

Audit Agenda



Wednesday 28 March 2018 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 Brown
Councillor Douris
Councillor McLean

Councillor Taylor (Chair)
Councillor Tindall
Councillor W Wyatt-Lowe

Substitute Members:

Councillors G Adshead, Anderson, England, Link and Ransley

For further information, please contact Jim.doyle@dacorum.gov.uk

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

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. DACORUM AUDIT COMMITTEE PROGRESS REPORT - 28 MARCH 2018 (Pages 4 - 23)

6. DBC DRAFT INTERNAL AUDIT PLAN 2018-19 (Pages 24 - 31)

7. DBC - INTERNAL AUDIT PROGRESS REPORT - MARCH 2018 (Pages 32 - 44)

8. INTERNAL AUDIT - FINAL REPORTS (Pages 45 - 79)

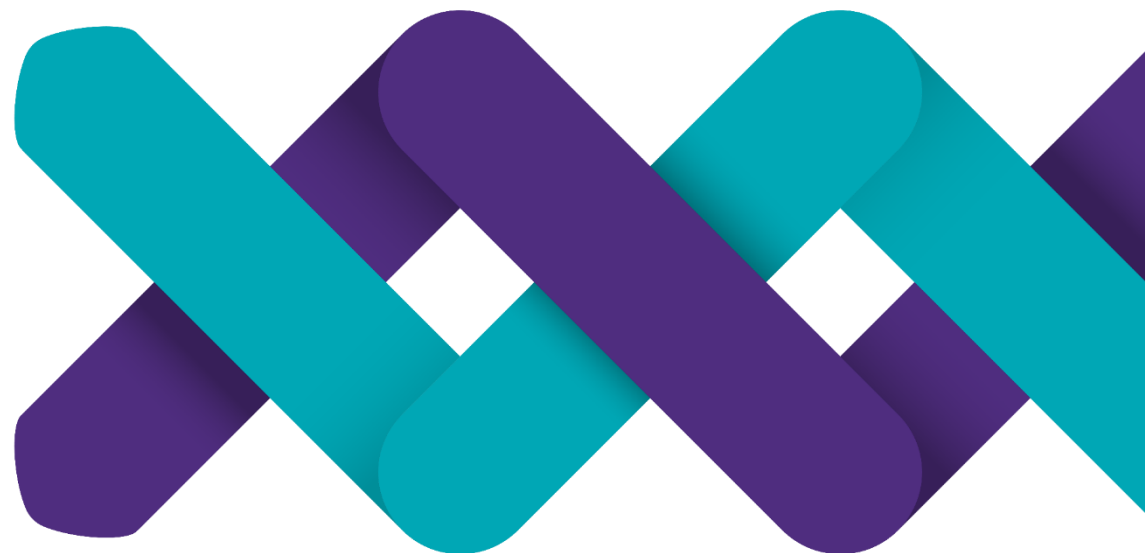
To consider the following reports:

- Capital Programme 2017-18
- Core Financial Systems
- Empty Properties

9. AUDIT COMMITTEE- 28 - 3 -18 WORK PROGRAMME (Page 80)

Audit Progress Report and Sector Update

Dacorum Borough Council
Year ending 31 March 2018
Page 4
28 March 2018



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Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We commenced our risk assessment and interim audit in January 2018. Our interim fieldwork visit includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are summarised at page 6-7.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is due to take place in late June/July 2018 with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We began our initial risk assessment to determine our approach in January 2017, and have completed this during February 2018 through subsequent meetings with your officers, review of your current financial position and review of your medium term financial plan we have completed this risk assessment. We report the results of this risk assessment to you in this report on page 8.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

We also reported to your management the results of our agreed upon procedures work on the Council's Housing Capital Receipts Return early in March 2018.

Meetings

We met with Finance Officers in both January and February to continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective particularly in ensuring that both teams are prepared to meet the 31 July 2018 accounts sign off deadline.

Publications

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	February 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of Interim Audit Work (continued)

	Work performed	Conclusions and recommendations
Review of information technology controls	<p>In the prior year, our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding. During our late March/early April visit we will confirm that the systems in place have not changed significantly and follow up any improvement points from the prior year.</p>	Our work to date has identified no material weaknesses which are likely to adversely impact on the Council's financial statements
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have selected an early sample of the month 1-9 journals by extracting 'unusual' entries for further review and we will undertake detailed testing on journal during our interim visit at the March/early April. No issues have been identified that we wish to highlight for your attention.</p>	We will complete our substantive testing of journals in months 10-12 at our final fieldwork visit and we will report back any findings for your attention at the July 2018 Audit Committee meeting.
Early substantive testing	<p>During our interim visit at the March/early April we will carry out the following early substantive testing:</p> <ul style="list-style-type: none"> - setting up our substantive analytical review and trend analysis for payroll expenditure - early substantive testing of a month 1-10 sample of operating expenditure - early substantive testing of a month 1-10 sample of other revenues - Early substantive testing of a month 1-10 sample of property plant and equipment additions and disposals <p>No issues have been identified so far that we wish to highlight for your attention.</p>	We will complete our substantive testing of these areas months 10-12 at our final fieldwork visit and we will report back any findings for your attention at the July 2018 Audit Committee meeting.

Value for Money Risk Assessment

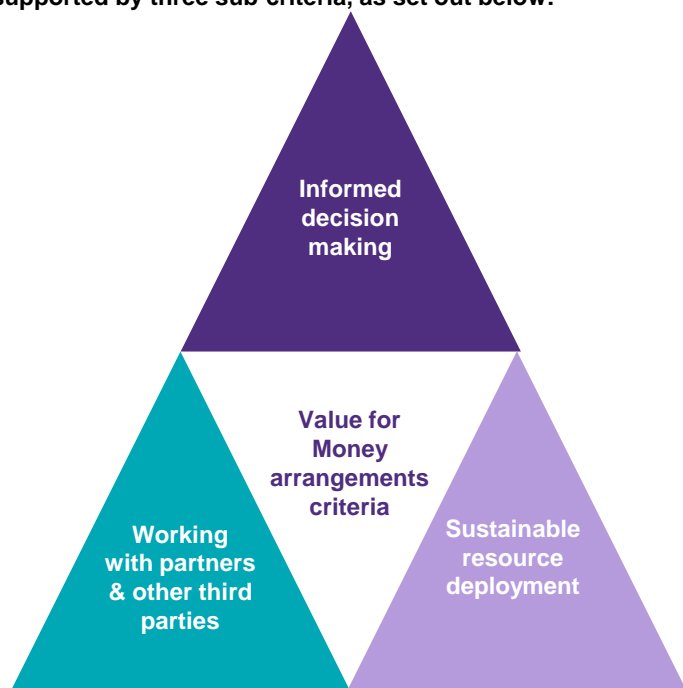
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

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:



Significant VFM risks

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



Medium term financial resilience

Efficiency Savings Gap

Looking ahead over the 4 years to 2021/22, you have identified a savings gap of £3.6 million. You have identified £1.6m of these savings in the 2018/19 approved budget. You have also set out a 3 year efficiency/savings plan to address the gap which is service focussed, leading to a further £750k of savings being identified.

Your current financial position indicates this is under control, but the medium term savings gap remains a challenge and one which can be affected unpredictably by central government funding and taxation decisions.

Work Proposed to Address

- We will review your arrangements for updating and developing your medium term financial planning
- We will review your planning assumptions, including any sensitivity analysis.

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Financial sustainability of local authorities 2018

This National Audit Office report reviews financial sustainability across Local Government and examines whether the MHCLG, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

The report concludes that current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014, when the NAO first looked at financial sustainability. It also notes that the financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The NAO's view is that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the 2014 review. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.

Key findings include:

Financial resilience varies between authorities, with some having substantially lower reserves levels than others. Levels of total reserves in social care authorities as a whole are higher now than in 2010-11. However, there is variation in individual authorities' ability to build up their reserves and differences in the rate at which they have begun to draw them down. Some 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of total reserves (earmarked and unallocated combined) left if they continued to use their reserves at the rate they did in 2016-17.

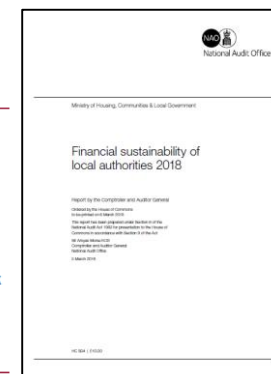
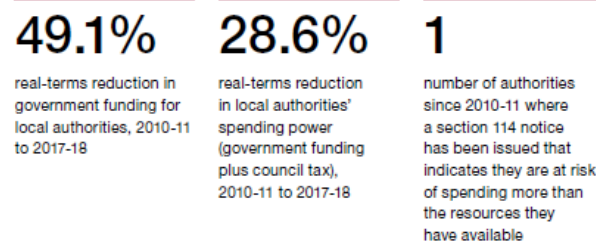
A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year. In February 2018, the statutory financial officer for Northamptonshire County Council issued a section 114 notice, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

MHCLG's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base, including data returns from 12 departments.

The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities. In 2016-17, the Department offered a four-year settlement to all authorities to enable better financial planning. However, there have been many changes to funding streams outside this core offer. The funding landscape following the 2015 Spending Review has been characterised by one-off and short-term funding initiatives.

There is also uncertainty over the long-term financial plan for the sector. The absolute scale of future funding is unknown until the completion of the next Spending Review. The government has confirmed its intention to implement the results of the Fair Funding Review in 2020-21 and to allow local authorities to retain 75% of business rates. However, the implications of these changes are not yet clear.

There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.



Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

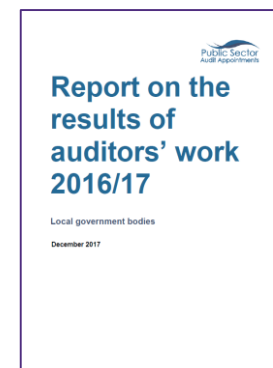
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

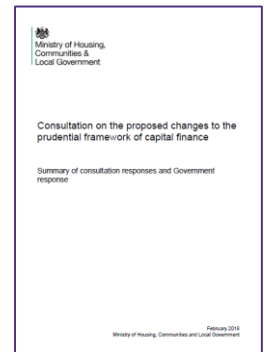
Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn

The Code is available in hard copy and online.



The adult social care workforce in England

This National Audit Office report considers the Department of Health & Social Care's role in overseeing the adult social care workforce and assesses whether the size and structure of the care workforce are adequate to meet users' needs for care now, and in the future, in the face of financial challenges and a competitive labour market.

The Department of Health and Social Care is not doing enough to support a sustainable social care workforce. The number of people working in care is not meeting the country's growing care demands and unmet care needs are increasing, according to the report. While many people working in care find it rewarding, there is widespread agreement that workers feel undervalued and there are limited opportunities for career progression, particularly compared with similar roles in health. In 2016-17, around half of care workers were paid £7.50 per hour or below (the National Living Wage was £7.20 in 2016-17), equivalent to £14,625 annually. This, along with tough working conditions and a poor image, prevents workers from joining and remaining in the sector.

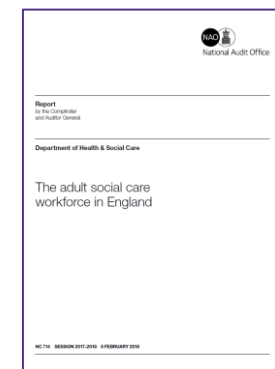
There are around 1.34 million jobs in the adult social care sector in England, across more than 20,300 organisations. The turnover rate of care staff has been increasing since 2012-13 and in 2016-17 reached 27.8%. The vacancy rate in 2016-17 for jobs across social care was 6.6%, which was well above the national average of 2.5%-2.7%. However, demographic trends suggest that demand for care will continue to increase and people's care needs will continue to become more complex. To meet these challenges, the Department estimates that the workforce will need to grow by 2.6% every year until 2035.

The social care market is operating in challenging circumstances. Care providers, already under financial pressures, are struggling to recruit and retain workers and are incurring additional costs as a result. Local authorities spent 5.3% less on care in 2016-17 compared with 2010-11, and spending is expected to reduce further over the next two years due to continued government funding cuts and increased financial pressures on local authorities. Uncertainty over funding is limiting local authorities' ability to plan future spending on care.

The Department cannot demonstrate that the sector is sustainably funded, which impacts workforce planning. Around 65% of independent providers' income comes from local authority-arranged care. The vast majority of local authorities are paying fees to homecare providers that are below the recommended minimum price for care, putting providers in financial difficulties. Furthermore, local authorities are not paying the full cost for care home placements. If this continues, there is a risk providers will not continue to invest in areas where there are high proportions of people receiving local authority funded care.

The Department has no national strategy to address this workforce challenge and key commitments it has made to help make the sector more attractive, through enhanced training and career development, have not been followed through. Furthermore, the NAO has not found any evidence that the Department is overseeing workforce planning by local authorities and local health and care partnerships, which commission care, to help with the challenge. Without a national strategy to align to, few local areas have detailed plans for sustaining the care workforce.

The NAO has recommended that the Department produces a robust national workforce strategy with the support of the Ministry of Housing, Communities and Local Government and that it encourages local and regional bodies to align their own plans to it. The Department also needs to invest more to enable commissioners to set appropriate fees for providers, so they can pay staff adequately and afford to offer career development and training opportunities.



Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Grant Thornton

Challenge question:

Has your Authority considered how our Supply Chain Insight tool can help support your supply chain assurance?



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

HCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>



Dacorum Borough Council

Draft Internal Audit Operational Plan 2018/19

March 2018

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

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This report and the work connected therewith are subject to the Terms and Conditions of the contract dated April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. The report is produced solely for the use of Dacorum Borough Council. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Mazars Public Sector Internal Audit Limited will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose

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. 2018/19 Audit Planning

As part of the audit planning for 2018/19, we have prepared a proposed plan of internal audit work for the period 1 April 2018 to 31 March 2019.

The Internal Audit Plan 2018/19 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 2018/19 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 2018/19.

Internal Audit Plan 2018/19

Appendix A

Page 28

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19	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.	F7	Financial	20	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.	F7, FR_F03	Financial	8	Q4	2016/17 Full/Full
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	F7, FR_R01	Financial/Reputational	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.	F7, FR_R01	Financial/Reputational	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. CRSA to be applied.	FR_R02	Reputational	8	Q3	2017/18 Full/Substantial	
Core Financial Systems Total					52		

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19	Prior Audit/Assurance
Operational Risks	Business Continuity	Covering adequacy and effectiveness of the Council's arrangements for Business Continuity including maintenance and testing of plans.	FR_I04	Infrastructure	10	Q3	New
	Planning	Covering adequacy and effectiveness of controls in place over planning applications, including new national changes.	PDR_F03	Financial	10	Q4	2013/14 Full / Substantial
	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	2017/18 Full / Substantial
Operational Risks Total					30		
Strategic Risks	General Data Protection Regulations	Covering adequacy and effectiveness of controls over the preparations for General Data Protection Regulations.	C5,C7	Legal and Regulatory/ Corporate	15	Q1	New
	Commercial Asset Management	Covering adequacy and effectiveness of controls over management of garages within the Borough.	FR_I02	Infrastructure	15	Q2	2011/12 Substantial/ Substantial
	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.	FR_CPC01 PP_R014	Reputational/ Organisational Management	15	Q3	Assurance piece in 2017/18
Strategic Risks Total					45		
ICT	TBC	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	25	Q2 and Q3	
ICT Total					25		
Governance, Fraud & Other Assurance Methods	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	
	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/training.		All	28	Q4	
	Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives.	F7, FR_F03	Financial	10	Q3	
Fraud & Other Assurance Methods Total					48		

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2018/19	Proposed Quarter 2018/19	Prior Audit/Assurance
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.			10		
	Management (including Audit Committee Training)				20		
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Director (Finance & Operations).			20		
Other Total					50		
Total					250		

Statement of Responsibility

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

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars LLP

London

March 2018

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Agenda Item 7



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – March 28 2018

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2017 to March 14th 2018 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2017/18 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 Public Sector Internal Audit Limited 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 2017/18 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:

Number of audits in plan	16	
Number of audits finalised	11	69%
Number of audits issued at draft	2	12.5%
Number of audits currently in progress	2	12.5%
Number of audits with planned start dates	-	-
Number of audits with start dates to be agreed	1	6%
Total	16	100%

We have issued the following Final reports:

- Empty Properties (Evaluation assurance: **Full**. Testing assurance: **Substantial**)
- Capital Programme (Evaluation assurance: **Full**. Testing assurance: **Substantial**)
- Core Financial Systems (Evaluation assurance: **Full**. Testing assurance: **Substantial**)

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

- Budgetary Control
- Benefits/Savings Realisation

Follow-up of Recommendations

2016/17 and 2017/18

The table below details the recommendations raised in the audit reports for 2016/17 and final reports issued for 2017/18. The summary of the outcome of our follow up work to the 28th February 2018 is shown in the table below:





Year	Total Recommendations	Implemented / no longer relevant	%	Implemented / partly implemented / no longer relevant	%
2016/17	45	44	98%	45	100%
2017/18	15	9	60%	9	60%
Total	60	53	88%	54	90%

Appendix 2 provides a summary of the status of all recommendations where the proposed implementation date was before 28th February 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
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		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.
Limited		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.
Nil		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
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	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 2017/18

Page 38

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2017/18, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	15	15	Q3	Final Issued	Full	Substantial	-	1	-	
	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.	7	6	Q4	Draft Report Issued						
	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	-	-	1	
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	6	6	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.	10	10	Q3	Final Issued	Full	Substantial	-	1	-	
Core Financial Systems Total			46	45								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Operational Risks	Empty Homes	Covering adequacy and effectiveness of controls over management of the empty homes process, including statutory checks.	10	10	Q3	Final Issued	Full	Substantial	-	1	-	
	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes.	10	5	Q4	Work in Progress						
	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	1	
	Off-Payroll Engagement	Specific audit of the authority's arrangements to review and record the intermediary status of existing and future personal service companies (PSC).	5	5	Q1	Final Issued	Full	Substantial	-	-	1	
Operational Risks Total			35	30								
Strategic Risks	Information Governance	Covering adequacy and effectiveness of controls over compliance with the Freedom of Information Act and Transparency.	10	10	Q2	Final Issued	Full	Substantial	-	1	1	
	Community Contracts	Partnership / contract management assurance in respect of new Community Contracts. A sample of projects in the programme will be selected.	15	15	Q2	Final Issued	Full	Substantial	-	1	-	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	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.	14	14	Q3	Final Issued	Full	Substantial	-	-	2	
	General Data Protection Regulation	Covering adequacy and effectiveness of controls over the preparations for General Data Protection Regulation.	5		Q4							
Strategic Risks Total			44	39								
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.	10	3	All							
	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		All							
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management.	12		Q4							
	Benefits/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	10	9	Q4	Draft Report Issued						
Governance, Fraud & other Assurance Methods			42	12								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
ICT	ICT Cyber Security (Cyber Essentials)	The specific scope will be agreed with management but would look to provide assurance over policies and procedures, access controls and incident management.	15	15	Q1	Final Issued	Full	Substantial	-	1	3	
	Social Media	The review will focus on governance, policies, procedures, training and awareness functions related to social media	15	10	Q4	Work in Progress						
ICT total			30	25								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	9								
	Management		22	18								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	30									
Other total			62	27								
TOTAL			259	178								

Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2017/18 audit plan. The objective was to confirm the extent to which the recommendations made in 2016/17 and 2017/18 internal audit final reports have been implemented.

The tables below provides a summary of the status of all 2016/17 and 2017/18 recommendations raised in final reports issued.

2016/17

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	5	5	-	-	-	31 Oct 2016	-	-	Katie Kiely
Commercial Asset Management	5	5	-	-	-	31 Oct 2016	-	-	Nick Brown
Homelessness	3	3	-	-	-	31 Dec 2016	-	-	Natasha Brathwaite
Housing Maintenance	8	8	-	-	-	31 Jan 2017	-	-	Fiona Williamson
Community Infrastructure Levy	6	6	-	-	-	31 Mar 2017	30 Jun 2017	-	Chris Taylor
Contract Management	3	3	-	-	-	31 Mar 2017	30 Sep 2017	-	Ben Hosier
NNDR	1	1	-	-	-	30 Jun 2017	-	-	Stuart Potton
Council Tax	1	-	-	-	1	31 Dec 2017	-	-	Chris Baker
Core Financial Systems	2	2	-	-	-	31 July 2017	-	-	Richard Baker
Benefits Realisation	1	1	-	-	-	28 Feb 2018	-	-	Fiona Jump
Housing Benefit and Council Tax Support	3	3	-	-	-	30 June 2017	-	-	Chris Baker
Housing Register and Housing Allocations	3	2	1	-	-	30 Sept 2017	31 Mar 2018	-	Natasha Beresford

Human Resources	1	1	-	-	-	30 Sep 2017	-	-	Anne Stunell
Customer Relationship Management	2	2	-	-	-	31 Jan 2018	-	-	Robert Smyth
Delivery of Digital Dacorum Strategy and Associated Projects and Activities	1	1	-	-	-	28 Feb 2017	-	-	Robert Smyth
Total	45	43	1	-	1	-	-	-	

2017/18

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	2	2	-	-	-	30 Sept 2017	31 Dec 2017	-	Katie Kiely
Off Payroll Engagement	1	1	-	-	-	31 Dec 2017	-	-	Sally Nunn
ICT Cyber Security	4	4	-	-	-	30 Sep 2017	31 Jan 2018	-	Ben Trueman
Information Governance	2	-	-	-	-	31 Mar 2018	-	2	John Worts
Council Tax	1	-	-	-	-	30 June 2018	-	1	Chris Baker
Community Contracts	1	1	-	-	-	31 Jan 2018	-	-	Alex Care
Capital Programme	2	-	-	-	-	31 Jul 2018	-	2	Fiona Jump
Core Financial Systems	1	1	-	-	-	28 Feb 2018	-	-	Fiona Jump
Empty Properties	1	-	-	-	-	30 Jun 2018	-	1	Natasha Beresford
Total	15	9	-	-	-			6	

Appendix 3 - Statement of Responsibility

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

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

March 2018

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Final Internal Audit Report Capital Programme

March 2018

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

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Key Dates:

Date of fieldwork: October 2017

Date of draft report: January 2018

Receipt of responses: February 2018

Date of final report: March 2018

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2017/18, we completed a risk based audit of the internal control processes in place for the Council’s Capital Programme.

In addition to looking at the Capital Programme as a whole, fourteen capital projects with a reported/forecasted overspend or slippage were chosen from four services. These projects were:

- Strategic Housing:
 - Wood House
 - Swing Gate Lane
 - Westerdale Garage Development
 - Martindale
 - Stationer’s Place/Apsley Paper Mill
- Property and Place:
 - DBC commissioned capital works
- Strategic Planning and Regeneration:
 - Market Square
 - Water Gardens
 - Town Centre Access Improvements
 - Maylands Business Centre
 - The Bury - conversion into museum and gallery
- Commercial Assets and Property Development:
 - Multi-Storey Carpark Berkhamsted
 - Bunkers Farm
 - Demolition of Civic Centre

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 the Capital Programme, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies and Procedures, Governance Arrangements, Allocation of Capital Programme Budget, Project Initiation, Monitoring, End of Project Evaluation and Tracking Realisation of Proposed Benefits.

Summary Assessment

Our audit of the Council’s internal controls operating over the Capital Programme found that there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

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	Substantial

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.

Similarly, the assessment 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 the Capital Programme is shown in Section 3.

1.3. **Key Findings**

We have raised two priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Policies and Procedures – Training (Priority 3)
- Financial Updates from Project Management Boards (Priority 3)

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

1.4. **Management Response**

We received the management responses in a timely manner and these have been included in the main body of the report.

1.5. **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 the Capital Programme, regarding 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 and Procedures

Sufficiently detailed policies, procedures and guidance are in place to enable budget holders to administer and manage capital projects in an effective and efficient manner.

Governance Arrangements

There is clear accountability and an adequate structure is in place to facilitate efficient, effective, and transparent decision making regarding the capital programme.

Allocation of Capital Programme Budget

Capital Project bids are subject to robust scrutiny to ensure that the proposals are realistic and support the Council's capital strategy. In addition, proposed projects are prioritised in accordance with the nature, extent, associated risks, strategic fit, and feasibility of the proposed benefit.

Any ring fenced budget is allocated correctly to the projects that fulfil the terms and conditions of the fund.

Project Initiation

Each project within the Capital Programme has clearly defined objectives and milestones, and an adequate governance structure is put in place with clearly defined responsibilities.

Projects are scoped in sufficient detail to enable reliable estimates of budget, timescale and other resource requirements.

Monitoring

Progress of the Capital Programme is monitored regularly and preventative measures are put in place where possible to avoid slippage or overspend, and corrective actions are taken to address slippage or overspend if they materialise.

The information need of management is clarified, accurate and complete. Valid performance information relating to the Capital Programme is provided to facilitate effective and efficient management oversight and decision making.













End of Project Evaluation and Tracking Realisation of Proposed Benefit

Projects are evaluated upon completion and any lessons learnt are fed through to future projects. Realisation of proposed benefit is tracked through fully and corrective actions are taken where possible to remedy any under achievement.

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 and Procedures			Recommendation 1
Governance Arrangements			
Allocation of Capital Programme Budget			
Project Initiation			
Monitoring			Recommendation 2
End of Project Evaluation and Tracking Realisation of Proposed Benefit			

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 – Training (Priority 3)

<p>Recommendation</p> <p>Additional training and support should be provided to the Budget Managers of capital projects within Housing and Regeneration. Finance and the Budget Managers should discuss and agree the exact extent of their training requirement.</p> <p>Finance may consider whether feedback should be sought from Budget Managers from other services to establish whether any additional training and support are required in respect of managing capital projects, including the initial stage of formulating the bidding form and developing the project milestones.</p>
<p>Observation</p> <p>Policies, procedures, training and guidance provided to services should ensure that they have sufficient understanding to manage their capital projects.</p> <p>For the sample of four services, discussions were held with Budget Managers from each service. Budget Managers from three of the services explained that the current level of guidance and training they received regarding formulation of capital bids was sufficient. Budget Managers for one of the services (Housing and Regeneration) expressed a concern over a lack of capital project specific training resulting in bid forms not being completed accurately and subsequently challenged repeatedly by Finance. She explained that the team would benefit from additional financial management training for capital projects to address this issue. As indicated above, the other Budget Managers did not express any concerns regarding the extent of training and guidance offered by Finance and this may be an isolated exception. However, the exact extent of the training needs should be agreed with the Budget Managers to ensure that they are able to fulfil their responsibilities.</p> <p>Where training needs of budget holders are not assessed correctly and adequate level of training is not provided, there is an increased risk of projects being poorly scoped and managed.</p>
<p>Responsibility</p> <p>Group Manager (Financial Services)</p>
<p>Management response / deadline</p> <p>Finance offer full support and advice to budget managers throughout the annual capital cycle. In our view the effectiveness of this is demonstrated by three of the four budget managers contacted being satisfied with the extent of capital training and guidance received.</p> <p>Support to complete capital bids is available from the service’s dedicated accountant and assistant accountant. Guidance is included on the capital bid template to support budget managers through the process. The Accountancy team scrutinise all current bids closely and work with managers to ensure the bids are robust before capital budgets are set.</p> <p>In order to ensure that budget holders and their accountants are clear regarding training requirements in respect of the capital programme, budget holders will be asked to specify if they have any specific training requirements at the start of the capital cycle. To be implemented by 31/07/18.</p>





Recommendation 2: Monitoring – Feeding financial updates from Project Management Boards to Finance (Priority 3)

<p>Recommendation</p> <p>Finance should receive assurance that any financial updates reported to Project Management Boards regarding the capital programme are accurately fed back to them.</p> <p>Management should consider whether a representative from Finance should attend Project Management meetings within each service. The representative could be the accountant already assigned to the service for budget monitoring purposes. This will help to identify project level slippages or overspend in a timely manner and feed these into a wider capital programme agenda, allowing Finance to take more centrally coordinated approach.</p>
<p>Observation</p> <p>Communication between Project Management Boards and Finance regarding financial updates on capital projects will help to ensure effective budget monitoring across the capital programme.</p> <p>Examination of the monitoring process both for the capital programme as a whole and for individual capital projects across the sample of four services found that progress was tracked on at least four levels, depending on the characteristics of the project. This included reports to quarterly Cabinet meetings, quarterly Corporate Management Team meetings, budget managers tracking progress via the Rocket and Project Management Office platforms, as well as twice-monthly direct meetings between Budget Managers and their assigned accountants from Finance. In addition, each service was found to have its own Project Management Board (or equivalent), discussing progress and providing updates from a project management perspective. However, discussions and updates provided to the project management boards are currently not always fed back to Finance.</p> <p>Where the progress of capital projects and financial updates provided to the capital project boards are not accurately reported to Finance, there is an increased risk that Finance may be unable to forecast the capital project budget accurately and Finance may also be unable to re-profile the capital programme in an efficient and effective manner.</p>
<p>Responsibility</p> <p>Group Manager (Financial Services) and capital project leads</p>
<p>Management response / deadline</p> <p>The process of cascading project operation and financial progress can be made more consistent. Group Manager (Financial Services) to work with capital project leads to ensure a Finance representative is included on the circulation list of project progress and financial updates. To be implemented for capital projects from financial year 2018/19 onwards, commencing May 2018.</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
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		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.
Limited		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.
Nil		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
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	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:

- Caroline Souto – Team Leader (Finance Planning and Analysis)
- Keshika Naidoo – Accountant (Housing and Regeneration)
- Lucy Tash – Accountant (Finance and Operations)
- Chris Taylor – Group Manager (Strategic Planning & Regeneration)
- Nathalie Bateman – Team Leader (Infrastructure and Project Delivery)
- Nicholas Brown – Group Manager (Commercial Assets & Property Development)
- Fiona Williamson – Group Manager (Property & Place)
- David Barrett – Group manager (Housing Development, Strategic Housing)
- James Wilson – Corporate Performance Management Lead Officer
- Charles Berry Ottaway – Innovation and Improvement Team Leader

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

Statement of Responsibility

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

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

March 2018

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Dacorum Borough Council

Final Internal Audit Report

Core Financial Systems

March 2018

This report has been prepared on the basis of the limitations set out on page 9.

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Distribution List:

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Caroline Souto – Team Leader (Financial Planning & Analysis)
Fiona Jump – Group Manager (Financial Services)
James Deane – Corporate Director (Finance and Operators) (Final Report Only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: December 2017
Date of draft report: February 2018
Receipt of responses: March 2018
Date of final report: March 2018

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1 April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report 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, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2017/18, we have undertaken an audit of the Council's systems of internal control in respect of the Core Financial Systems.

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 the Core Financial Systems, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Accounts Receivable, Cash and Banking, Accounts Payable, Treasury Management and Main Accounting.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the Core Financial Systems found that there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

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	Substantial

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.

Similarly, the assessment 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 the Core Financial Systems are shown in Section 3.

1.4. Key Findings

We have raised one Priority 2 recommendation where we believe there is scope for improvement within the control environment. This recommendation was in respect of the following:

- Implementation of the approval process for Credit Notes (Priority 2).

A follow up of the recommendations raised in the 2016/17 Core Financial Systems internal audit report was also completed. We confirmed that two recommendations have been implemented and one has been partly implemented. The details of the follow up status are as follows:

Recommendation 1: Review of the Financial Regulations (Priority 2)

Partly-implemented – see Recommendation 1 for details.

Recommendation 2 - Review of the Holding Accounts (Priority 3)

Implemented – Review of the Council's four income suspense accounts identified that whilst a few items were held for longer than three months, the value of all accounts has significantly decreased since last years' audit and evidence was provided that items in the suspense account were being actively investigated.

Systems Improvement Opportunity 1: Supporting Documentation for Journals

Implemented – The central master spreadsheet for Sundry Creditors, Sundry Debtors and Payments in Advance was reviewed and it was confirmed that all required supporting documents were attached.

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

1.5. Management Response

We received the management response in a timely manner, and this has been included in the main body of the 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. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Core Financial Systems, with regards to the areas set out in section 2.3, are adequate and 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:

Accounts Receivable

Details of the invoices are checked for accuracy, completeness and validity. (For self-service invoices, this is now automated and checks are completed through a workflow. A sales order request turns into an invoice when it is approved).

BACS payment notification reports are regularly checked to the bank statements.

Accuracy and validity of credit notes are checked.

Aged debtor reports are reviewed regularly.

Refunds and write-offs are approved prior to action being taken.

Debt recovery enforcement progress is monitored and recovery actions are undertaken in accordance with the Council's policy.

Cash and Banking

All cheque income receipted across sites or by the Central Admin team are accounted for and recorded fully on Aim promptly before they are banked.

All income (cheque, card payment, payments at paypoint/post office, or bank transfers) are receipted in the Council's bank account correctly and accounted for and recorded fully.

Accounts Payable

Formal and robust procedures are in place for making amendments to supplier information.

Invoices are matched to purchase orders prior to payment. (No PO No Pay process is now in place)

Retrospective purchase orders are monitored and any persistent non-compliance with the PO process is escalated.

For any exempt purchases (where a PO is not required), invoices are authorised in accordance with the approved scheme of delegation.

Any duplicate payments are identified and investigated promptly.

Exception reports are designed to identify high level purchase orders which potentially should have gone through the Procurement function in line with the Council's Standing Orders.

BACS payment runs are checked and authorised in accordance with the approved scheme of delegation.

Regular reconciliations with the main accounting system take place.

Open POs are regularly checked and cleansed to ensure the accuracy of the financial commitment raised on the system.

Treasury Management

Any transactions/deals are made only with approved institutions, and are signed off in accordance with approved authorisation limits.

The cash flow position is monitored on a daily basis.

The Treasury Management system is regularly reconciled to the cash book and the main accounting system.

Investment performance reports are produced and reviewed regularly.

Investment strategy and performance is regularly reported to senior management and members as required.

Main Accounting

Requests to amend or create new codes are authorised by an appropriate officer.

Journals are appropriately authorised and fully supported by documentation.

Suspense accounts are checked and cleared regularly.











All feeder systems (other than those above) are reconciled regularly and any variances investigated in a timely manner.

Bank reconciliations are undertaken regularly and any variances are investigated in a timely manner.

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
Accounts Receivable			Recommendation 1
Cash and Banking			
Accounts Payable			
Treasury Management			
Main Accounting			

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: Implementation of approval process for Credit Notes (Priority 2)

<p>Recommendation</p> <p>All Credit Notes issued should be approved in line with the Scheme of Delegation set out within the Council's Financial Regulations.</p>
<p>Observation</p> <p>Management should ensure that the current working practice adopted by staff with regards to Credit Notes is in line with the Council's Financial Regulations.</p> <p>The 2016/17 audit identified that the approval process for Credit Notes, as stated by the Council's Financial Regulations, was not followed by the staff. The Financial Regulations at the time required the Assistant Director to individually approve all Credit Notes which was considered to be impractical. As a result, a recommendation was raised that the Financial Regulations are reviewed to ensure that they are up to date with the practices adopted by staff. This has now been done and the new Financial Regulations (July 2017) require that:</p> <p>"2.w) Where an invoice is cancelled, the reason for cancellation must be recorded in a written instruction and authorised in line with the Scheme of Delegation, Annex D. In all other circumstances where an invoice needs to be cancelled, the write off procedure must be used (page 40)." The approval limits for the Scheme of Delegation are as follows:</p> <ul style="list-style-type: none"> • Team Leader £10,000; • Group Manager £50,000; • Assistant Director £250,000; • Corporate Director £1,000,000; and • Section 151 Officer and Chief Executive £10,000,000. <p>Testing of ten credit notes issued confirmed that the Accounts Receivable Team processed the requests without seeking further approval in line with the Scheme of Delegation in the Financial Regulations.</p> <p>Where Credit Notes are not approved in line with the Financial Regulations, there is a risk that inappropriate or incorrect refunds are issued and paid by the Council.</p>
<p>Responsibility</p> <p>Financial Services Team Leader</p>
<p>Management response / deadline</p> <p>A process has been put in place to ensure that the appropriate approval is granted before a credit note is raised. This was done by e-mail and these e-mails were saved into information@work as evidence. In addition to this the system administrator has built a workflow into Agresso, which means that since then all credit notes automatically go for approval as per the scheme of delegation.</p> <p>Implemented</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
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		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.
Limited		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.
Nil		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
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	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:

- Sally Nunn Financial Services Team Leader
- Catherine Hamilton Financial Services Lead Officer
- Caroline Souto Financial Planning and Analysis Team Leader
- Poonam Mehta Senior Financial Accountant Team Leader
- Fiona Jump Financial Services Group Manager
- Clare Dempsey Trainee Accountant
- Tracy Claridge Assistant Financial Accountant
- Yamini Krishnan Financial Accountant
- Andrew Linden Commissioning, Procurement & Compliance Team Leader
- Lyn Smith Sundry Debtors Lead Officer
- Julie Sims Administrative Officer

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

Statement of Responsibility

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

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

March 2018

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Dacorum Borough Council

Final Internal Audit Report

Empty Properties

March 2018

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

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Distribution List:

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Sally Marshall – Chief Executive (Final Only)

Key Dates:

Date of fieldwork:	December 2017
Date of draft report:	February 2018
Receipt of responses:	February 2018
Date of final report:	March 2018

This report and the work connected there with are subject to the Terms and Conditions of the Contract dated 1 April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report 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, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2017/18, we completed a risk based audit of the processes in place for Empty Properties.

The Empty Homes process was examined across the three teams responsible for its implementation: Tenants & Leaseholders, Empty Homes and Lettings. In addition, twenty General Needs and Sheltered properties made void and re-let between April 2017 and November 2017 were selected to test the effectiveness of the controls in place. The following properties were tested:

- 38 Lomond Road;
- 102 Hollybush Lane;
- 2 Chiltern Close;
- 2 Longbridge Close;
- 65 Townsend;
- 22 Edlyn Close;
- 81 Downside;
- 100 Eight Acres;
- 30 Livingstone Walk;
- 10 Upper Barn;
- 21 Nidderdale;
- 13 Fouracres Walk;
- 217 Longlands;
- 93 Wharfedale;
- 52 Allandale;
- 92 Gadebridge Road;
- 16 Hammer Lane;
- 343 St. Albans Road;
- 21 Betty Patterson House; and
- 28 Emma Rothchild Court.

An additional fifteen properties, which were identified as having the highest void times over the April 2017 to November 2017 period, were selected for further testing, aimed at establishing the stages within the Empty Homes process where delays were occurring and the reasons for any delays. The following properties were tested:

- 2 Emma Rothchild Court;
- 12 Belsize Court;
- 20 Compass Point;
- 32 Evelyn Sharp House;
- 19 Holly Tree Court;
- 308 Elizabeth House;

- 53 Fennycroft Road;
- 6 Two Beeches;
- 29 Betty Patterson House;
- 204 Elizabeth House;
- 17 Eight Acres;
- 89 Bathurst Road;
- 2 Bennettsgate;
- 11 Evelyn Sharp House; and
- 30 Two Beeches.

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 Empty Properties, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: policies and procedures, termination of tenancy/key drop-off, coordinating checks and works on empty properties and the tenant sign up process.

Summary Assessment

Our audit of the Council’s internal controls operating over Empty Properties found there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

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	Substantial

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.

Similarly, the assessment 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 Empty Properties is shown in Section 3.

1.3. Key Findings

We have raised one priority 2 recommendation where we believe there is scope for improvement within the control environment. This is set out below:

- Policies and Procedures – Procedure for updating Orchard (Priority 2)

The audit noted that work is underway by the Compliance Team to review fire safety information given to Council tenants. We shared best-practice information, in the form of a leaflet produced by Nottingham Community Housing Association following the Grenfell Tower fire, to assist with

the review. This should act as guidance in respect of safety information provided to tenants and the way in which it could be presented so as to maximise its accessibility.

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

1.4. **Management Response**

We received the management response in a timely manner, and this has been included in the main body of the report.

1.5. **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 Empty Properties, 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 and Procedures

Policies and procedures are in place to minimise the risk of staff non-compliance with legislative and management requirements and ensure that the handling of empty properties from termination notice/key drop off through to commencement of new tenancy are undertaken in an effective and efficient manner.

Communication and interactions amongst all relevant teams (Tenants & Leaseholders, Property & Place, and Strategic Housing) are carried out in an efficient and effective manner.

Termination of tenancy/Key drop off

As soon as the Tenants and Leaseholders become aware of a void property, this is communicated promptly to the relevant officers so that the Empty Properties team are able to instigate required checks and works to be carried out on the property.

Coordinating checks and works on empty properties

Any amounts to be recovered from the previous tenants are established and charged accordingly in a complete, accurate and timely manner.

Any issues that need to be resolved to bring the property to a lettable standard are established and required checks and works are undertaken in a complete, accurate and timely manner.

Expected dates of when the property will be 'lettable' are communicated accurately and promptly to Strategic Housing so that the tenants are signed up and a tenancy commences as soon as the property becomes 'lettable'.

Tenant sign-up process









A tenant who has been matched to the property and accepted the offer is signed up to a tenancy agreement promptly and the tenancy commences as soon as it is practically possible.

Tenants are provided with up to date and adequate information in respect of safety in the property and their responsibilities as a tenant.

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 and Procedures			
Termination of tenancy/Key drop off			
Coordinating checks and works on empty properties			Recommendation 1
Tenant sign-up process			

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: Procedure for updating Orchard (Priority 2)

<p>Recommendation</p> <p>The Lettings and Empty Homes teams should review the procedure for updating the status of properties on Orchard. They should consider whether or not it is necessary to update Orchard within 24 hours of the void process being completed. The focus should be to ensure that all stages are recorded correctly on the spreadsheets used by Lettings and Empty Homes officers and actioned in a timely manner.</p> <p>Lettings officers should ensure that entries in Orchard match the information in monitoring spreadsheets and emails. There should be a process for checking and authorising information entered into Orchard with appropriate segregation of duties. This could include spot checks by management to ensure that Orchard is updated accurately with all the required details of void events.</p>
<p>Observation</p> <p>The current process requires Orchard to be updated within 24 hours of each stage of the void process being completed. Whilst void status is recorded and monitored by both the Empty Homes and Lettings teams, Orchard is not always updated.</p> <p>From the sample of 20 Orchard entries for void properties, all 20 have been completed for the stages of the process for which the Empty Homes team is responsible. The dates for all 20 Empty Homes entries match those on the emails received by the Empty Homes mailbox and on the Repairs Monitoring spreadsheets.</p> <p>For the same sample of 20 Orchard entries, 19 were re-let by Lettings and one was a decant property. Of the 19 entries, all the stages for which the Lettings team is responsible were completed for 16. For two entries, tenant sign-up and Commencement of Tenancy were logged but the other stages were not. The remaining entry was for a property which went to second offer. However, this was not recorded. Additionally, the dates for five out of the 19 entries did not match those on emails or Property Status spreadsheets maintained by Lettings officers, for at least one stage of the process.</p> <p>The Council has a target turnaround time for void General Needs properties of 30 days. This is measured within Orchard as a KPI. The average turnaround time for General Needs and Sheltered properties re-let since April is 35.4 days. The target is to reduce turnaround times to 25 days. Whilst Orchard is used to monitor KPIs, the internal audit found that it is not used in the day-to-day tracking of the Empty Homes process. Therefore, information not entered into Orchard within the 24 hour period, does not impact upon the void time of the property.</p> <p>Where duplicate records are kept to track the status of void properties, there is a risk that resources are used inefficiently, increasing the amount of time it takes to enter a void event. This could lead to longer void times. Where data entered onto Orchard is not checked for accuracy and completeness, there is a risk that the input error may remain undetected and that the void time measured on the KPI system is incorrect. This could lead to inflated re-let times which do not reflect the true performance of the Empty Homes process.</p>
<p>Responsibility</p> <p>Pre-Tenancy Team Leader</p>

Management response / deadline





The Team Leader is currently undertaking a review of properties sampled within the audit, to determine where improvements can be made to compliance with existing procedures. This review of properties will enable the Team Leader to determine if training is required across the team, or if a targeted approach is required with specific team members. The Leader Officer and Team Leader will adopt regular checks as part of work stream and 1-1 reviews to ensure that Orchard is being updated appropriately. These reviews will also incorporate a quality check of the information submitted to ensure that it matches other data held. The Pre-Tenancy Team Leader in liaison with Empty Homes Team will seek to establish a process for checking and authorising information entered into Orchard with appropriate segregation of duties.

Deadline for completion June 2018.

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
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		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.
Limited		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.
Nil		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
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	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:

- Fiona Williamson – Group Manager Property & Place
- Tracy Vause – Pre-Tenancy Team Leader
- Lesley Jugoo - Empty Homes Lead Officer
- Laura Brennan - Pre-Tenancy Lead Officer
- Gill Swift – Housing Needs Officer
- Jackie Whitefoot – Recharge Officer
- Ryan Glanville – Tenants & Leaseholders Team Leader

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

Statement of Responsibility

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

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

March 2018

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Agenda Item 9

March 2018

AUDIT COMMITTEE: Work Programme 2017-18

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
28/3/18		19/3/18	Progress Report <ul style="list-style-type: none"> • Housing Benefit and Council Tax Benefit • Budgetary Control • CIL • Governance and Risk Management • Benefits Realisation 	Internal Audit (Mazars)
			Internal Audit Progress Report	Internal Audit (Mazars)
			External Audit Progress Report	Grant Thornton
			Strategic Risk Register	DBC - Finance