

# Audit Agenda



**Wednesday 25 March 2020 at 7.30 pm**

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

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

### Membership

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

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

## **AGENDA**

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

To receive any apologies for absence

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

To receive any declarations of interest

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

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

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

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

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

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

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

### **3. MINUTES AND ACTIONS (Pages 3 - 8)**

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. EXTERNAL AUDIT PROGRESS REPORT (Pages 9 - 27)**

### **6. INTERNAL AUDIT PROGRESS REPORT (Pages 28 - 92)**

Internal Audit Reports:

- AP/AR/TM/Main accounts
- Governance Role
- IT Disaster Recovery
- Capital Programme

### **7. INTRODUCTION TO TIAA**

### **8. INTERNAL AUDIT PROGRAMME 2020/21 (Pages 93 - 107)**

### **9. WORK PROGRAMME**

## AUDIT COMMITTEE PART 1

MINUTES OF THE MEETING HELD ON: 05 February 2020

### ATTENDING

#### **Councillors:**

Councillor Chapman (Chairman)

Councillor Silwal

Councillor SO.Mahmood

Councillor Stevens

Councilor Townsend

Councillor Tindall

#### **Outside Representatives:**

DBC Officers:

Anna Elloitt

Matthew Kelly

M Sells, Member Support Officer (Minutes)

Ben Hosier

#### **Grant Thornton**

Amber Bannister

Sarah Ironmonger

#### **Mazars**

Sarah Knowles

The Meeting commenced at 7:30pm.

No.	AGENDA ITEM
1	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were submitted on behalf of James Dean and Councillors Symington and Elliot
2	<b>MINUTES OF THE PREVIOUS MEETING</b>  The Minutes of the previous meeting held on 20/11/19 were review and agreed

3	<p><b>DECLARATIONS OF INTEREST</b></p> <p>There were no Declarations of Interest.</p>
4	<p><b>PUBLIC PARTICIPATION</b></p> <p>There was no public Participation.</p>
5	<p><b>EXTERNAL AUDIT – AUDIT PLAN UPDATE</b></p> <p>Amber Banister presented to the Committee.</p> <p><u>Audit Plan</u></p> <p>The audit plan provides a summary of the audit approach for the coming year and is based on the risk assessment procedures undertaken by Grant Thornton in December and January.</p> <p>the key approaches remain the same as those last year, this is due to the fact the Council haven't undergone any major transformation and their procedure remain largely the same.</p> <p>Revenue recognition is a presumed risk and can be redacted if it is deemed not to be a risk after investigation.</p> <p>The valuation of land and buildings is a significant figure on the accounts and is sensitive to market changes.</p> <p>Protection from liability is a similar risk as it requires an expert and there is estimation involved.</p> <p>Management override and controls is a presumed risk on all audits.</p> <p>Materiality levels for this year have been determined at 3.2 million which is 2% of the gross operating expenditure. This remains the same as last year. Anything over 200k will be reported.</p> <p>The Value for money conclusion assessment identified Financial Sustainability as a potential risk, there is financial challenge across the board for the overall sector.</p> <p>There is a change in the fees from last year, this is due to increased scrutiny and expectation throughout the year within the audit profession which has increased the level of work. This has resulted in an increase in fees across the whole audit particularly in PPE (Property, Plant and Equipment) and Pensions. The total fee increased amounts to £7500, however this remains lower than the fee for 2017/2018.</p> <p>N.Howcutt informed the Committee that DBCs fees are slightly higher than those of other authorities in Hertfordshire even though it is believed there is a very low risk level, this could be due to higher risk levels in previous years therefore James Deane is in discussions with PSAA at the moment looking at the scale fees and how they were originally set. This isn't an issue with Grant Thornton but something that DBC are taking up directly with PSAA.</p>

Housing Benefit Certification Report 2018 / 19

This report was completed in November 2019, initial testing was performed on the 3 housing benefit types used by DBC, and this includes anything within the housing revenue account, rent rebates and rent allowances.

Additional testing was also performed on any errors that were found the previous year.

The initial testing on the 3 areas included 20 cases of each with a further 40 cases on the 2 errors found the previous year.

Any errors found this year will prompt another 40 test cases in that area for next year.

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**STRATEGIC RISK REGISTER**

Nigel Howcutt presented a report to the Committee

Risk Based Verification Policy

This report is published annually, the purpose of the report is to monitor System and Processes used by Councils to ensure their processes are up to date and accurate.

This process currently costs 10K per Annum which is 1/3 less than previous years.

With the introduction on Universal Credit the caseloads have decreased, the majority of claims which are being dealt with are “low risk”, these tend to be claims which are “passported” therefore all the evidence and verification work has been done by the DWP.

Strategic Risk Register Q3

Because of timings the Q2 report was presented at the end of November 2019, since then the scores on the SRR have not changed but the commentary has been updated, any edits requested through the Audit committee can be made to Cabinet when it is presented in March.

N.Howcutt Welcomed questions from the Committee.

Councillor Chapman enquired if the delay to the expected 2020 review of National redistribution on the business rates was a definite delay or a possible delay.

N.Howcutt confirmed it was a definite delay, they are awaiting the outcome of the fair funding review this year which will give more certainty over the level fo resources required by LA’s that will then be fed into the business rates funding model for future years, it is expected the Council will be self-sufficient by 2022 / 23 so effectively there is no reliance on business rates, from that period onwards.

Councillor Tindall has some concerns regarding the recruitment process for professional staff such as planners, Building Control and Environmental Staff. He feels there is a lack of retention in these areas and would like to know how this is being addressed. He also feels the risk should be rated larger than 6, with SR2 being split into professional and nonprofessional staff.

N.Howcutt confirms he will feedback the concept of splitting SR2 into professional and Nonprofessional staff. As far as recruitment and retention of professional roles is concerned, it is an issue across all local authorities, DBC has the apprenticeship and graduate incentive schemes which are being rolled out across DBC, these are funded by almost 500k over the next 3 years, there have been 3 new apprentices signed up in the last month. Although at the moment they would be classed as general staff their training requirements will push them into the professional category over time which is why there would be a concern about splitting the SR2 as reporting is not necessarily easily separated these are things that will need to be considered.

There will always be an issue when it comes to professional qualified staff such as surveyors and accountants, these are 2 key areas in which Local Authorities struggle to recruit. This is mainly due to the competition with other authorities and the private sector, things like flexible working and work life balance are areas that can make the roles at DBC more attractive.

Councillor Tindall appreciates it may be difficult to split into professional and nonprofessional but asks if it could be ensured that there is a particular narrative about professional staff within the commentary of SR2 every time.

N.Howcutt assures Councillor Tindall he will look at all options and will report back to the Group.

Councillor Townsend would like clarification on SR6 – the risk that that the borough doesn't have sufficient investment to ensure essential infrastructure is available across the borough, it is felt that the report is mainly focused on developments in Hemel Hempstead and he feels it should be looked at more broadly considering the size of proposed developments in Tring and other surrounding areas. Councillor Townsend isn't comfortable with the mitigated risk score being as low as it is, Health care is a particular concern and he would like clarification as to who is responsible for ensuring there are enough GPs to serve the population.

Councillor Tindall would like to add that the Primary Care Networks (PCNs) are due to go live in July and he would like to know if the risk register will be looking at the PCN and taking this into account.

N.Howcutt explains that this section of the report is vast and covers many different areas such as highways. Transport, Health as well as Education to name a few. Also the responsibility for most large infrastructure projects sits with Hertfordshire County Council who also monitor future demand for services like education provision and community provision, these things will factor into the local plan once that is finalised.

Health is slightly different, an element of the Section 106 and CIL payments is allocated towards additional health care provision in and around the borough dependant on what is being built, one example is LA3 (Stoney Croft area) DBC has been allocated 300k towards enhanced GP facilities in the area because of the development of the new homes, and the council is supporting the local health service to deliver an enhanced doctors surgery..

Councillor Townsend thinks it is about communication with the public to try and reassure them that the infrastructure will be in place where developments are planned and would like to highlight that he feels this is a highly sensitive area.

	<p>N.Howcutt agrees this is a sensitive area and requires cross agency partnerships, a significant step forward has been made with the creation of “The Growth Board” with the aim of funding infrastructure across Hertfordshire as a whole.</p>
<p>7</p>	<p><b>INTERNAL AUDIT REPORTS</b></p> <p>Sarah Knowles Presented to the Committee.</p> <p>Audit Plan There are 2 items which are still awaiting start dates</p> <ul style="list-style-type: none"> <li>• Social Media / IT</li> <li>• Apprenticeship Levy</li> </ul> <p>All other items are either planned to start or is currently in progress. Everything is one track to deliver the plan by the end of March 2020.</p> <p>The following reports have been issued</p> <ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Leisure Services Contract Management</li> <li>• NNDR</li> </ul> <p>The Core financials are due to start next week, accounts receivable and accounts payable will be first followed by treasury management and main accounting the week commencing 24<sup>th</sup> March.</p> <p>Councillor Tindall requested last year’s internal audit reports be added to the minutes.</p> <p>Council tax Very good report with good assurance with both design and effectiveness testing which was carried out. There were no recommendation raised.</p> <p>N.Howcutt praised the staff who run such a good service</p> <p>NNDR The assurance report was good with no recommendations that were raised.</p> <p>Leisure Services Contract Management This is again a good report with good assurance given on the design of the system and just 1 priority 2 recommendation raised in terms of the effectiveness this was specifically about records of discussions held at meetings.</p> <p>Councillor Tindall would like to know how the 6 monthly strategic board meeting knew what was being said or done in the monthly Operational meeting if no accurate records were being kept of these meetings.</p>

	<p>Ben Hosier assured Councillor Tindall that he attended both meetings and reported all information to the attendees. Going forward accurate formal minutes will be kept of each meeting.</p> <p>N.Howcutt - in terms of internal audit scope DBC are looking for independent assurance that the requirements specified in the leisure contract are being fulfilled by the provider and the leisure contract management team.</p> <p>The outcome of the report is that there is good assurance in terms of the system design and substantial around operating controls, this show that the contract is being managed effectively, information is being received in a timely manner, deadlines are being adhered to and the information is deemed to be accurate and robust.</p> <p>The one issue highlighted was the lack of formal notification and publication of minutes, this has already been actioned and going forward all meetings will be recorded.</p> <p>Capital programme was deferred to the next meeting</p>
8	<p><b>INTERNAL AUDIT COMMISSIONING</b></p> <p>Part 2</p>
9	<p><b>WORK PROGRAMME</b></p> <p>The work programme was reviewed and agreed</p> <p>Councillor Townsend would like Planning to be added to the work Programme, specially the decision making process.</p> <p>N.Howcutt suggests it is added for April / June 2020.</p>
	<p>There being no further business the meeting ended at 21:40</p>



# Audit Progress Report and Sector Update

Dacorum Borough Council  
Year ending 31 March 2020  
25<sup>th</sup> March 2020



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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 [www.grantthornton.co.uk](http://www.grantthornton.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 2020

## Financial Statements Audit

We began our planning for the 2019/20 audit in December, and we began our interim audit in March 2020. Our interim fieldwork 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 results of our work to date are included in this report.

In February we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 31<sup>st</sup> July 2020

## 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

Details of our initial risk assessment to determine our approach were included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 31<sup>st</sup> July 2020.

The NAO has consulted on a new Code of Audit Practice and published a draft version. Subject to Parliamentary approval the new Code will come into force no later than 1 April 2020 and includes significant changes to the auditor's Value for Money work. Please see page 13 for more details.

# Progress at February 2020 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 28<sup>th</sup> November, in advance of the 30 November deadline. We reported our findings to the Audit Committee in our Certification Letter in February 2020.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The certification work for the 2018/19 return was completed by the 7 February 2020 deadline.

### Meetings

We met with Finance Officers in January as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

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 Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2018/19.</p>	April 2019	Complete
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	January 2020	Complete
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2020	Complete
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the July Audit Committee.</p>	July 2020	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2020	Not yet due
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	August 2020	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
<b>Internal audit</b>	<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>	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
<b>Entity level controls</b>	<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"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	Our review of entity level controls has not identified any weaknesses which impact on our audit approach.

	Work performed	Conclusions and recommendations
<p><b>Walkthrough testing</b></p> <p>Page 16</p>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a significant risk of material misstatement to the financial statements.</p> <p>Our work has identified one minor weakness in relation to payroll controls which we wish to bring to your attention. All other internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>When documenting the business processes surrounding the monthly process of payroll, we identified a potential control weakness.</p> <p>You use SAP with the support of Serco to run your monthly payroll. During our walkthrough of the payroll system and controls it was identified that there are no in-built controls within SAP which require secondary approval before an individual can be added to the payroll.</p> <p>You undertake a mitigating control to address this weakness via exception reporting comparing pay for the current month against prior months pay for all employees. This is then checked alongside the provisional pay run by the payroll department and a senior member of the finance department will then physically sign off the payroll total to be processed for that month. Following on from this Serco are then emailed to confirm that DBC are happy for the payroll to be processed.</p> <p>However it was identified that there is no documentation produced which confirms that the exception report produced by Serco has been checked and that all significant variances have been verified as being genuine. As a result of this, we are unable to confirm that this control has operated in line with expectations.</p> <p>In the absence of this control there is the potential that a fictitious employee could be added to the payroll by a member of the payroll department and not be detected. However, there are other mitigating controls which we consider minimise this risk of material misstatement including detailed budget management processes.</p> <p><b>Impact on our audit approach:</b> As part of our audit we will perform a detailed analytical procedure which would identify any significant variances between periods to determine if any variances, such as those that would be picked up by the exception report, could suggest a risk of material misstatement or error in the accounts in relation to payroll.</p> <p><b>Council Response:</b> You will implement a payment controls checklist to be signed by two officers to provide confirmation that checks have been carried out on the monthly exception report received from our payroll bureau provider. This checklist will be implemented from 1 April 2020.</p>
<p><b>Journal entry controls</b></p>	<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>Our review of journals processes and controls has not identified any weaknesses which impact on our audit approach.</p>
<p><b>Early substantive testing</b></p>	<p>We have undertaken early substantive testing on the below areas of the accounts to month 9:</p> <ul style="list-style-type: none"> <li>- Journals</li> <li>- Employee remuneration</li> <li>- Operating expenditure</li> <li>- Other income (Fees and Charges)</li> <li>- PPE additions</li> </ul>	<p>Our early substantive testing has not identified any material misstatements in relation to the areas tested.</p>



# Sector Update

Councils continue to try 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 local government sector 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 by clicking on the logos below:

Public Sector

Local  
government

# Brydon Review – the quality & effectiveness of audit

The Brydon review is an independent review, led by Sir Donald Brydon, which has looked at the quality and effectiveness of audit, seeking to make proposals that will improve the UK audit ‘product’. The review has examined the nature and scope of audit from a user perspective and seeks to clarify and potentially close the ‘expectation gap’ (ie what stakeholders and society expect from audit compared to what it delivers today).

A full list of Sir Donald’s recommendations can be found online, and a brief summary is provided below:

## Redefinition of audit and its purpose

- Creation of a corporate auditing profession, governed by principles
- Introduction of suspicion into the qualities of auditing
- Extension of the concept of auditing to areas beyond financial statements
- Mechanisms to encourage greater engagement of shareholders with audit and auditors
- Change in language of the opinion given by auditors
- Introduction of a corporate Audit and Assurance Policy, a Resilience Statement and a Public Interest Statement
- Suggestions to inform the work of BEIS on internal controls and improve clarity on capital maintenance
- Greater clarity around the roles of the audit committee
- A package of measures around fraud detection and prevention
- Improved auditor communication and transparency
- Obligations to acknowledge external signals of concern
- Extension of audit to new areas including Alternative Performance Measures
- Increased use of technology

On the auditor’s responsibility to detect fraud, Jonathan Riley, Grant Thornton Head of Quality and Reputation, said: “We are pleased to note that Sir Donald Brydon makes it clear that not only is there an expectation gap in relation to the purpose of audit and the detection of fraud but that the current ISAs need revision, and training of corporate auditors need to be enhanced, in order to allow auditors to better detect fraud. This is further reinforced by the new ability to make it easier for users of accounts, not just management, to inform the auditor of concerns relating to financial statements.”

“Notwithstanding these proposals, it is neither possible or desirable for an auditor to test in detail every transaction of the company and so materiality will still exist. In addition, a fraud involving collusion and sophistication may still prove extremely hard to detect.”

Grant Thornton welcomes the consideration given by Sir Donald on the quality and effectiveness of audit. These recommendations should bring far greater clarity and transparency to the profession and ultimately result in an audit regime that allows auditors to better assess, assure and inform all users of financial accounts.

Crucially, the Government must now consider these recommendations not just in context of earlier inquiries into the profession, but also against the backdrop of global trade and Britain’s future role as a pillar of global commerce. The report places new obligations not only on auditors, but also on company directors. Together with other regulations such as the revised Ethical Standard and wider corporate governance requirements, the proposed changes need to strike the right balance and not dent our place on the world’s financial stage. Careful explanation particularly of what this means to those fast growing mid-sized public entities seeking capital will be necessary.

The public perception of audit remains weak and failures continue to happen, so we agree that now is the right time to explore what needs to change to ensure that audit is fit for modern day business and meets the public interest. The report should contribute heavily towards this outcome.

Link to the full report and full list of recommendations:

<https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review>

# MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, was expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

# Redmond Review – Review of local authority financial reporting and external audit

The independent review led by Sir Tony Redmond sought views on the quality of local authority financial reporting and external audit. The consultation ran from 17 September 2019 to 20 December 2019.

Grant Thornton provided a comprehensive submission. We believe that local authority financial reporting and audit is at a crossroads. Recent years have seen major changes. More complex accounting, earlier financial close and lower fees have placed pressure on authorities and auditors alike. The target sign-off date for audited financial statements of 31 July has created a significant peak of workload for auditors. It has made it impossible to sustain specialist teams throughout the year. It has also impacted on individual auditors' well-being, making certain roles difficult to recruit to, especially in remote parts of the country.

Meanwhile, the focus on Value for Money, in its true sense, and on protecting the interests of citizens as taxpayers and users of services are in danger of falling by the wayside. The use of a black and white 'conclusion' has encouraged a mechanistic and tick box approach, with auditors more focused on avoiding criticism from the regulator than on producing Value for Money reports that are of value to local people.

In this environment, persuading talented people to remain in the local audit market is difficult. Many of our promising newly qualified staff and Audit Managers have left the firm to pursue careers elsewhere, often outside the public sector, and almost never to pursue public audit at other firms. Grant Thornton is now the only firm which supports qualification through CIPFA. It is no longer clear where the next generation of local auditors will come from.

We believe that now is the time to reframe both local authority financial reporting and local audit. Specifically, we believe that there is a need for:

- More clearly established system leadership for local audit;
- Simplified local authority financial reporting, particularly in the areas of capital accounting and pensions;

- Investing in improving the quality of financial reporting by local bodies;
- A realistic timescale for audit reporting, with opinion sign off by September each year, rather than July;
- An increase in audit fees to appropriate levels that reflect current levels of complexity and regulatory focus;
- A more tailored and proportional approach to local audit regulation, implementing the Kingman recommendations in full;
- Ensuring that Value for Money audit work has a more impactful scope, as part of the current NAO Code of Audit Practice refresh;
- Introducing urgent reforms which help ensure future audit arrangements are sustainable and attractive to future generations of local audit professionals.

We note that Sir Donald Brydon, in his review published this week, has recommended that *“the Audit, Reporting and Governance Authority (ARGA) (the proposed new regulatory body) should facilitate the establishment of a corporate auditing profession based on a core set of principles. (This should include but not be limited to) the statutory audit of financial statements.”* Recognising the unique nature of public audit, and the special importance of stewardship of public money, we also recommend that a similar profession be established for local audit. This should be overseen by a new public sector regulator.

As the reviews by John Kingman, Sir Donald Brydon, and the CMA have made clear, the market, politicians and the media believe that, in the corporate world, both the transparency of financial reporting and audit quality needs to be improved. Audit fees have fallen too low, and auditors are not perceived to be addressing the key things which matter to stakeholders, including a greater focus on future financial stability. The local audit sector shares many of the challenges facing company audit. All of us in this sector need to be seen to be stepping up to the challenge. This Review presents a unique opportunity to change course, and to help secure the future of local audit, along with meaningful financial reporting.

.”

# National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

## Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO consulted on potential changes to the Code in two stages:

**Stage 1** involved engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO stated that they considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this informed the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

**Stage 2** of the consultation involved consulting on the draft text of the new Code. To support stage 2, the NAO published a consultation document, which highlighted the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. The draft Code includes three specific criteria that auditors must consider:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

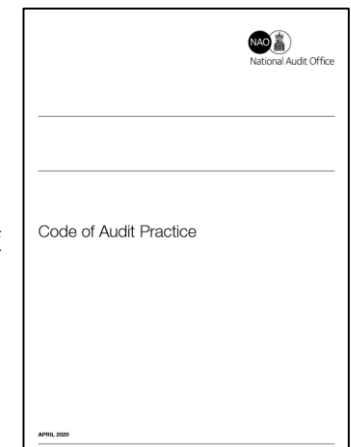
The auditor will be required to provide a commentary on the arrangements in place to secure value for money. Where significant weaknesses are identified the auditor should make recommendations setting out

- Their judgement on the nature of the weakness identified
- The evidence on which their view is based
- The impact on the local body
- The action the body needs to take to address the weakness

The consultation document and a copy of the new Code can be found on the NAO website. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the new Code:

[https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code\\_of\\_audit\\_practice\\_2020.pdf](https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf)



# Financial Reporting Council – Summary of key developments for 2019/20 annual reports

On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

## The reporting environment

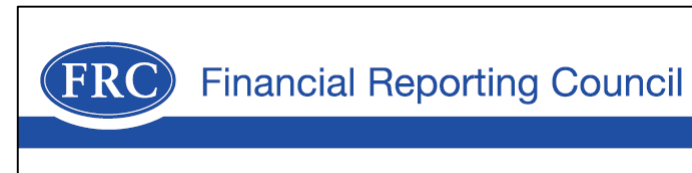
The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

## Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.

## IFRS 16 Leases

The FRC letter also comments on the introduction of IFRS 16. Please refer to pages 16 and 17 for more information on this topic.



# Financial Reporting Council – aid to Audit Committees in evaluating audit quality

On 19 December the Financial Reporting Council (FRC) issued an update of its Practice Aid to assist audit committees in evaluating audit quality in their assessment of the effectiveness of the external audit process.

The FRC notes that, “The update takes account of developments since the first edition was issued in 2015, including revisions of the UK Corporate Governance Code, the requirement for all Public Interest Entities (PIEs) to conduct a tender at least every 10 years and rotate auditors after at least 20 years, and increasing focus generally on audit quality and the role of the audit committee. It also takes account of commentary from audit committees suggesting how the Practice Aid could be more practical in focus and more clearly presented.

The framework set out in the Practice Aid focuses on understanding and challenging how the auditor demonstrates the effectiveness of key professional judgments made throughout the audit and how these might be supported by evidence of critical auditor competencies. New sections have been added addressing the audit tender process, stressing that high-audit quality should be the primary selection criterion, and matters to cover in audit committee reporting.

As well as illustrating a framework for the audit committee’s evaluation, the Practice Aid sets out practical suggestions on how audit committees might tailor their evaluation in the context of the company’s business model and strategy; the business risks it faces; and the perception of the reasonable expectations of the company’s investors and other stakeholders. These include examples of matters for the audit committee to consider in relation to key areas of audit judgment, and illustrative audit committee considerations in evaluating the auditor’s competencies.

The FRC encourages audit committees to use the Practice Aid to help develop their own approach to their evaluation of audit quality, tailored to the circumstances of their company. Audit committees are encouraged to see their evaluation as integrated with other aspects of their role related to ensuring the quality of the financial statements – obtaining evidence of the quality of the auditor’s judgments made throughout the audit, in identifying audit risks, determining materiality and planning their work accordingly, as well as in assessing issues.”



The Practice Aid can be obtained from the FRC website:

<https://www.frc.org.uk/getattachment/68637e7a-8e28-484a-aec2-720544a172ba/Audit-Quality-Practice-Aid-for-Audit-Committees-2019.pdf>

# Implementation of International Financial Reporting Standard 16 *Leases*

IFRS 16 *Leases*, as interpreted and adapted for the public sector, will be effective from 1 April 2020.

## Background

IFRS 16 *Leases* was issued by the International Accounting Standards Board (IASB) in January 2016 and is being applied by HM Treasury in the Government Financial Reporting Manual from 1 April 2020. Implementation of the Standard will be included in the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) for 2020/21.

The new Standard replaces the current leasing standard IAS 17 and related interpretation documents IFRIC 4, SIC 15 and SIC 27 and it sets out the principles for the recognition, measurement, presentation and disclosure of leases. The IASB published IFRS 16 because it was aware that the previous lease accounting model was criticised for failing to provide a faithful representation of leasing transactions.

## Impact on 2019/20 financial statements

Whilst the new Standard is effective from 1 April 2020, authorities are required by the Code to *'disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted'*. This requirement of the Code (3.3.4.3) reflects the requirements of paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In the 2019/20 financial statements we would therefore expect to see authorities make disclosures including:

- the title of the Standard
- the date of implementation
- the fact that the modified retrospective basis of transition is to be applied, with transition adjustments reflected through opening reserves
- known or reasonably estimable information relevant to assessing the possible impact that application will have on the entity's financial statements, including the impact on assets, liabilities, reserves, classification of expenditure and cashflows
- the basis for measuring right of use assets on transition
- the anticipated use of recognition exemptions and practical expedients recognising that what is sufficient disclosure for one body may not be sufficient for another

## Information needed for 2019/20 financial statements

In order to make disclosures in 2019/20, a significant amount of data will be needed, most significantly:

- a complete list of leases previously identified under IAS 17 and IFRIC 4
- details of non-cancellable lease terms, purchase options, extension and termination options
- details of lease arrangements at peppercorn or NIL rental
- anticipated future cash flows and implicit interest rates or incremental borrowing rates to enable calculation of lease liabilities

## Audit work on IFRS 16 transition

At this stage, we would expect you to have:

- determined whether the impact of IFRS 16 will be material for your authority
- raised awareness of the new Standard across the authority, potentially including procurement, estates, legal and IT departments
- assessed the completeness and accuracy of your lease register and taken action if necessary
- formalised and signed existing lease documentation
- identified leases of low value assets and leases with short terms
- considered whether liaison with valuation experts is necessary
- started to draft your 2019/20 disclosure note
- started to embed processes to capture the data necessary to manage the ongoing accounting implications of IFRS 16

and that you are monitoring progress against an approved IFRS 16 implementation plan. Your local engagement team will be in touch to discuss your progress with IFRS 16 implementation and audit working paper requirements.



# Implementation of International Financial Reporting Standard 16 *Leases*

## Further information and guidance

CIPFA published their 2020/21 Code consultation on 12 July 2019, including an Appendix concerned with IFRS 16 implementation, further details can be found at:

<https://www.cipfa.org/policy-and-guidance/consultations-archive/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202021?crdm=0>

HM Treasury published IFRS 16 Application Guidance in December 2019 which can be found at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/853238/IFRS\\_16\\_Application\\_Guidance\\_December\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853238/IFRS_16_Application_Guidance_December_2019.pdf)

CIPFA's IFRS 16 'Early guide for local authority practitioners' is available at:

<https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-16-leases-an-early-guide-for-local-authority-practitioners>

IFRS 16 has been adopted a year earlier in the commercial sector. The Financial Reporting Council has published an IFRS 16 Thematic Review '*Review of Interim Disclosures in the First Year of Application*', containing key findings from their review and providing helpful insights into important disclosure requirements. The FRC's publication is available at:

<https://www.frc.org.uk/getattachment/a0e7c6e7-67d0-40fe-b869-e5cc589afe79/IFRS-16-thematic-review-2019-optimised.pdf>

# What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>





## **DACORUM BOROUGH COUNCIL**

## **INTERNAL AUDIT PROGRESS REPORT**

## **Audit Committee – March 25 2020**

### **Status of our reports**

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

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

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## Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1<sup>st</sup> 2019 to March 13<sup>th</sup> 2020 by Mazars.

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

## Background

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

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

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

## Progress to Date

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

<b>Number of audits in plan</b>	<b>15</b>	
Number of audits finalised	12	80%
Number of audits issued at draft	-	-
Number of audits currently in progress	2	13%
Number of audits with planned start dates	-	-
Number of audits with start dates to be agreed	-	-
Number of audits deferred to following year	1	7%
<b>Total</b>	<b>15</b>	<b>100%</b>

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

- Core Financial Systems including Budgetary Control (Evaluation assurance: **Good**, Testing assurance: **Good**)
- Governance Role (Evaluation assurance: **Substantial**, Testing assurance: **Substantial**)
- Capital Programme (Evaluation assurance: **Good**, Testing assurance: **Good**)
- IT Disaster Recovery (Evaluation assurance: **Substantial**, Testing assurance: **Substantial**)

## Follow-up of Recommendations

### 2018/19 and 2019/20





The table at Appendix 2 details the recommendations raised in the audit reports for 2018/19 and 2019/20. The summary of the outcome of our follow up work to the 28<sup>th</sup> February 2020 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%
2018/19	30	30	100%
2019/20	12	6	50%
<b>Total</b>	<b>42</b>	<b>36</b>	<b>86%</b>

## Definition of Assurance & Priorities

### Audit assessment

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

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

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



## Grading of recommendations

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

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

## Priority 1 Recommendations

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

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

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	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
<b>Core Financial Systems</b>	Main Accounting	Audits previously given a high level of assurance: continuous auditing methods will be used in these areas to cover the adequacy and effectiveness of the Key Controls in place across the four areas.	16	14	Q4	Final Report issued	Good	Good	-	-	-	
	Treasury Management, Cash & Bank											
	Accounts Receivable											
	Accounts Payable											
	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	8	6	Q4	Final Report issued	Good	Good	-	-	-	
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting.	8	8	Q3	Final Report issued	Good	Good	-	-	-	
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, income maximisation, fair revenue distribution and appeals.	8	8	Q3	Final Report issued	Good	Good	-	-	-	
	Housing Benefit and Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations.	8	8	Q3	Final Report issued	Good	Good	-	-	-	
Payroll & Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	8	8	Q2	Final Report Issued	Good	Substantial	-	1	-		
<b>Core Financial Systems Total</b>			<b>56</b>	<b>52</b>								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Operational Risks	Community Safety Partnerships	Covering adequacy and effectiveness of controls over community safety, including governance, monitoring of priorities, award of grant funding and performance management.	7	1	N/A							Audit deferred to 2020/21
	Apprenticeships Scheme & Levy	Covering controls in place over compliance with the scheme requirements, maximisation of take up and integration into organisation	5	0.5	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 Report Issued	Substantial	Substantial	-	2	1	
<b>Operational Risks Total</b>			<b>22</b>	<b>11.5</b>								
Strategic Risks	VAT – Making Tax Digital	To confirm the Council's systems and processes are MTD compliant.	15	15	Q2	Final Report Issued	N/A	Good				
	Leisure Services Contract Management	Covering adequacy and effectiveness of controls over management and monitoring of the new Leisure Contract.	12	12	Q3	Final Report Issued	Good	Substantial	-	1	-	
	Capital Programme	To review the Council's controls in place to prevent slippage of significant capital projects. The review will also look at the whole approach that the Council takes with a focus on particular projects.	15	15	Q3	Final Report Issued	Good	Good	-	-	-	
<b>Strategic Risks Total</b>			<b>42</b>	<b>42</b>								
Governance, Fraud & other Assurance Methods	Governance and Risk Management	Resources to assist in the development of Corporate/ Directorate Risk Registers, the use of CRSA to provide assurance that managers understand their requirements and take ownership of their	20	1	Q2-Q4	Ongoing	N/A					

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
		responsibilities. Risk Management workshops/training.										
	Fraud	A review of the Fraud training programme, processes and communications.	10	0.5			N/A		N/A			
	Governance Role	Review of the new member induction and training processes and delivery. Prior to May and the next round of new member inductions and training post the 2019 elections.	10	10	Q4	Final Report Issued	Substantial	Substantial	-	2	-	
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	10		Q2-4		N/A		N/A			
<b>Governance, Fraud &amp; other Assurance Methods</b>			<b>50</b>	<b>11.5</b>								
ICT	Disaster Recovery	The specific areas will be agreed with management but suggestions could include IT Asset Management, Disaster Recovery, Change Management, IT Project Management	15	15	Q3	Final Report Issued	Substantial	Substantial	-	3	2	
	Website Accessibility	Review controls and training in place in relation to the new UK regulations on the accessibility of websites and mobile applications.	10	1	Q4	Work in Progress						
<b>ICT total</b>			<b>25</b>	<b>16</b>								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	9								
	Management		20	17								
<b>Other total</b>			<b>30</b>	<b>26</b>								
<b>Plan total</b>			<b>225</b>	<b>159</b>								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	25	-								
<b>TOTAL</b>			<b>250</b>	<b>159</b>								

## Appendix 2 – Follow-up of Recommendations

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

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

### 2018/19

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	3	3				31 Oct 2018			Katie Kiely
GDPR	3	3				31 Oct 2018			John Worts
Commercial Asset Management (Garages)	3	3				31 Jan 2019			Layna Warden
IT Asset Management	2	2				31 May 2019			Gary Osler
NNDR	1	1				31 August 2019			Chris Baker
Council Tax	1	1				31 August 2019			Chris Baker
Procurement Strategy	3	3				31 Dec 2019			Ben Hosier
Planning	6	6				30 Sept 2019			Sara Whelan
Core Financials (Accounts Payable)	1	1				30 Sept 2019			Fiona Jump
IT Change Management	2	2				31 Dec 2019			Ben Trueman
Business Continuity	5	3			2* <i>Re-raised in 2019/20 audit on IT Disaster Recovery</i>	31 Oct 2019			Emma Walker
<b>Total</b>	<b>30</b>	<b>28</b>			<b>2</b>				

---

2019/20

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	3	3				30 Sept 2019			Layna Warden
Payroll and Pension Administration	1	1				31 Oct 2019			Fiona Jump
Leisure Services Contract Management	1	1				31 Jan 2020			Ben Hosier
IT Disaster Recovery	5					30 June 2020		5	Ben Trueman
Governance Role	2	1						1	Cassie O' Neal / Mark Brookes
<b>Total</b>	<b>12</b>	<b>6</b>						<b>6</b>	

---

## Appendix 3 - Statement of Responsibility

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

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

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

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

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

Registered office: Tower Bridge House, St Katharine's Way, London E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.





Dacorum Borough Council

 Internal Audit Report  
 **Core Financial Systems and Budgetary Control**  
 March 2020

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**FINAL REPORT**

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- 03 Key Findings
- 04 Areas for Further Improvement and Action Plan

## Appendices

- A1 Audit Information
- A2 Statement of Responsibility

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

### Status of our reports

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

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, re-interpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

# 01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Core Financial Systems and Budgetary Control via self-service questionnaire approach. The objectives of the audit were to evaluate the adequacy of the system of internal control and its application in practice within the area under review.

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

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

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

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

- discussion of our findings with management and further development of our recommendations.

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

# 02 Background



The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Core Financial Systems, and provide guidance on how to improve the current controls going forward.

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

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;

# 03 Key Findings

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

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

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

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

Examples of areas of strength
<ul style="list-style-type: none"> <li>• Purchase orders are authorised as per Financial Regulations and there is a segregation of duties between the officer that orders the goods, signs the goods received note and authorises the payment.</li> <li>• The various key control accounts reconciled monthly with the General ledger, were checked, signed off and dated by an independent officer. Furthermore, any differences were explained, investigated and cleared in a timely manner.</li> <li>• Investment strategy and performance is regularly reported to senior management and Members as required. Deals were only made with approved institutions, and were signed off in accordance with approved authorisation limits.</li> <li>• The 2019/20 budget was approved by Cabinet and Council in February 2019. The budget monitoring information is reviewed by budget holders and budget monitoring meetings are undertaken on a monthly basis.</li> <li>• Virements are appropriately authorised and fully supported by documentation.</li> </ul>

## Risk Management

The key organisational risks most relevant to Core Financial System are as follows:

- Funding and income is not sufficient to deliver the Council's Corporate Objectives (*SR1, Strategic Risk Register December 2018*)
- That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future (*SR6, Strategic Risk Register December 2018*)

## Value for Money

The Council, as a public body, is responsible for providing proper stewardship of the public funds it utilises by ensuring value for money is achieved within the delivery of its services. The Council's governance structure and reporting framework helps to ensure that budget positions and any significant risks are reviewed on a consistent basis.

## 04 Areas for Further Improvement and Action Plan

No recommendations were raised as a result of this audit.

# A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Fiona Jump – Financial Services Group Manager  Tracy Claridge – Assistant Financial Accountant  Caroline Souto – Team Leader - Financial Planning & Analysis
<b>Internal Audit Team:</b>	Peter Cudlip, Partner  Sarah Knowles, Senior Audit Manager  Mark Lunn, Audit Manager  Priya Kumre, Carmela Alas, Auditors
<b>Work commenced</b>	24 <sup>th</sup> February 2020
<b>Finish on Site \ Exit Meeting:</b>	6 <sup>th</sup> March 2020
<b>Draft report issued:</b>	-
<b>Management responses received:</b>	-
<b>Final report issued:</b>	17 <sup>th</sup> March 2020

## Scope and Objectives

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

### 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 reconciliation is undertaken regularly and any variances are investigated in a timely manner.

### Budgetary Control

- All members of staff act consistently in compliance with the legislative and management requirements and the budget management functions are conducted in an economic, efficient and effective manner. Responsibility for managing budgets is clearly established and is delegated to appropriately qualified, trained and competent staff.
- Budgets are set and funds allocated so as to achieve the organisation's strategic and operational objective
- s.
- Budgets are appropriately approved and are completely and accurately loaded onto the financial management system in a timely manner.
- Budgets are communicated to all the relevant parties to allow effective monitoring by budget holders.
- Robust procedures are in place for the monitoring of budgets. Any variances identified are investigated and remedial actions taken where appropriate so as to minimise the risk of budget over/underspends.
- Timely and accurate financial information is produced on a regular basis and is reported to the appropriate forum to facilitate effective monitoring and decision making.
- Budget adjustments including virements are completely, accurately, and validly processed in a timely manner and supporting documentation is retained to support the actions taken.

## Scope and Objectives continued

### 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), invoice is 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

### Accounts Receivable

- Details of the invoices are checked for accuracy, completeness and validity. (For self-service invoice, 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 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.



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

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

## A2 Statement of Responsibility

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

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

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

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

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

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Dacorum Borough Council

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Internal Audit Report  
**Governance Role**  
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- A2 Risk and Control Matrix
- A3 Statement of Responsibility

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

### Status of our reports

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

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

## 01 Introduction

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Governance Role of new member induction and training processes and delivery. The objectives of the audit were to evaluate the adequacy of the system of internal control and its application in practice within the area under review.

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

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

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

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

- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

In summary, the scope covered the following areas: New Member Training and Induction, Resourcing, Selecting Committee Members, Member Support Forward Plans and Overview and Scrutiny Committees.

## 02 Background



The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Governance Role, and provide guidance on how to improve the current controls going forward.

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

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

# 03 Key Findings

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

Adequacy of System Design	Effectiveness of Operating Controls
 <p data-bbox="273 603 564 628"><b>Substantial Assurance</b></p>	 <p data-bbox="725 603 1016 628"><b>Substantial Assurance</b></p>

Main Findings
<p data-bbox="199 794 1084 852">We have raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These are detailed in Section 04 of this report.</p> <p data-bbox="199 887 483 912">Our main findings were:</p> <ul data-bbox="206 920 922 978" style="list-style-type: none"> <li data-bbox="206 920 719 946">• Non-compliance with mandatory training</li> <li data-bbox="206 954 922 978">• Members have not completed the register of interest form</li> </ul>

Examples of areas of strength
<ul data-bbox="1149 295 2033 976" style="list-style-type: none"> <li data-bbox="1149 295 2033 411">• Induction days were provided to newly elected members in May 2019 including a marketplace event where members can meet and network various departments of the Council. Information pack and induction materials were available and had been provided to new members.</li> <li data-bbox="1149 432 2033 616">• Appropriate resources have been allocated to support and provide training to members. Furthermore, member development budget was reviewed and approved by Overview and Scrutiny Committee, Cabinet and Council in February 2019. We obtained Quarter 1 to 3 budget monitoring reports and confirmed that these were reported to Member Development Steering Group.</li> <li data-bbox="1149 636 2033 694">• There has been an opportunity to declare business interests at the Committee meetings.</li> <li data-bbox="1149 715 2033 831">• Member development programme was reviewed and approved by Cabinet on 13 March 2019. Updates on training dates, attendance and feedbacks were reported to Member Development Steering Group on a quarterly basis.</li> <li data-bbox="1149 852 2033 968">• Terms of reference were available for the three Overview and Scrutiny Committee and confirmed that meetings were held every eight weeks. Furthermore, work programmes were completed and published in Council's website.</li> </ul>

Priority	Number of recommendations
1 (Fundamental)	0
2 (Significant)	2
3 (Housekeeping)	0
TOTAL	2

## Risk Management

The key organisational risks most relevant to Governance Role are as follows:

- A reduction in the quality of life and opportunities for people in the Borough (*SR6, Strategic Risk Register December 2018*)
- Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council. (*included in SR6, Strategic Risk Register December 2018*)

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

## Value for Money

The Council, as a public body, is responsible for providing proper stewardship of the public funds it utilises by ensuring value for money is achieved within the delivery of its services. The Council's governance structure and reporting framework helps to ensure that budget positions and any significant risks are reviewed on a consistent basis.

# 04 Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix 1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with the Corporate Support Team Leader and Corporate and Democratic Support Lead Officer. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Mandatory Training Compliance</b></p> <p><i>Observation:</i> A review of councillors’ mandatory training attendance records as at December 2019 found that out of 51 councillors, 38 Members have not completed their mandatory training during the year. Furthermore, charring skills sessions are required for councillors with Chair and Vice-Chair roles however, it was found that the Vice-Chair for Finance and Resources Overview and Scrutiny Committee has not completed the charring skills session along with the other training.</p> <p>It is expected that where councillors fail to attend mandatory training, they will be reported to the group leader, and continued failure to attend mandatory training will constitute a breach of the Code of Conduct for Members and will be considered through the standards complaints process. However, it was established that the last reminder email sent by the Chief Executive to the group leader was on 5<sup>th</sup> June 2019.</p> <p><i>Risk:</i> Where training is not completed in a timely manner or at all, there is a risk that Members are</p>	<p>The executive should issue a communication to all Councillors outlining the requirement that mandatory training is to be completed when due.</p> <p>The process for escalating non-completion of mandatory training and for dealing with non-compliance should be adhered to and corrective actions be taken where gaps are identified.</p>	2	<p>All Members have been offered the opportunity to attend mandatory training on at least two different dates. One further training session will be made available for councillors who have been unable to attend training and there will be close liaison with Group Leaders to ensure Members attend. If Members still fail to attend a report will be taken to the Council’s Standards Committee for consideration.</p>	<p>Timescales will be reviewed in the light of Coronavirus but will be prioritised once work resumes as normal.</p> <p>Corporate Support Team Leader will be responsible for arranging a further training session for each Member and liaising with Group Leaders and Assistant Director – Corporate and Contracted Services is responsible for reporting outstanding members to the Standards Committee.</p>



	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	unable to improve performance and skills leading to an inability to carry out their duties effectively.				
4.2	<p><b>Register of Interests by Councillors</b></p> <p><i>Observation:</i> We noted during our review of the declaration of interests submitted, that there were four cases out of a total of 51 where a Register of Interests Form was not completed and published in Council's website.</p> <p><i>Risk:</i> Where interests are not declared by all councillors, there is a risk that the Council cannot effectively manage its decision-making. This could lead to inappropriate decisions being made by the Council. In addition, not having all decision-makers declaring interests contravenes statutory guidance on conflicts of interest.</p>	<p>All councillors that have not completed a declaration for the 2019/20 financial year should complete a Declaration of Interests form.</p> <p>A report of councillors that have not completed this process should be issued to the appropriate Committee and Council for review.</p>	2	All four remaining forms have now been completed and uploaded to ModGov.	Completed

# A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Cassy O’Neil – Corporate Support Team Leader  Katie Mogan – Corporate & Democratic Support Lead Officer  Farida Hussain – Group Manager (Democratic Services)  Sally Marshall – Chief Executive (Final Report only)
<b>Internal Audit Team:</b>	Peter Cudlip, Partner  Sarah Knowles, Senior Audit Manager  Mark Lunn, Audit Manager  Carmela Alas, Auditor
<b>Work commenced</b>	20 <sup>th</sup> January 2020
<b>Finish on Site \ Exit Meeting:</b>	5 <sup>th</sup> February 2020
<b>Draft report issued:</b>	9 <sup>th</sup> March 2020
<b>Management responses received:</b>	16 <sup>th</sup> March 2020
<b>Final report issued:</b>	17 <sup>th</sup> March 2020

## Scope and Objectives

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

**New Member Training & Induction:** There is an effective new member training and induction programme in place that meets the needs of the organisation.

**Resourcing:** Appropriate resources have been allocated to support and provide training to members.

**Selecting Committee Members:** The overview and scrutiny committees are made up of a chair and members who have the necessary skills and commitment, including experience, expertise, interests, ability to act impartially, ability to work as a group and capacity to serve. The committee does not include members of the executive or of a combined authority.

**Member Support Forward Plans:** There is a clear process in place to ensure the member support plans include all necessary training and information to allow the members to carry out their roles effectively. Moreover monitoring of attendance and progress against the plans is undertaken and reported back for review, oversight and lessons learnt opportunities.

**Overview and Scrutiny Committees:** Overview and scrutiny committees have a clear role, function and direction, planning their work programmes, drawing up a long-term agendas and consideration of making it flexible enough to accommodate any urgent, short-term issues that might arise. Where there are multiple overview and scrutiny committees consideration has been given to how to co-ordinate the various committees’ work to make best use of the total resources available.

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

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

# A2 Risk & Control Matrix

## Area: New Member Training & Induction

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				Ineffective, inefficient and / or out date working practices R01.01	Noncompliance with legislative and management requirements R01.02	Staff and Members do not know what is expected of them. R01.03	Ongoing improvements are not / cannot be made as training is not completed in R01.04	Linked Issues	IO1
				Significance	H	H	H	H	?
				Current Exposure	A	A	A	A	
				Future Exposure	A	A	A	A	
A01	New Member Training & Induction								
<b>Existing Controls</b>									
C01.01	Information pack for new members is in place	E	Key		M	M	M		
C01.02	Induction Days are provided to elected new members.	E	Key		M	M	M		
C01.03	Copies of the presentations are given to members at the induction	E			M		M		
C01.04	Mandatory training is provided to new members and compliance are monitored	P	Key		M	M	M	M	4.1
C01.05	Invitations and reminders are sent for those who have not attended	P					M	M	4.1
C01.06	Completed training are available in the website	E				M		M	
C01.07	Mentoring scheme has been offered to new members	E					M	M	

# Area: Resourcing

					Member support is not effectively resourced R02.01	Resource is not sufficient to maintain the daily R02.02	Linked Issues
		Significance			H	H	
		Current Exposure			A	A	
		Future Exposure			A	A	
<b>A02</b>	<b>Resourcing</b>						
<b>Existing Controls</b>							
C02.01	Appropriate resources have been allocated to support and provide training to members	E	Key		M	M	
C02.02	Member development budget is set on an annual basis	E	Key		M	M	
C02.03	Member development budget position is monitored on a quarterly basis	E	Key		M	M	
C02.04	Annual training report is completed which includes member development budget position	E			M	M	

# Area: Selecting Committee Members

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A03 Selecting Committee Members		Existing Controls		Significance		Current Exposure		Future Exposure		Members lack of necessary skills and commitment R03 .01	Member independence compromised due to poor R03 .02	Linked Issues	No register of interest I01	Mandatory training compliance I03
				H	A	A	A	~	~					
C03.01	The Constitution sets out the proportion of members who sit on committees	E		M	M									
C03.02	Full Council receives nominations of Councillors to serve on each committee at the annual meeting	E		M	M									
C03.03	Overview and scrutiny committees are made up of a chair and members who have the necessary skills and commitment	P	Key	M	M									4.1
C03.04	Members complete declaration of interest form	P	Key	M	M								4.2	
C03.05	Declaration of interests is standing agenda for committee meetings	E	Key	M	M									
C03.06	Required action is taken for those who have conflict of interest	E		M										
C03.07	Any in-year changes to members sitting on committees is a standing agenda item on Full Council meetings	E		M										

# Area: Member Support Forward Plans

						Relevant training and information to members are not delivered	Progress against the forward plans does not take place	Linked Issues	
						R04.01	R04.02		
						<b>Significance</b>	<b>H</b>	<b>H</b>	
						<b>Current Exposure</b>	<b>A</b>	<b>A</b>	
						<b>Future Exposure</b>	<b>A</b>	<b>A</b>	
<b>A04</b>	<b>Member Support Forward Plans</b>								
<b>Existing Controls</b>									
C04.01	Annual training programme for members is in place	E	Key			<b>M</b>	<b>M</b>		
C04.02	Member development plan programme is completed and reported to committee	E				<b>M</b>	<b>M</b>		
C04.03	Committee timetable is completed and approved by the Cabinet and Full Council.	E					<b>M</b>		
C04.04	Attendance and feedbacks on training and development are monitored on a quarterly basis	E	Key			<b>M</b>	<b>M</b>		
C04.05	Lessons learnt are discussed in MDSG meetings	E	Key				<b>M</b>		
C04.06	Annual training report is completed by the member support team	E	Key			<b>M</b>	<b>M</b>		

# Area: Overview and Scrutiny Committees

				Committees do not plan their work programme R05.01	Committees are unaware of their duties and therefore do not carry out expected business R05.02	Linked Issues
				Significance	H	H
				Current Exposure	A	A
				Future Exposure	A	A
A05	<b>Overview and Scrutiny Committees</b>					
<b>Existing Controls</b>						
C05.01	Terms of reference for Overview and Scrutiny Committees are in place	E	Key			M
C05.02	Overview and Scrutiny Committees meetings are held every 8 weeks	E	Key		M	M
C05.03	Work programmes are completed by the Overview and Scrutiny Committee	E	Key		M	M
C05.04	The Overview and Scrutiny Committees report to the Full Council on annual basis	E	Key		M	M



# Key to Codes

## Significance

H	High
L	Low
M	Medium

## Exposure

A	Acceptable
L	Limited
U	Unacceptable

## Effectiveness

E	Effective
I	Ineffective
P	Partly Effective

## A3 Statement of Responsibility

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

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

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

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Dacorum Borough Council

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Internal Audit Report  
**IT Disaster Recovery (DR)**  
March 2020

**FINAL REPORT**

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- 03 Key Findings
- 04 Areas for Further Improvement and Action Plan

## Appendices

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

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

### Status of our reports

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

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

# 01 Introduction

As part of the agreed 2019/2020 Audit Plan, Mazars has undertaken a review of the IT Disaster Recovery controls in place at Dacorum Borough Council to ensure controls have been adequately designed and implemented. An effective IT DR process supports the objectives of the IT Strategy, which is aligned with business requirements, and helps address underlying IT issues/outages in system and processes.

We are grateful to the ICT Operations Team Leader, and other council staff for their assistance provided during the course of the audit.

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

Any event that prevents or interrupts an organisation's ability to perform its work tasks is considered a disaster. The moment that ICT becomes unable to support mission-critical processes is the moment the DR plan is invoked to manage the restoration and recovery procedures.

The overall objective of the audit was to evaluate and test controls over the following areas:

- Critical Business Functions and Systems;
- Disaster Recovery (DR) Process;
- Disaster Risk Assessment;
- Disaster Escalation and Emergency Action Procedure;
- Insurance.

Further detail on scope of the audit is provided in Section 2 of the report.

# 02 Background



The Civil Contingencies Act 2004 requires that local authorities implement robust Business Continuity arrangements to enable them to continue to provide services and communicate with relevant stakeholders during an incident.

Due to the reliance that is placed on ICT for the operation of services within the Council, ICT service resilience and Disaster Recovery provisions are critical components of Business Continuity.

Disaster Recovery (DR) planning enables the recovery of ICT systems in the event of disruption impacting the data centre or server room hosting the Council's IT systems. Given that information and communication technology plays an increasingly important role in the delivery of Council services, the ability to recover these systems in a timely manner is essential.

# 03 Key Findings

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

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

- Dacorum Borough Council's Disaster Recovery Plan does not contain a section on roles and responsibilities. (Priority 3).
- There are names referenced within the ICT DR plan, however this does not include their contact details. (Priority 3).

- Examples of areas of strength**
- It was noted that an evaluation and review of the Disaster Risk Assessment to evidence business impact and risk assessments are currently being carried out.
  - From discussion with Officers and inspection of documentation there is evidence that Insurance is adequate for Dacorum BC and this also includes business recovery and business impact risks.

**Main Findings**

Three priority 2 recommendations and two priority 3 recommendations were raised where there is scope for improvement within the control environment. These are set out below:

- The Disaster Recovery (DR) plan establishes priorities for processing of functions and operations of services. However, the document supplied has not been updated since 2014. (Priority 2).
- The Business Continuity Plan (BCP) does not determine Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) based on business impact. (Priority 2).
- Business Continuity is not included within the induction programme for new key (these would be highlighted by the Resilience Team) employees who may be required to play a part in recovery. (Priority 2).

Priority	Number of recommendations
<b>1 (Fundamental)</b>	<b>0</b>
<b>2 (Significant)</b>	<b>3</b>
<b>3 (Housekeeping)</b>	<b>2</b>
<b>TOTAL</b>	<b>5</b>

## 04 Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with the IT Operations Team Leader and the Health, Safety and Resilience Team Leader. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation		Management response	Timescale/ responsibility
4.1	<p><b>Identification and agreement of Critical Business Functions.</b></p> <p><i>Observation:</i> Inspection of documentation and enquiry of management noted that the Service Level ICT Business Continuity Plan (BCP) does not determine the Recovery Time Objectives (RTO) or Recovery Point Objectives (RPO) of systems based on business impact. It was however noted that the HLDR Schedule does include RTO's and RPOs but that this document had not been updated/reviewed since 2014. All of the required information is contained within the HLDR Schedule; therefore, it may be efficient to use the same information for the IT BCP and to link both documents together.</p> <p><i>Risk:</i> There is a risk that time and point of recovery are not adequately determined or plans do not identify the impact to the business in a disaster scenario for all functions, specifying timescales and priorities for recovering functions, or reflecting the impact any major operational disruption would have on the business.</p>	<p>The ICT Business Continuity Plan should link with an updated version of the ICT High Level Disaster Recovery (HLDR) Schedule in order for Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) to be included and identified.</p>	2	<p>The BC plan is due for a review in August 2020. This recommendation will form part of the document review.</p>	<p>August 2020</p> <p>Group Manager – Technology &amp; Digital Transformation</p> <p>Team Leader Corporate Health, Safety and Resilience</p>

	Observation/Risk	Recommendation		Management response	Timescale/ responsibility
4.2	<p><b>IT DR Process.</b></p> <p><i>Observation:</i> Inspection of documentation noted that the ICT DR plan establishes priorities for processing of functions and operations of services. However, the document supplied has not been updated with actions since 2014.</p> <p><i>Risk:</i> There is a risk that IT staff/stakeholders may be unaware as to next steps to take if documents are not being reviewed and updated in a timely manner.</p>	<p>All issues raised within the HLDR schedule should be updated and any actions outstanding highlighted to Management as critical. (This recommendation also links to Recommendation 1).</p>	2	<p>The document was updated in 2017 but references to earlier activities had been left in, in error. We will review and update the document as a priority.</p>	<p>April 2020</p> <p>Group Manager – Technology &amp; Digital Transformation</p>
4.3	<p><b>IT DR Process.</b></p> <p><i>Observation:</i> Inspection of induction documentation noted that Business Continuity is not included within the induction programme for new key employees who may be required to play a part in recovery if an outage occurs. Training for existing key employees has been adhoc to date but will be rolled out in the future. This should be an annual process.</p> <p><i>Risk:</i> There is a risk that new staff may not be aware of their role or function in a BC scenario.</p>	<p>ICT Management should initiate induction training for new key ICT staff.</p> <p>All key ICT DBC staff likely to be involved in disaster recovery scenarios should complete ICT BC and DR system testing and training annually.</p>	2	<p>ICT have previously committed to IT DR system testing and training and undertake this activity on an annual basis.</p> <p>We will ensure that training on the ICT BCP process is added to this.</p>	<p>June 2020</p> <p>Group Manager – Technology &amp; Digital Transformation</p>
4.4	<p><b>IT DR Process.</b></p> <p>Observation: Inspection of documentation noted DBC's ICT DR Plan does not contain a section on roles and responsibilities.</p> <p>The ICT BCP does include a section on responsibility for invocation of the Business Continuity Plan</p>	<p>Job Descriptions should be updated to reflect roles and responsibilities in regard to Business Continuity and Disaster Recovery.</p>	3	<p>ICT will, with support from HR, review job descriptions within ICT to ensure they include appropriate reference to Disaster Recovery.</p>	<p>June 2020</p> <p>Group Manager – Technology &amp; Digital Transformation</p>



	Observation/Risk	Recommendation		Management response	Timescale/ responsibility
	<p>(including a deputy), as well as responsibility for calling team members (including a deputy). The Health, Safety and Resilience Committee discusses resilience matters and reports to Corporate Management Team. The Corporate Management Team includes the Chief Executive, Directors and Assistant Directors of the Council. The Health, Safety and Resilience Team Leader stated having the Leadership Team involved helps to further enhance and embed those involved in BC in their specific roles within DBC.</p> <p>The Resilience Policy Statement outlines all staff responsible for resilience matters.</p> <p>Enquiry of the IT Operations Manager and inspection of documentation noted there was no evidence of "resource allocation" in the ICT DR Policy/Plan. We did note that the ICT BCP does have "resource allocation" included.</p> <p>From enquiry of management as to whether ICT DR/BC responsibilities had been formally documented within officer's job descriptions, we noted job descriptions have not been updated with ICT DR/BC responsibilities.</p> <p><i>Risk:</i> There is a risk that personnel would be unaware of or fail to act on key responsibilities.</p>				
<b>4.5</b>	<p><b>IT DR Process.</b></p> <p>Observation: From enquiry and inspection, it was noted that the DCB ICT DR Plan is a high-level plan which mainly details services and agreed critical services with Infrastructure requirements. Although</p>	<p>DBC should consider including a link from the ICT DR Plan to the ICT BCP</p>	<b>3</b>	<p>A link to the ICT BCP document has now been added to the IT DR Procedures.</p>	<p>Completed Group Manager – Technology &amp;</p>

	Observation/Risk	Recommendation		Management response	Timescale/ responsibility
	<p>there are names mentioned within the ICT DR plan, there are no further contact details.</p> <p><i>Risk:</i> There is a risk that personnel would not know how to contact key members of staff in the event of a disaster.</p>	<p>document enabling ease of access to all contact information required.</p>			<p>Digital Transformation</p>

# A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Gary Osler – ICT Operations Team Leader Russell Ham - Corporate Health, Safety and Resilience Team Leader Ben Trueman – Group Manager, Technology & Digital Transformation Linda Roberts – Assistant Director, Performance, People and Innovation
<b>Internal Audit Team:</b>	Peter Cudlip, Partner Sarah Knowles, Senior Audit Manager Martin Baird, IT Audit Director Nighat Sheikh, IT Audit Manger
<b>Work commenced</b>	October 2019
<b>Finish on Site \ Exit Meeting:</b>	December 2019
<b>Draft report issued:</b>	February 2020
<b>Management responses received:</b>	February 2020
<b>Final report issued:</b>	March 2020

## Scope and Objectives

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

- **Critical Priorities** - To identify critical business functions and systems identifying and prioritising systems, prioritising critical activities. Ensuring recovery time objectives are being established.
- **IT DR Process** – There is a review of documentation to be carried out to ensure there is a Business Continuity Strategy, Business Continuity and Disaster Recovery plans and procedures, in place. A consultation is also carried out for the plans. To ensure an approval process is communicated across the organisation. A review to be carried out to ensure there is a competent and qualified designated BC/DR team.
- **Business impact and risk assessments** - Evaluate and review the Disaster Risk Assessment to evidence business impact and risk assessments are being carried out.
- **Disaster invocation/escalation** - From discussions with Senior Managers and Team Leaders and inspection of documentation of the Disaster Escalation and Emergency Action Procedure and decision making in regards to the disaster invocation and escalation procedure. To carry out a review of the Incident management plan.
- **Insurance cover** - Discussion with Officers and inspection of documentation to evidence that Insurance is adequate and includes recovery and business impact risks.

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

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

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

## A3 Statement of Responsibility

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Internal Audit Report  
**Capital Programme**  
March 2020

**FINAL REPORT**

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# 01 Introduction

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

Dacorum Borough Council published its capital programme covering a 5 - year period, in line with its Medium Term Financial Strategy. As part of the annual MTFS review and budget setting process, Senior Officers are invited to submit new Capital bids using a standardised business case template for Council projects.

As approved by Cabinet in February 2019, the 2019/20 total Capital Programme allocation is £59.032m, of which £42.289m is to be spent on the Housing Revenue Account (HRA) Capital Schemes, and £16.743m is to be spent on non-HRA Capital Schemes.

In addition to looking at the Capital Programme as a whole, five capital projects were chosen from four different services. These projects were:

- Commercial Assets and Property Development
  - Tring Community Centre – new play area for Children’s Nursery
  - Bunkers Farm
- Procurement and Contracted Services
  - Multi Storey Car Park – Berkhamstead
- Information, Communication and Technology
  - Future Vision of CRM
- Strategic Planning and Regeneration
  - The Bury – Conversion into Museum and Gallery

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

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

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

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

# 02 Background

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over management of the Capital Programme, and provide guidance on how to improve the current controls going forward.

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



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

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



# 03 Key Findings

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

Adequacy of System Design	Effectiveness of Operating Controls
 <p data-bbox="313 582 537 614"><b>Good Assurance</b></p>	 <p data-bbox="761 582 985 614"><b>Good Assurance</b></p>

Main Findings
<ul style="list-style-type: none"> <li>Our main finding is that there are projects that have been approved for the Capital Programme, without having fully completed a capital bid as required by the Council when submitting capital proposals. However, the exceptions related to an historic budget process that has since been strengthened, and therefore no recommendation has been raised.</li> </ul>

Examples of areas of strength
<ul style="list-style-type: none"> <li>Training is provided to all budget holders by the Finance team on a quarterly basis. Finance also offer full support and advice to budget managers throughout the annual capital cycle.</li> <li>There is a clearly defined governance structure in place, both to manage the Capital Programme, as well as individual projects.</li> <li>Feasibility studies are completed and evaluated against each project to assess potential costs and impact.</li> <li>Communication between Project Management Boards and Finance regarding financial updates on capital projects effectively help to ensure effective budget monitoring across the Capital Programme.</li> </ul>

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

## Risk Management

The risk most relevant to the Capital Programme is as follows:

- The Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future. (*Strategic Risk 6:December 2018*)

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

## Value for Money

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

To ensure the Council is achieving value for money when awarding tenders for Capital works, Officers must adhere to the Council's Commissioning and Procurement Standing Orders.

# A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	Caroline Souto – Team Leader - Finance Planning and Analysis  Fiona Jump – Group Manager - Financial Services
<b>Internal Audit Team:</b>	Peter Cudlip, Partner  Sarah Knowles, Senior Audit Manager  Temi Tewogbade, Auditor
<b>Work commenced</b>	4 November 2019
<b>Finish on Site \ Exit Meeting:</b>	26 November 2019
<b>Draft report issued:</b>	28 January 2020
<b>Management responses received:</b>	5 March 2020
<b>Final report issued:</b>	10 March 2020

## Scope and Objectives

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

**Policies and Procedures:** There are sufficiently detailed policies and procedures 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 an efficient, effective, and transparent decision-making process 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, it is ensured that proposed projects are prioritised in accordance with the nature, extent, associated risks, strategic fit, and feasibility of proposed benefit

**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 details 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 materialised. Information need of management is clarified and complete, accurate, and valid performance information relating to 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.

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

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

## A2 Risk Matrix

# Area: Policies and Procedures

		Significance	Poorly defined policies and procedures	Insufficient guidance and training for budget holders	Linked Issues
		Current Exposure	A	A	
		Future Exposure	A	A	
<b>A01</b>	<b>Policies and Procedures</b>				
<b>Existing Controls</b>					
C01 01	Financial regulations are up to date and available to staff and the public on the council website	E	H		
C01 02	Training is provided to budget managers and officers by senior members of the Finance Team	E		H	

# Area: Governance Arrangements

				Inadequate and ineffective governance structure	Lack of accountability	Linked Issues
				M	M	
		Significance		A	A	
		Current Exposure		A	A	
		Future Exposure		A	A	
A02	<b>Governance Arrangements</b>					
<i>Existing Controls</i>						
C02 01	Clearly defined governance structure is in place		E	H	H	

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# Area: Allocation of Capital Programme Budget

				Capital project bids are not sufficiently scrutinised	Linked Issues
		Significance	H		
		Current Exposure	L		
		Future Exposure	A		
A02	Allocation of Capital Programme Budget				
<i>Existing Controls</i>					
C03 01	A capital bid form must be completed and approved for every prospective capital project		P	H	

# Area: Project Initiation

						Objectives and milestones are unrealistic		Linked Issues	
				Significance		H			
				Current Exposure		A			
				Future Exposure		A			
A04	Project Initiation								
<i>Existing Controls</i>									
C04 01	The feasibility of each project is evaluated					E	M		



# Area: Monitoring

		Significance	Slippage / Overspend	Capital project does not align with the Council's strategic objectives	Capital project updates not reported accurately to Finance	Linked Issues
		H	M	M		
		A	A	A		
		A	A	A		
A05	<b>Monitoring</b>					
<b>Existing Controls</b>						
C05 01	Finance Team meet with budget managers twice per month	E	H		H	
C05 02	Reports reviewed in quarterly Cabinet meetings	E	H	H		
C05 03	Status of capital programme reported to Corporate Management Team on a quarterly basis	E	H	H		
C05 04	Projects logged and monitored through Rocket and Project Management Office	E	H			

# Area: End of Project Evaluation and Tracking Realisation of Proposed Benefit

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					Projects are not sufficiently evaluated upon completion	Realisation of proposed benefits is not tracked	Linked Issues
					M	M	
					A	A	
					A	A	
A06	<b>End of Project Evaluation and Tracking Realisation of Proposed Benefit</b>						
<b>Existing Controls</b>							
C06 01	Project Completion form			E	H		
C06 02	Project Evaluation form must be completed			E	H		

# Key to Codes

## Significance

H	High
L	Low
M	Medium

## Exposure

A	Acceptable
L	Limited
U	Unacceptable

## Effectiveness

E	Effective
I	Ineffective
P	Partly Effective

## A3 Statement of Responsibility

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

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

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

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

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

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Internal Audit

FINAL

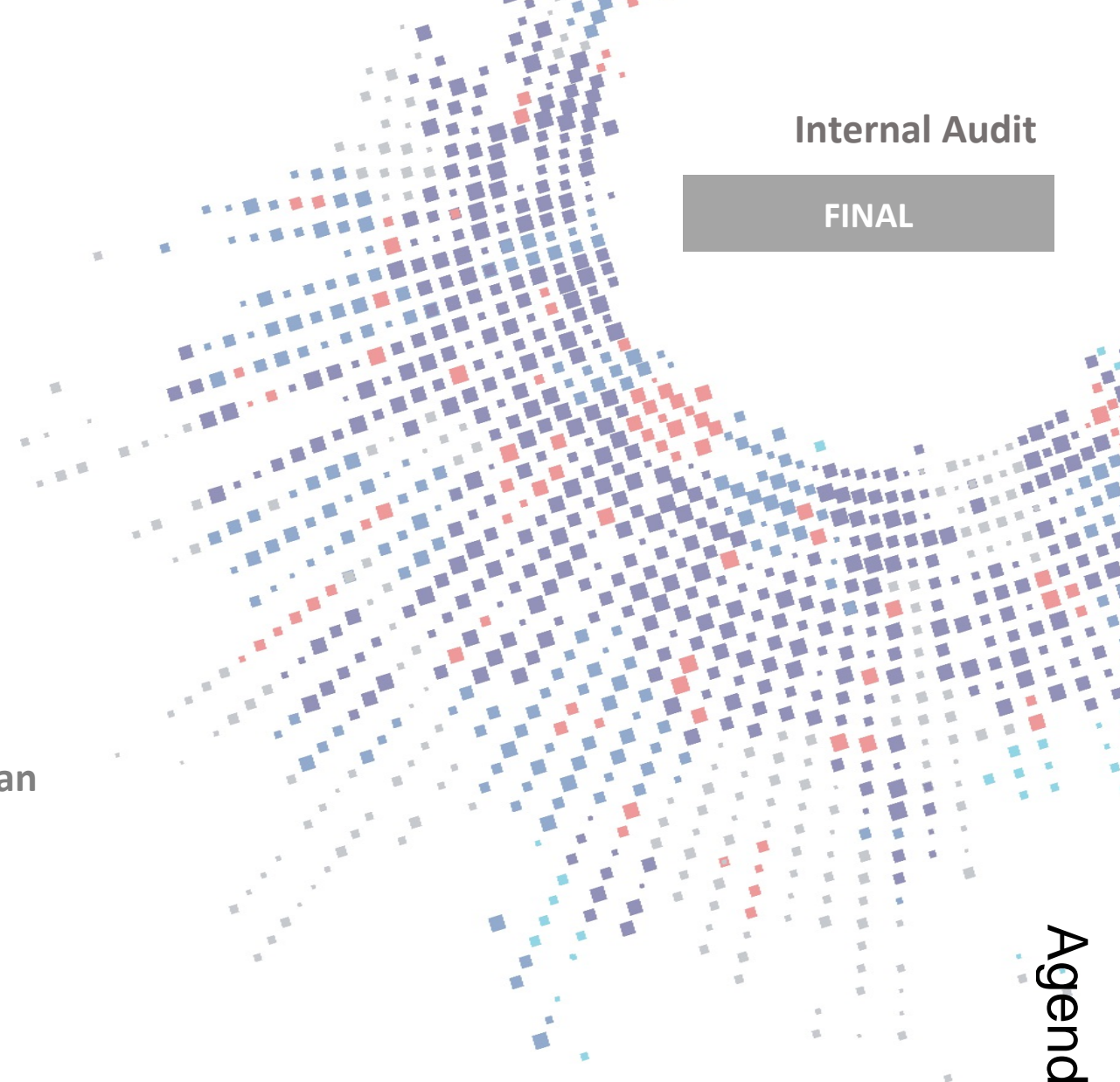
# Dacorum Borough Council

## Audit Strategy and Annual Internal Audit Plan

2020/21

March 2020

Agenda Item 8



# Overview

## Introduction

The Audit Plan for 2020/21 has been informed by a risk assessment carried out across all our Council clients to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

## Key Emerging Themes

This year will be another challenging year for Councils in terms of income, regulation and also the pressures on service delivery. We have identified a number of key areas which require consideration when planning internal audit coverage.

**Post Brexit Transition:** Governance and Risk Registers need to be stress-tested against policy decisions in a post Brexit environment, in particular on procurement and suppliers.

**Financial Challenge** –The model for determining post 2020/21 funding levels will be based on assessment of need through the Government’s Fair Funding Review. Which has been delayed until 2021, the Funding Settlement for 2020 will be a one-year deal.

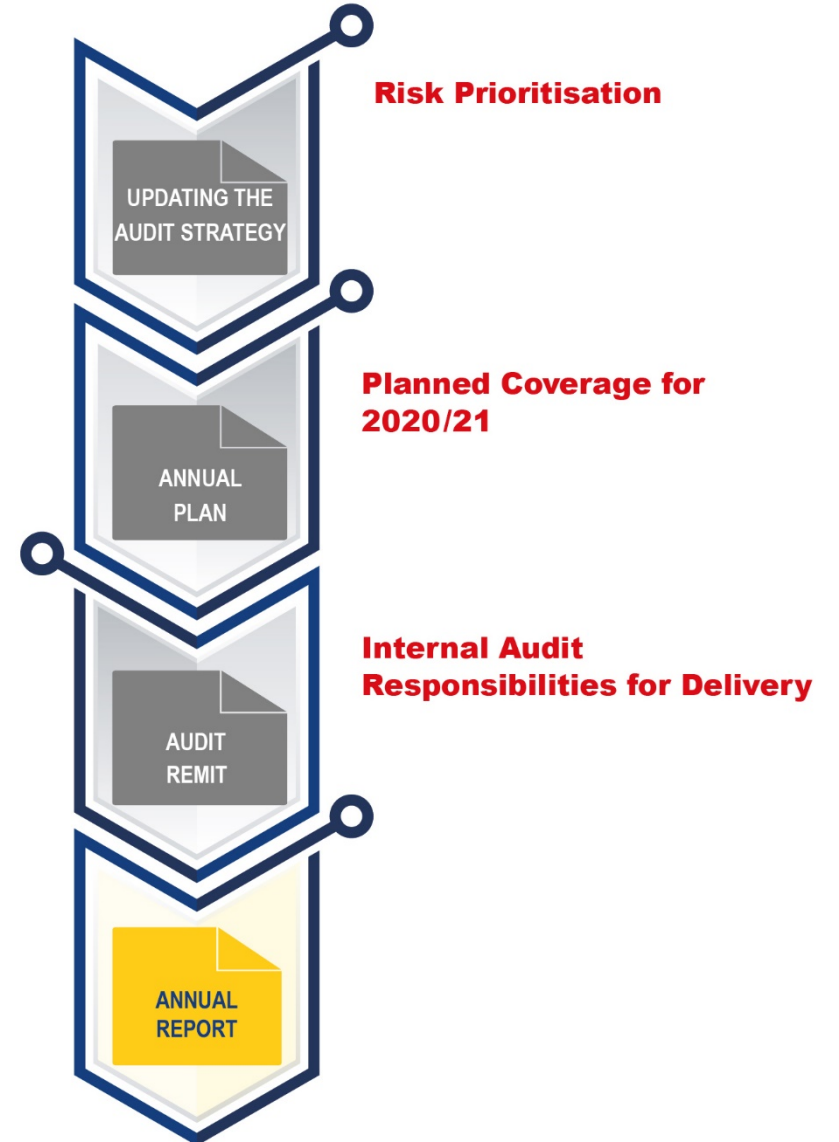
**Staff Changes:** staff changes that have/are occurring will impact on the infrastructure. The council has identified that it is challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas.

**Business Continuity:** Business continuity has been an issue at a number of councils due to flooding and is likely to be tested again through Norovirus.

## Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2020/21 support the Head of Internal Audit’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control as required by TIAA’s charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

2020/21 Audit planning process



## Internal Audit Plan

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### Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Council and those within the sector and has been developed with senior management and the Standards and Audit Committee.

### Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks. Annex A contains the GUARD assessment of key risks in the sector and which has been used to identify those that are most relevant to the organisation and where internal audit assurance would be best focussed.

### Internal Audit Strategy Plan

Following the risk prioritisation review, the Audit Strategy has been updated (Annex B) and the Annual Plan (Annex C) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation, and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of the Annual Plan includes: research, preparation and issue of terms of reference, production and review of working papers and reports and site work. The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and the Council. Where additional work is required, additional days and the aggregate day rate will be agreed in advance and will be clearly set out in the terms of reference.

### Audit Remit/Charter for Councils

The Audit Remit/Charter (Council's) (Annex D) formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position and defines the scope of internal audit activities.

### Reporting

**Assignment Reports:** A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and the IIA UK & Ireland standards.

**Progress Reports:** Progress reports will be prepared for each Standards and Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

**Annual Report:** An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and the IIA UK & Ireland standards. The Annual Report will include our opinion of the overall adequacy and effectiveness of the Council's governance, risk management and operational control processes.

**Other Briefings:** During the year Client Briefing Notes, benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

**Other Briefings:** During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

### Providing Assurance

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance assessment process is set out in Annex D.

### Liaison with the External Auditor

We will liaise with Council’s External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

### Performance

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed in time allocation.	100%
Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
	Final report issued within 10 working days of receipt of responses.	95%
Professional Standards	Compliance with TIAA’s audit charter and the IIA UK & Ireland Standards.	100%

### Conflict of Interest

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA’s audit charter and the IIA UK & Ireland standards, the Council’s requirements and TIAA’s internal policies.

### Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing ‘limited’ or ‘no’ assurance with the prior approval and agreement of the Council. The Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided

that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

### Audit Committee Responsibility

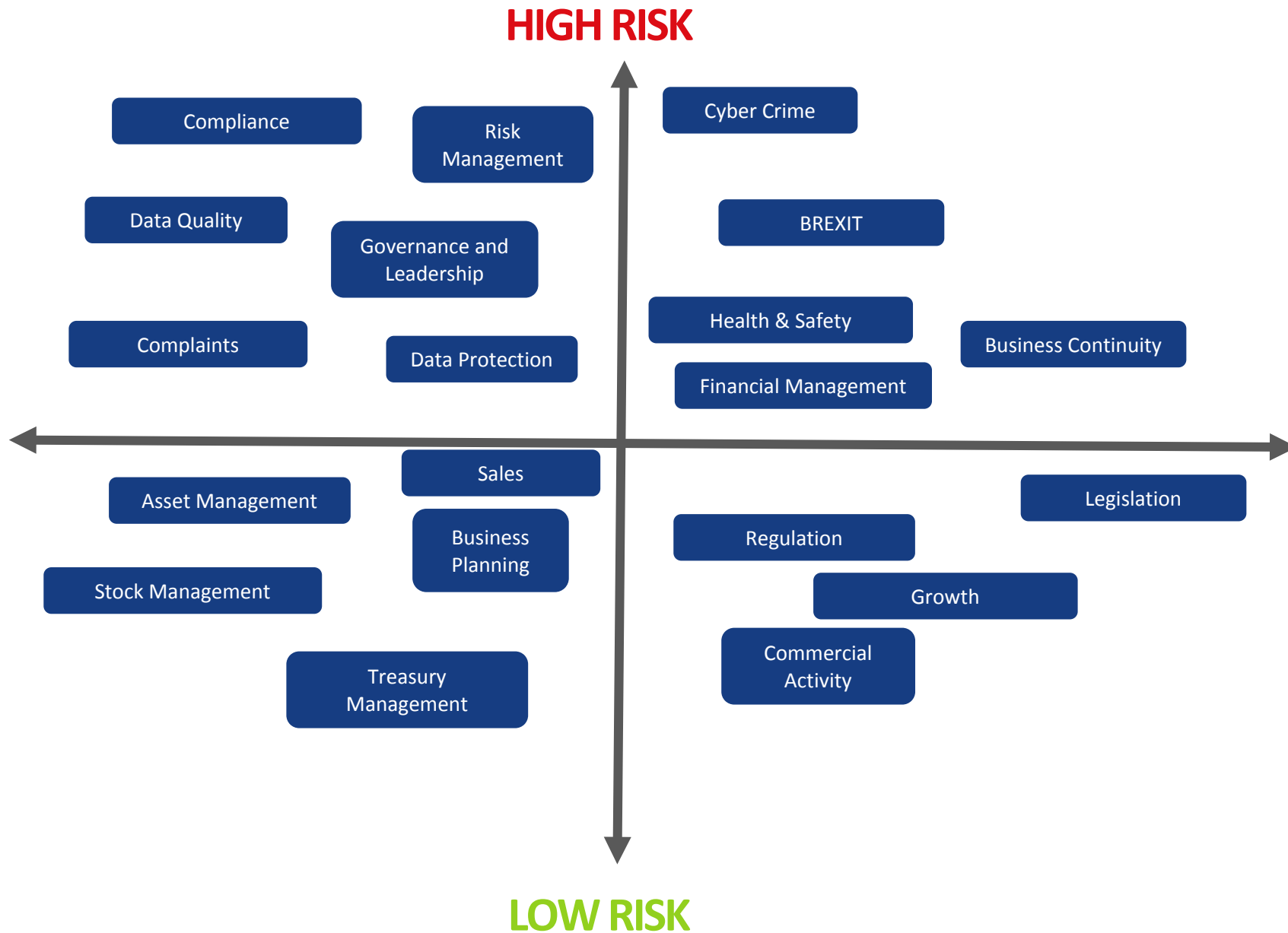
It is the responsibility of the Audit Committee to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee’s requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

### Release of Report

The table below sets out the history of this plan.

<b>Date plan issued:</b>	9 <sup>th</sup> March 2020
<b>Date revised draft plan issued:</b>	13 <sup>th</sup> March 2020
<b>Date 2<sup>nd</sup> revised draft plan issued:</b>	16 <sup>th</sup> March 2020
<b>Date final plan issued:</b>	17 <sup>th</sup> March 2020





Review Area	Type	2020/21	2021/22	2022/23
<b>Corporate Services and/or Council Wide Audit</b>				
Business Continuity	Assurance	✓	✓	✓
Community Safety Partnerships	Assurance	✓		
Human Resources – Absence Management	Assurance	✓	✓	✓
Human Resources – Recruitment	Assurance		✓	✓
Corporate Health and Safety	Assurance	✓		✓
Planning	Assurance	✓		✓
Governance and Risk Management	Assurance	✓		✓
Benefits/Savings Realisation	Assurance	✓		✓
Communications	Assurance		✓	✓
<b>ICT</b>				
Document Management System	Assurance			✓
ICT – Network Security	Assurance		✓	
GDPR/Information Governance	Assurance	✓		
Cybersecurity	Assurance	✓		
<b>Financial Services and Resources Audit</b>				
Key Financial Controls	Assurance	✓	✓	✓
Budgetary Control	Assurance	✓	✓	✓
Council Tax	Assurance	✓	✓	✓
NNDR	Assurance	✓	✓	✓
Insurances (include staff owned vehicles on Council business)	Assurance			✓
Customer Services	Assurance		✓	
Housing Benefits and Council Tax	Assurance	✓		
<b>Operational Audit - Law and Governance</b>				
Procurement/Contracts	Compliance		✓	✓
Housing Rents	Compliance	✓	✓	✓
Freedom of Information	Compliance		✓	✓

Review Area	Type	2020/21	2021/22	2022/23
<b>Operational Audit - Planning and Environment</b>				
Empty Homes	Assurance	✓	✓	✓
Commercial Asset Management	Assurance	✓	✓	✓
Commercial Property	Assurance	✓	✓	✓
Planning Enforcement	Assurance		✓	✓
<b>Operational Audit-Housing and Community Developments</b>				
Housing Repair and Maintenance	Assurance		-	✓
Housing Allocations and Homelessness	Assurance		-	✓
Housing Rents	Assurance		✓	-
Safeguarding/Prevent	Assurance		✓	-
Waste Management	Assurance	-	✓	-
<b>Follow Up</b>				
We will carry out a continuous follow up of internal audit recommendations utilising TIAA's client portal and recommendation tracker.	Follow Up	-	-	✓
<b>Data Analytics &amp; Benchmarking</b>				
Benchmarking Topic to be agreed	-		✓	
<b>Management and Planning</b>				
Briefings	-	✓	✓	✓
Planning	-	✓	✓	✓
Annual Report	-	✓	✓	✓
Management	-	✓	✓	✓
Total Days		✓	✓	✓

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
	<b>Finance Topics</b>				
2&3	Key Financial Controls (Main Accounting/ Treasury Management/Cash and Bank Accounts Receivable/Accounts Payable)	Assurance	SR1	20	<p>Rationale: This is the main financial ledger and an important system for the Councils which is audited annually.</p> <p>Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems.</p> <p>The review comprising a number of compliance checks on activities in the areas of core financial responsibility for the organisation. The checks to be carried out against the authorised procedures, and for any non-compliant transactions additional checks to be performed to establish whether the organisation’s responsibilities and accountabilities had been met.</p>
2	Budgetary Control	Assurance	SR1	8	<p>Rationale: Budgetary Control is a fundamental finance system that is audited every other year. The Council is currently in the final year of a 4-year funding deal with MHCLG, which has provided relative certainty over the minimum level of funding the Council can expect until April 2020.</p> <p>Scope: The control objectives that will be considered as part of this audit include:</p> <ul style="list-style-type: none"> <li>Formally approved budgets are set each year, taking into account all relevant income and expenditure</li> <li>All budget adjustments (including virements) are authorised</li> <li>The financial management system accurately reflects the agreed budgets</li> <li>Budgets are allocated to named individuals</li> <li>Budgets are adequately monitored</li> <li>The budget position is regularly reported</li> <li>Appropriate financial reserves are maintained in line with assessed risks.</li> </ul>
1	Council Tax	Assurance	SR1 -	8	<p>Rationale This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems.</p> <p>Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.</p>

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
3	NNDR	Assurance	SR1 -	8	<p>Rationale This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems.</p> <p>Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing NNDR.</p>
2	Housing Benefits and Council Tax	Assurance	SR1 -	8	<p>Rationale: This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems.</p> <p>Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for benefits.</p>
	<b>Operational Risks</b>				
1	Community Safety Partnerships	Assurance	SR6 -	7	<p>Rationale: The Council's corporate priorities include 'a clean, safe and enjoyable environment' and 'building strong and vibrant communities'. Efficient and effective governance arrangements for Community Safety Partnerships are key to ensuring that statutory duties surrounding Community Safety are met and that CSP priorities and targets are delivered, in order to reduce crime and anti-social behaviour to make the borough safer for all residents.</p> <p>Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing Community Safety. The audit will focus on the following key areas:</p> <p>Strategies are in place for the reduction of crime and disorder, and for combatting the misuse of drugs in the area, in accordance with statutory requirements;</p> <p>There are adequate governance arrangements in place to assist in the delivery of actions identified in the Community Safety Partnership (CSP) Plan;</p> <p>Guidance is provided to local residents to raise awareness of Community Safety issues;</p> <p>Grant schemes and other available funding are suitably identified and applied for, with spending outcomes adequately reported; and</p> <p>There is adequate performance monitoring and reporting to the CSP and Council Members in respect of crime and disorder reduction and progress against action plans.</p>

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
1	Business Continuity	Assurance	SR6 -	10	<p>Rationale: Business Continuity is key for maintaining essential services to the community and Business Continuity Plans need to be tested to confirm they are resilient and able to provide continuation of business as usual. A periodic audit will provide assurance that Services will continue as required after a disruption.</p> <p>Scope: The review will assess the adequacy and effectiveness of the internal controls in place at the Council for managing the business continuity planning process and ensuring that the Council is resilient to disruptive events that may impact upon the organisation. The audit will focus on the following key areas:</p> <p>Business Continuity risks per the Strategic and Operational risk registers have action plans to mitigate risk;</p> <p>Appropriate Corporate and Service Continuity plans are in place, which are regularly reviewed and readily accessible to staff;</p> <p>Business Impact Assessments are completed on a regular basis;</p> <p>Staff and additional financial resources required to execute the plans are adequate and available;</p> <p>Adequate training is provided to officers to ensure they are fully aware and understand their responsibilities in the event of an incident occurring; and</p> <p>Business Continuity Plans are periodically tested to ensure their effectiveness, with lessons learned being integrated into the planning process.</p>
2	Planning	Assurance	SR1	10	<p>Rationale: This is a periodic audit to provide assurance over the Planning process.</p> <p>Scope: The audit will include the following keys areas of activity:</p> <ul style="list-style-type: none"> <li>Delegation to Officers</li> <li>Monitoring</li> <li>Data and Information Security</li> <li>Risk and how this is managed</li> <li>Managing Income Streams</li> <li>Communication</li> </ul>

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
3	Housing Rents	Assurance	SR5 -	10	<p>Rationale: Due to the high volume of transactions and the income involved this is a high risk area and subject to an annual audit. The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.</p> <p>Scope: To audit will review the following key areas:</p> <p>There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them,</p> <p>Recommendations from the previous audit report have been implemented,</p> <p>Rents due are being collected and promptly allocated to the correct rent accounts,</p> <p>Benefits awarded are being properly allocated to the correct rent accounts,</p> <p>Case records provide a management trail and complete case history</p>
4	Empty Homes	Assurance	SR5 -	10	<p>Rationale: The council has rolled out council tax relief changes to empty homes in 2019/20. This audit will be able to ensure successful implementation of the policy in regard to empty homes.</p> <p>Scope:</p> <p>It is import that maintaining a fit for purpose housing stock and that turnaround is kept to a minimum. Ascertain and report on the systems and processes the council has in place to ensure empty homes are kept to a minimum and compliance with procedures and provide assurance that these are designed and operating effectively. Including compliance with the Decant policy</p>
	<b>Strategic</b>				
1	Commercial Asset Management	Assurance	SR6 -	15	<p>Rationale: Commercial Rents are a major income stream for the Council and an annual audit is required to provide assurance that all rents are collected in accordance with the rental/lease agreement</p> <p>Scope: The review will consider the following key areas:</p> <p>How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise.</p> <p>The current portfolio of commercially rented properties and how these are managed/verified are accurate.</p> <p>To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place.</p> <p>To establish that the database of commercial properties is accurate and up to date.</p>

Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
					To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement
2	GDPR/Information Governance	Assurance	SR4	10	<p>Rationale: Failure to comply with the new General Data Protection Regulations could mean very substantial fines. An assurance audit to assess compliance with the Regulations will help to identify any weakness or omission.</p> <p>Scope: To review compliance with the General Data Protection Regulations (GDPR). The review will directly assess how compliant the Council is with the GDPR. This will include key elements such as (but not limited to):</p> <ul style="list-style-type: none"> <li>Privacy Impact Assessments</li> <li>Data Subject rights (e.g. Right to be forgotten)</li> <li>Data Classification and Asset management</li> <li>Data Security</li> <li>Breach Management</li> <li>Governance</li> <li>Consent</li> <li>Data Controllers &amp; Processors</li> </ul>
2	Corporate Health and Safety	Assurance	N/A	10	<p>Rationale: Corporate Safety is a high risk area with a high a high impact for non-compliance with mandatory regulation and guidelines.</p> <p>Scope: Ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance.</p>
3	Cyber Security	Assurance	SR4	10	<p>Rationale: The actions have been appropriately embedded within the organisation and recorded, that they have a responsible officer and assigned completion date and where relevant actions have been completed in a timely manner;</p> <p>That cybersecurity risks have been identified and where local systems are in use that local registers identify risks and that controls have been identified and are being undertaken;</p> <p>Scope: To determine that an appropriate structure is in place to support controls over cyber security across the organisation; and</p> <p>That appropriate funding is in place to support a robust infrastructure.</p>
1-4	Governance and Risk Management	N/A	All	10	Workshops Risk Training
1	Benefits/Savings Realisation	Assurance	SR1	10	To provide assurance processes are in place to measure initiatives.



Quarter	Review	Type	BAF/Risk Ref.	Days	Risk, Rationale and Scope
1-4	Follow-up	Follow up		10	Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Organisation is implementing recommendations, and providing reports to the Audit and Risk Committee.
1-4	Management, Planning & Audit Committee Reporting	Management		10	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
	Strategic Risk Update			5	
	Audit Committee Training			5	
	Ad Hoc			25	
1	Annual Planning	Management		4	Assessing the Organisation's annual audit needs – requirement of Internal Audit Standards.
4	Annual Report	Management		2	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1-4	Client Portal				The client portal provides a one stop shop of internal audit reports, progress and recommendation tracker as well as briefings, fraud alerts, fraud updates and committee briefings.
<b>Total days</b>				<b>225</b>	

## Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. TIAA is responsible for giving assurance to Council's "Governing Body" (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of Council's risk management, control and governance processes.

## Scope

All Council's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Council's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Audit Committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

## Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Council's and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

## Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the Chartered Institute of Internal Auditors – UK & Ireland standards.

## Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within Council's and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Council's management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

## Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

**Corporate Assurance Risks**

We consider four corporate assurance risks; directed; compliance; operational and reputational, and tailor the type of audit accordingly. For all types of audit we also taken into account value for money considerations and any linkages to the organisational Assurance Framework. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

**Assurance Assessment Gradings**

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

**LEVELS OF ASSURANCE PROVIDED**



**Benchmarking**

Where a similar review is carried out at a number of our clients we will subsequent to the completion of the review at each of the clients we will where relevant provide a benchmarking and lessons learned digest. This digest will include Operational Effectiveness Matters for the Council to consider.

**Types of Audit Review**

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.

