q3	Draft Report Issued						
	Planning	Covering adequacy and effectiveness of controls in place over planning applications, including new national changes.	10	9	Q4	Draft Report Issued						
	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 Issued	Full	Substantial	-	1	2	
<b>Operational Risks Total</b>			<b>30</b>	<b>28</b>								
Strategic Risks	General Data Protection Regulation	Covering adequacy and effectiveness of controls over preparations for General Data Protection Regulations.	15	15	Q2	Final Issued	Substantial	Substantial	-	2	1	
	Commercial Asset Management	Covering adequacy and effectiveness of controls over management of garages within the Borough.	15	15	Q2	Final Issued	Substantial	Substantial	-	2	1	
	Procurement	To provide assurance over the Council's controls in place in relation to the governance and evaluation of significant contracts. The review will focus on particular projects.	15	14	Q3	Draft Report Issued						
<b>Strategic Risks Total</b>			<b>45</b>	<b>44</b>								
Governance, Fraud & other Assurance Methods	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. Risk management workshops and training.	28	3	Q2-Q4	Ongoing	N/A					

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	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>38</b>	<b>3</b>								
ICT	ICT Asset Management	Covering controls over Policies and Procedures, Asset Register, Security of Hardware and Software, Loss Management and Disposals.	10	10	Q3	Final Issued	Full	Substantial	-	2	-	
	Change Management	Covering controls over Change Management process, Software and Hardware Changes.	15		Q4	ToR Issued						Fieldwork starting 21 <sup>st</sup> March
<b>ICT total</b>			<b>25</b>	<b>10</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>								
<b>Plan total</b>			<b>220</b>	<b>130</b>								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	30	-								
<b>TOTAL</b>			<b>250</b>	<b>130</b>								

## Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2018/19 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 recommendations raised in final reports issued.

### 2018/19

Title	Raised	Implemented	Partly Implemented	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	-	-	-	-	31 Jan 2019	-	3	Layna Warden
IT Asset Management	2	-	-	-	-	31 May 2019	-	2	Gary Osler
NNDR	1					31 August 2019	-	1	Chris Baker
Council Tax	1					31 August 2019	-	1	Chris Baker
<b>Total</b>	<b>13</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>			<b>7</b>	

---

## 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 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 Final Internal Audit Report Council Tax

January 2019

This report has been prepared on the basis of the limitations set out on page 10.

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### Distribution List:

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)

### Key Dates:

Date of fieldwork: December 2018

Date of draft report: January 2019

Receipt of responses: January 2019

Date of final report: January 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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# 1. Executive Summary

## 1.1. Background

As part of the agreed 2018/2019 Audit Plan, Mazars have undertaken a review of the controls in place for Council Tax to ensure that controls have been adequately designed and implemented.

Council Tax is a system of local taxation by local authorities. It is a tax on domestic property. Council Tax 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.

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

## 1.2. Audit Objective and Scope

The overall objective of the audit was to provide assurance over the adequacy and effectiveness of current controls, and provide guidance on how to improve the current controls going forward. 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 the Tax Payers and Refunds;
- Suspense Account;
- Recovery and Enforcement;
- Write-Off;
- Management of Collections Rates;
- Follow-Up of previous audit recommendations; and
- Universal Credit

## 1.3. Summary Assessment

Our audit of DBC's internal controls in operation found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied. Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Full

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. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment is shown in Section 3.

#### 1.4. **Key Findings**

We have raised one Priority 3 recommendation where we believe there is scope for improvement within the control environment. The recommendation raised has been set out below:

- Policies and Procedures (Priority 3)

All policies and procedures should be reviewed and updated on a regular basis to ensure they remain relevant and accurate.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

#### 1.5. **Management Response**

We will include a summary of any management response in our Final report.

#### 1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Background

As part of the agreed 2018/2019 Audit Plan, Mazars have undertaken a review of the controls in place in relation to Council Tax.

### 2.2. Approach and Methodology

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.

### 2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

#### **Policies, Procedures and Legislation**

Policies and procedures are in place to minimize the risk of staff 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 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 Collections 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.

### **Follow-Up**

- To confirm that 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

The audit approach was developed by an assessment of risks and management controls operating within each area of the scope. The following procedures were adopted:

- Identification of the role and objective of each area;
- Identification of risks relating to the auditable area and the controls in place that enable the control objectives to be achieved;
- Evaluation and testing of controls within the system.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit. Our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
<p><b>Policies, Procedures and Legislation</b></p> <p>Policies and procedures are in place to minimize the risk of staff non-compliance with legislative and management requirements and ensure that Council Tax functions are undertaken in an economic, effective and efficient manner.</p>			<b>Recommendation 1</b>
<p><b>Council Tax Transactions and Records</b></p> <p>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.</p>			
<p><b>Valuation and Tax Setting</b></p> <p>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 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.</p>			
<p><b>Discounts, Exemptions, Allowances and Premiums</b></p> <p>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</p>			

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
actions are taken promptly to withdraw the reliefs where appropriate.			
<b>Billing</b> 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.			
<b>Receipts from the Tax Payers and Refunds</b> 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.			
<b>Suspense Accounts</b> 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.			
<b>Recovery and Enforcement</b> 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.			
<b>Write-Off</b> 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.			
<b>Management of Collection Rates</b> Collection targets are met and management are provided with sufficient, accurate and timely information on debt collection rates to allow for effective decision making.			
<b>Follow Up</b> To confirm that audit recommendations made during the previous audit visit have been implemented.			
<b>Universal Credit</b> To confirm that appropriate plans/procedures have been put in place for the introduction of universal credit			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

## 4. Observations and Recommendations

### Recommendation 1: Policies and Procedures (Priority 3)

<p><b>Recommendation</b></p> <p>All Policies and Procedures should be reviewed and updated on a regular basis to ensure they remain relevant and accurate.</p>
<p><b>Observation</b></p> <p>Clear and comprehensive policies and procedures should be regularly reviewed to ensure compliance with Council and legislative requirements.</p> <p>From observation of the Council's SharePoint, where all staff have access to the policies and procedures, it was observed that this page states the date in which the policies were last updated. With this it also states when the policies should next be reviewed.</p> <p>In 4 out of 13 cases tested, the review date had been passed without the policies being updated.</p> <p>Where staff do not have access to policies and procedures, there is a risk that ineffective or inefficient working practices may be adopted leading to non-compliance with legislative or regulatory requirements.</p>
<p><b>Responsibility</b></p> <p>Revenues Team Leader</p>
<p><b>Management response / deadline</b></p> <p>It is frequently the case that policies &amp; procedures do not need to be changed when they are reviewed, but this has not always been noted when a review has taken place. We will ensure that we both carry out and record a review of all relevant documents. Deadline – 31 August 2019</p>

## Appendix A - Reporting Definitions

### 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>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may 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.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Appendix B - Staff Interviewed

The following personnel were consulted:

Audit sponsor: Nigel Howcutt – Assistant Director, Finance & Resources

Audit Contacts: Chris Baker – Group Manager, Revenues, Benefits and Fraud

Anna Elliot – Revenues Team Leader

Stuart Potton – Revenues & Benefits Support Team Leader

Jake Seabourne – Systems Development Officer

We would like to thank the staff involved for their co-operation during the audit.

## Appendix C 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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# Dacorum Borough Council

## Final Internal Audit Report

### National Non-Domestic Rates (NNDR)

January 2019

This report has been prepared on the basis of the limitations set out on page 10.

CONFIDENTIAL

**Distribution List:**

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)

**Key Dates:**

Date of fieldwork: December 2018

Date of draft report: January 2019

Receipt of responses: January 2019

Date of final report: January 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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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Plan for 2018/19, we completed a risk based audit of the processes in place for NNDR.

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.

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

## 1.2. Audit Objective and Scope

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. In summary, the scope covered the following areas

- Policies, Procedures and Legislation;
- NNDR Transactions and Records;
- Valuation, NNDR Multiplier and Rate Setting;
- Liability and Reliefs;
- Billing;
- Receipts from the Rate Payers and Refunds;
- Suspense Account;
- Recovery and Enforcement;
- Write-Off; and
- Management of Collections Rates.

## 1.3. Summary Assessment

Our audit of DBC's internal controls in operation found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied. Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Full

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. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment is shown in Section 3.

#### 1.4. Key Findings

We have raised one Priority 3 recommendation where we believe there is scope for improvement within the control environment. The recommendation raised has been set out below:

- Policies and Procedures (Priority 3)

All policies and procedures should be reviewed and updated on a regular basis to ensure they remain relevant and accurate.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

#### 1.5. Management Response

We will include a summary of any management response in our Final report.

#### 1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Background

As part of the agreed 2018/2019 Audit Plan, Mazars have undertaken a review of the controls in place in relation to NNDR.

### 2.2. Approach and Methodology

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.

### 2.3. Scope of the Audit

The review focused on providing an independent and objective opinion on the degree to which the Council manages the risks associated with IT asset management, and assessed whether the current arrangements are robust and sufficient relative to the risk identified in relation to the following areas:

#### **Policies, Procedures and Legislation**

- Policies and procedures are in place to minimize 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 taxpayer 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 accounting systems and also to the bank account.

#### **Valuation, NNDR Multiplier and Rate Setting**

- New and structurally altered hereditaments are notified to the Valuation Office Agency (VOA) promptly 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 the 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 Rate Payers and Refunds**

- All daily income collection reports obtained from the 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 Accounts**

All unidentified payments are 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-Offs**

- 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 the targets takes place to ensure that the expected income is being received.

### **Follow Up**

- To confirm that audit recommendations made during the previous audit visit have been implemented.

The audit approach was developed by an assessment of risks and management controls operating within each area of the scope. The following procedures were adopted:

- Identification of the role and objective of each area;
- Identification of risks relating to the auditable area and the controls in place that enable the control objectives to be achieved;
- Evaluation and testing of controls within the system.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit. Our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
<p><b>Policies, Procedures and Legislation</b></p> <p>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.</p>			<b>Recommendation 1</b>
<p><b>NNDR Transactions and Records</b></p> <p>Reliability, integrity, confidentiality and security of the NNDR system and taxpayer 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 accounting systems and also to the bank account.</p>			
<p><b>Valuation, NNDR Multiplier and Rate Setting</b></p> <p>New and structurally altered hereditaments are notified to the Valuation Office Agency (VOA) promptly 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.</p>			
<p><b>Liability and Reliefs</b></p> <p>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</p>			

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
retrospectively and evidence of verification is retained.			
<b>Billing</b> Annual reconciliations between the gross debit and the 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.			
<b>Receipts from Rate Payers and Refunds</b> All daily income collection reports obtained from the 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.			
<b>Suspense Accounts</b> 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.			
<b>Recovery and Enforcement</b> 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.			
<b>Write Offs</b> 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.			
<b>Management of Collection Rates</b> Collection targets are met and management are provided with sufficient, accurate and timely information on debt collection rates to allow for effective decision making.			
<b>Follow Up</b> To confirm that audit recommendations made during the previous audit visit have been implemented.			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

## 4. Observations and Recommendations

### Recommendation 1: Policies and Procedures (Priority 3)

<p><b>Recommendation</b></p> <p>All Policies and Procedures should be reviewed and updated on a regular basis to ensure they remain relevant and accurate.</p>
<p><b>Observation</b></p> <p>Clear and comprehensive policies and procedures should be regularly reviewed to ensure compliance with Council and legislative requirements.</p> <p>From observation of the Council's SharePoint, where all staff have access to the policies and procedures, it was observed that this page states the date in which the policies were last updated. With this it also states when the policies should next be reviewed.</p> <p>In 4/13 cases tested, the review date had been passed without the policies being updated.</p> <p>Where staff do not have access to policies and procedures, there is a risk that ineffective or inefficient working practices may be adopted leading to non-compliance with legislative or regulatory requirements.</p>
<p><b>Responsibility</b></p> <p>Revenues Team Leader</p>
<p><b>Management response / deadline</b></p> <p>It is frequently the case that policies &amp; procedures do not need to be changed when they are reviewed, but this has not always been noted when a review has taken place. We will ensure that we both carry out and record a review of all relevant documents. Deadline – 31 August 2019</p>

## Appendix A - Reporting Definitions

### 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>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may 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.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

## Appendix B - Staff Interviewed

The following personnel were consulted:

Audit sponsor: Nigel Howcutt – Assistant Director, Finance & Resources

Audit Contacts: Chris Baker – Group Manager, Revenues, Benefits and Fraud

Anna Elliot – Revenues Team Leader

Stuart Potton – Revenues & Benefits Support Team Leader

Jake Seabourne – Systems Development and Finance Lead Officer

We would like to thank the staff involved for their co-operation during the audit.

## Appendix C 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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# Dacorum Borough Council

## Final Internal Audit Report

### Housing Benefit & Council Tax Support

January 2019

This report has been prepared on the basis of the limitations set out on page 8.

CONFIDENTIAL

**Distribution List:**

Matthew Kelly – Benefits Team Leader  
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)

**Key Dates:**

Date of fieldwork: December 2018  
Date of draft report: January 2019  
Receipt of responses: January 2019  
Date of final report: January 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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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Programme for 2018/19, we have undertaken an audit of the Council's systems of internal control in respect of Housing Benefit and Council Tax Support.

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.

## 1.2. Audit Objective and Scope

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.

In summary, the scope covered the following areas:

- Policies, Procedures and Legislation;
- 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

## 1.3. Summary Assessment

Our audit of the Council's internal controls operating over Housing Benefit and Council Tax Support found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied.

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

Evaluation Assessment	Testing Assessment
Full	Full

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. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Housing Benefit and Council Tax Support is shown in Section 3.

**1.4. Key Findings**

No recommendations have been raised as a result of our work in this area.

**1.5. Management Response**

We did not raise any recommendations to which management responses will be required.

**1.6. Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Objective

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 in section 2.3, are adequate and are being consistently applied.

### 2.2. Approach and Methodology

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.

### 2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

#### **Policies, Procedures and Legislation**

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.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies Procedures and Legislation			
Administration and Assessment of New Claims			
Local Housing Allowance			
Reviews			
Backdated Benefits / Discretionary Payments			
Payments and Reconciliations			
Cancellations, Overpayments and Recovery Action			
Fraud Management			
Follow Up			
Universal Credit			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

## 4. Observations and Recommendations

No recommendations were raised as a result of this audit.

## Appendix A - Reporting Definitions

### 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>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may 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.
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## Appendix B - Staff Interviewed

The following personnel were consulted:

- Matthew Kelly Benefits Team Leader
- Stuart Potton Revenues and Benefits Support Team Leader
- Chris Baker Group Manager – Revenues, Benefits & Fraud

We would like to thank the staff involved for their co-operation during the audit.

## Statement of Responsibility

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# Agenda Item 10

November 2018

AUDIT COMMITTEE: Work Programme 2018-19

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
<b>21/11/18</b>		12/11/18	External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Completed Service Reports <ul style="list-style-type: none"> <li>• ICT</li> <li>• Council Tax</li> <li>• NNDR</li> <li>• Benefits</li> </ul>	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance
<b>06/02/19</b>		28/1/19	External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Completed Service Reports <ul style="list-style-type: none"> <li>• Council Tax</li> <li>• NNDR</li> <li>• Housing Benefit &amp; Council Tax Support</li> </ul>	Internal Audit (Mazars)
			Draft Internal Audit Plan	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance
			the Annual Review of the Risk Based Verification Policy	DBC – Revs & Bens

<b>27/03/19</b>		18/03/19	External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Progress Report <ul style="list-style-type: none"> <li>• Budgetary Control</li> <li>• Governance and Risk Management</li> <li>• Planning</li> </ul>	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

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of the Local Government Act 1972.

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