



Audit Agenda

Wednesday 27 April 2016 at 7.30 pm

DBC Council Chamber - Civic Centre

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 Taylor (Chairman)
Councillor G Adshead
Councillor Barnes

Councillor Douris
Councillor Tindall
Councillor W Wyatt-Lowe

Substitute Members:

Councillors Anderson, Ransley, Brown and Link

For further information, please contact J Doyle on 228222.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

2. DECLARATIONS OF INTEREST

To receive any declarations of interest

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

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

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

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

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

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

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

3. MINUTES AND ACTIONS (Pages 4 - 14)

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

The amended Audit Plan follows the minutes.

4. PUBLIC PARTICIPATION

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

5. STRATEGIC RISK REGISTER Q3 2015/16 (Pages 15 - 32)

6. 2014/15 CERTIFICATION OF CLAIMS AND RETURNS (Pages 33 - 41)

7. INTERNAL AUDIT PROGRESS REPORT - APRIL 2016 (Pages 42 - 149)

Internal Audit Reports

- Core Financial systems
- Budgetary Control
- NNDR
- Housing Benefit – Council Tax Support
- Data Security
- Health & Safety
- Member Training & Expenses

8. AUDIT COMMITTEE WORK PROGRAMME - APRIL 2016 (Page 150)

Agenda Item 3

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

10 FEBRUARY 2016

Present:

Councillors: Taylor (Chairman)
Douris W Wyatt-Lowe

Officers:

J Deane	Corporate Director (Finance & Operations)
D Skinner	Assistant Director (Finance & Resources)
C Baker	Group Manager (Revenues, Benefits and Fraud)
J Doyle	Group Manager Member Support

Others:

M Clarkson	MAZARS
S Knowles	MAZARS
N Harris	EY LLP
H Ormiston	EY LLP

The meeting began at 7.30 pm.

70. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Barnes, Tindall and G Elliot-Portfolio Holder for Finance & Resources.

71. DECLARATIONS OF INTEREST

None.

72. MINUTES AND ACTIONS

The minutes of the meeting on 16 December 2015 were agreed by the Councillors present and signed by the Chairman.

Action:

That the Strategic Risk Register is to be an item on the agenda for the next meeting and M Gaynor be asked to attend to update on Risk I3, securing significant investment in infrastructure.

73. PUBLIC PARTICIPATION

None.

74. DBC AUDIT PLANNING BOARD REPORT 2015/16 (Item 5)

Neil Harris of EY LLP introduced this item taking the committee through the key points of the report. He felt a key element of this year's audit would be establishing that the council has put in place governance arrangements to ensure economy, efficiency and effectiveness.

He drew attention to the Financial Statement Risks set out in the report and how the Audit will assess these risks. He went on to highlight two areas of general interest – Property Asset Valuation and Accounting and the Risk of Fraud in Revenue Recognition.

The audit will look at the accounting practices; how the asset base is dealt with and how valuations are carried out to ensure that the management's judgements reflect national guidance.

Councillor W Wyatt-Lowe (WWL) requested the auditors to expand on how they would detect and measure 'management bias and he suggested this might require a review of journal entries which were made by senior officers. The auditors confirmed that they would be looking for certain key terms; e.g. payment deferred; referrals to another officer, how accruals stack up, etc.

Cllr WWL went on to ask if their examination would exclude or include procurement bias and he was assured that is an area to which the audit will pay careful attention.

Cllr Douris asked the DBC officers if they felt there are there any weaknesses in the systems that could lead to officer misjudgments and what was currently being done to prevent it.

J Deane, Corporate Director (Finance & Operations) (JD) admitted that misjudgments are possible but DBC have in place robust measures to mitigate this sort of risk.

The Internal auditors agreed they would assist in producing procedures and processes to ensure this should not happen.

Neil Harris then turned to the risk based examination of the council's arrangements to ensure Value for Money. They will concentrate on three areas:

- informed decisions
- deployment of resources
- The work done with partners and third parties.

Cllr Taylor felt certain that the four involved parties; the external auditors, DBC officers, internal auditors and the council members will all work toward the same aim of a good audit.

27 July is the target for the final report opinion to be produced and returned to the audit committee

Cllr W Wyatt-Lowe asked if it is appropriate that the external experts EY LLP are to use to examine loans are the same ones we approach for the loans. Neil Harris assured the committee that the auditors will use more than one valuer and agreed with Cllr Douris that the same will apply to those asked to look at property valuations.

Cllr Douris asked the DBC officers if the Council valued our properties according to national rates/values and was informed that it depended on the type of property.

75. INTERNAL AUDIT Progress report (Item 6)

M Clarkson of Mazars, the Internal Auditors introduced the item and informed the committee that progress is in line with the Audit plan.

He drew attention to the excellent result achieved by Council Tax and the committee

commended this service for its effectiveness.

The committee moved on to consider three audit recommendations still outstanding from 2014/15.

The first of these dealt with a comprehensive demand data failure and Cllr WWL asked for an explanation. It was explained that the failure occurs because demand is not being met elsewhere in the council.

Cllr Douris expressed dismay at the response from Trees and Woodlands to the two outstanding recommendations referring to that service. He said that the audit committee will not accept responses such as this without adequate explanation and he asked for an update from the service.

Action:

That Trees & woodlands be requested to produce an explanation and an update.

76. DBC INTERNAL AUDIT PLAN (Item 7)

Mike Clarkson of Mazars introduced this report and began by saying that the plan had been agreed in consultation with DBC management using their experience of working in partnership and that they have concentrated on areas identified by DBC management.

Cllr W Wyatt-Lowe suggested that when looking at the operation of payroll and pensions the auditors should also include the arrangements for auto enrollment.

He suggested that they examine the systems for forecasting the contribution of the Community Infrastructure Levy (CIL).

He finished his suggestions by proposing that the scope of the audit of ITC should be identified by more than the managers of the service.

Sarah Knowles of Mazars responded that the plan is still being formed, the committee's suggestions can be included and the actual audits will be agreed with Rob Smyth, assistant Director of Projects & Performance and those monitoring performance.

D Skinner, Assistant Director Finance & Resources added that the plan before the committee has been the subject of a good deal of discussion at Corporate Management Team.

Cllr Douris returned to the audit of how CIL will be operated and said that the CIL accounting process will be a hugely significant part of the planning process. He advised that deciding when CIL is applied or payable needs to be formalized properly and we need to ensure that this is established through good processes so that the council does not miss out or lose money because it ran out of time.

77. EXCLUSION OF THE PUBLIC

Resolved:

That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the items in Part 2 of the Agenda for this meeting, because it

is likely, in view of the nature of the business to be transacted, that, if members of the public were present during those items, there would be disclosure to them of exempt information relating to the financial and business affairs of the Council and particular persons.

78. INTERNAL AUDIT Council Tax (Item 10)

Mike Clarkson (MC) of Mazars introduced this item and the members had a short discussion on the processes for collection of monies.

MC pointed out that those managing Council Tax had produced full and comprehensive responses which had assisted in formulating the recommendations.

The chairman voiced the committee's praise for Chris Baker and those managing the service. In his opinion they had done all possible to merit a 'Full and Full' evaluation and testing assessment and that they should be proud of their achievement. He added that he was pleased to see that the recommendations have been agreed and addressed and that the service has put even stronger measures in place for the future.

He concluded by saying this is a good result, about which they should feel proud, and that the manager should take back to his team the awareness and appreciation of the committee

79. WORK PROGRAMME 2015/16 (Item 8)

The members considered the Audit Committee work programme for 2015/16

Action;

Strategic Risk to be added to agenda for the April meeting.

The meeting ended at 8. 20 pm



Dacorum Borough Council

Internal Audit Operational Plan 2016/17

April 2016

This report has been prepared on the basis of the limitations set out on page 5.

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1. Background

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

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

2. 2016/17 Audit Planning

As part of the audit planning, for 2016/17 we have prepared a proposed plan of internal audit work for the period 1 April 2016 to 31 March 2017.

The Internal Audit Plan 2016/17 was developed based on:

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

The Internal Audit Plan 2016/17 detailed in Appendix A particularly seeks to:

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

The Internal Audit Plan will remain flexible during the current financial year to adapt, as required, to the changing needs of DBC. Any proposed changes to the Internal Audit Plan, in year, will be presented to the Audit Committee for approval. Appendix A contains the proposed timings of the audits for 2016/17.

Internal Audit Plan 2016/17

Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2016/17	Proposed Quarter 2016/17
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2016/17, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	F7	Operational	15	Q3
	Treasury Management, Cash & Bank					
	Accounts Receivable					
	Accounts Payable					
	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	F7, FR_F03	Operational	7	Q4
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	FR_R01	Operational	8	Q3
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	FR_R01	Operational / Business Change	6	Q4
	Housing Benefit & Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	FR_R02	Operational / Business Change	8	Q4
	Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, etc.	C6	Operational	8	Q3
Core Financial Systems Total					52	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2016/17	Proposed Quarter 2016/17
Operational Risks	Homelessness	Covering adequacy and effectiveness of controls over homelessness, including the approach to developing the Homelessness Prevention Strategy	HL_F02	Operational	10	Q2
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	ND_F01, HL_F03, CE_R08	Operational	10	Q2
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	F6	Operational	10	Q1
	Human Resources	Covering adequacy and effectiveness of key controls over recruitment, workforce planning, sickness absence and training	C5,C6, ND_I03	Operational	10	Q4
Operational Risks Total					40	
Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2016/17	Proposed Quarter 2016/17
Strategic Risks	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its collection and accounting processes.	I3	External / Emerging	15	Q1
	Programme/Project Management	Programme/Project management assurance in respect of Digital Dacorum. A sample of projects in the programme will be selected.	PP_R011	Business Change	15	Q3
	Commercial Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, void management and performance management.	FR_I02	Operational	14	Q1
Strategic Risks Total					44	
Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2016/17	Proposed Quarter 2016/17
ICT	ICT Security	The specific scope will be agreed with management but would look to provide assurance over policies and procedures, access controls and incident management.	C7	Operational		Q3
	Digital Dacorum (including CRM)	The specific scope will be agreed with management but would look to provide assurance over pre and post implementation reviews, with focus on strength of controls.	C7, R5	Operational / Business Change		Q1

ICT Total					30	
Governance, Fraud & Other Assurance Methods	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.		All	10	Q1-Q4
	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities		All	10	Q4
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management.		Operational	12	Q1-Q4
	Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	C6, F7	Operational	10	Q3
Fraud & Other Assurance Methods Total					42	
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.			10	
	Management (including Audit Committee Training)				25	
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Director (Finance & Operations). -Housing Allocations -The Forum			15	Q1 Q3
					10 5	
Other Total					65	
Total					273	

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars LLP

London

April 2016

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AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	27 April 2016
PART:	1
If Part II, reason:	

Title of report:	Strategic Risk Register Quarter 3 2015/16
Contact:	Cllr Graeme Elliot , Portfolio Holder Finance & Resources James Deane , Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the Quarter 3 update on the Strategic Risk Register
Recommendations	That the content of this report is noted and that Committee seek further assurance where required.
Corporate objectives:	Dacorum Delivers – Risk management is an essential part of ensuring that the Council meets all of its objectives
Implications:	<u>Financial</u> None identified.
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report these minimum balances are secured. Budget exercises for 2015/16 have ensured that the minimum balance requirements will also be met for the next financial year.
Risk Implications	Effective risk management is an important factor in all policymaking, planning and decision making.

	Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments
Equalities Implications	Equality Impact Assessment reviewed/carried out* Not applicable
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	Risk Management working paper files Cabinet, October 2014, Agenda Item 10

BACKGROUND

1. The revised Strategic Risk register showing the position at the end of Q3 2015/16 is attached at Appendix A.
2. At its meeting in October 2014 , Cabinet agreed the following recommendation contained within the report entitled 'Revised Strategic Risk and Opportunity Register'

An annual review of the SRR with the focus on risk identification for the future, to involve Cabinet, Leader of the Opposition and the Chief Officer Group;

3. Following the review of the Strategic Risk Register in July 2015, an updated risk register was produced.
4. The Strategic Risk Register will continue to be reported to Cabinet for review on a quarterly basis, scrutiny will be provided by Audit Committee.

STRATEGIC RISK REGISTER

December 2015



C5 - The Council fails to comply with the regulatory framework within which it must operate.

Category: Legal & Regulatory	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Cllr Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	2 Unlikely	2 Medium	4 Green
Consequences		Current Controls		Assurance	
<div>Page 17</div> <p>As a public sector organisation, there a number of regulatory frameworks which govern the way in which the Council must operate both on a day-to-day basis and in the discharging of one-off duties or actions.</p> <p>Generally, compliance with these frameworks is considered an operational risk and is monitored and managed through a combination of the Operational Risk Register and Performance Indicators which are reported to the relevant Overview and Scrutiny Committees.</p> <p>However, there is a risk that in some circumstances failure to comply with regulations could result in a number of consequences for the Council that are sufficiently negative and high profile in nature to become, for a short time, strategic in nature.</p> <p>For example, failure to follow the correct protocols prescribed under the data protection legislation could result in the following consequences for the Council:</p>		<p>The Council has a number of strategies and policies in place which aim to provide clarity in the way Council Members and staff should operate.</p> <p>These documents are reviewed and updated periodically by Officers who are experts in the field and are frequently the subject of Internal Audit reviews in order to provide Members with independent, third-party assurance.</p> <p>These processes mitigate the likelihood of this risk crystallising and have resulted in my reducing the inherent risk score from ‘4’, Very Likely, to ‘2’, Unlikely.</p> <p>Data Protection policy & procedures Health & Safety policy & procedures Risk Management framework Safeguarding policy & procedures Financial Regulations Procurement Standing Orders Constitution</p>		<p>The Financial Regulations (Main Accounting) and Emergency Plan were audited by Mazars, the Council's Internal Auditors in 2014/15 and achieved a FULL level of assurance.</p> <p>The Risk Management framework and Procurement Standing Orders were audited in 2014/15 and achieved a SUBSTANTIAL level of assurance.</p> <p>Data Protection, Health and Safety, the Constitution (Corporate Governance) and the Financial Regulations (Main Accounting) are in the Internal Audit plan for review in 2015/16.</p>	

STRATEGIC RISK REGISTER

December 2015



<p>1. Disclosure of personal information causing harm to a resident</p> <p>2. High profile negative publicity regarding the way the Council operates</p> <p>3. Significant financial penalty imposed by the Information Commissioner</p> <p>This risk has been included on the Strategic Risk Register to ensure that there is scope to escalate an operational risk for Cabinet consideration and Audit Committee scrutiny should there be a period of intensified risk in a specific regulatory area.</p>	<p>Emergency Plan</p> <p>Human Resources terms & conditions</p>	
Sign Off and Comments		
<p>Sign Off Complete</p> <p>As at the end of Quarter 3, there is no update to the probability or impact of this risk.</p>		

C6 - The Council does not attract and retain the skill sets within its workforce that will enable it to maximise opportunities for delivering its services more efficiently through increased partnership working.

Category: People/Employees	Corporate Priority: Dacorum Delivers		Risk Owner: Steve Baker	Portfolio Holder: Cllr Neil Harden	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	2 Unlikely	4 Severe	8 Amber
Consequences		Current Controls		Assurance	
• The quality of service delivery is likely to be adversely affected due to a lack of resources and/or skills to effectively deliver services through increased		• A core management competencies training programme ('Leading in Dacorum')is about to be launched which will equip managers with a variety of		• The Council’s current employee turnover is around 9%, which is considered to be a healthy turnover and compares well against an average turnover in the public	

STRATEGIC RISK REGISTER

December 2015



partnership working.

- There is likely to be a reduction in efficiency savings due to inability to create more effective partnerships.
- There is also likely to be a negative impact on any proposals for devolved powers.
- A failure to create more examples of effective partnership working will result in a higher likelihood of back office and front line services being reduced as the financial constraints on the Council's budget continue to tighten.

skills. The programme, which will run continuously throughout the year, consists of 9 individual courses -

- Briefing with Impact (starting on 26/01/16)
- People Management (starting on 04/02/16)
- Effective Promotional Report Writing (starting on 25/02/16)
- Producing an Effective Business Case (starting on 29/02/16)
- Developing Commercial Awareness (starting on 02/03/16)
- Understanding Strategic Thinking (starting on 16/03/16)
- Governance/Constitution & Council Decision Making Process (starting on 12/04/16)
- Process Re-engineering (starting on 19/04/16)
- Finance & Budgeting (starting on 05/07/16).

Some of the above dates are provisional and may change before the programme is launched. This control will reduce the risk because managers will be more aware of the importance of exploring the opportunities for increased partnership working.

- All leadership appointments are subject to behaviour tests which will assist with assessing their understanding and approach to partnership working. This control will reduce the risk as it will ensure that candidates who are appointed to leadership positions within the Council will have demonstrated that they display a positive approach to partnership working.

sector of approximately 18% (from CIPD figures).

- Opportunities for collaboration and shared services are being actively considered across Hertfordshire in relation to Legal, HR, Information Management, Insurance and Payroll Services.
- Recruitment for leadership posts is generally competitive with a good number of applications being received from suitably qualified candidates for vacant posts. Only one leadership post has had to be re-advertised in the last two years.

STRATEGIC RISK REGISTER

December 2015



<p>Page 20</p>	<ul style="list-style-type: none"> • A new workforce strategy for the period 2016 to 2020 is to be developed to ensure the Council has the right people with the right skills in place during this period. This control will reduce the risk because it will ensure that the Council has an up to date strategy for identifying what skills are required and how the Council will recruit people with those skills. • The new approach for service planning for 2016/2017 focusses heavily on service innovation, service efficiencies and workforce planning. This will feed through in to individual objectives as part of the appraisal programme for employees which is supported by specific training development plans to help employees achieve their objectives. This control will reduce the risk because it will ensure that the need to explore service efficiencies through partnership working is cascaded down from the leadership team to individual team members. 	
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Sign Off and Comments

Sign Off Complete

In accordance with the Audit Committee's request, specific details of the forthcoming 'Leading in Dacorum' training programme have been included as far as they are known. Some of the dates are still to be confirmed.

C7 - Controls do not develop at a sufficient pace to keep track with the continually emerging data protection risks

Category: Corporate	Corporate Priority: Dacorum Delivers		Risk Owner: Sally Marshall	Portfolio Holder: Cllr Neil Harden	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score

STRATEGIC RISK REGISTER

December 2015



3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
<p>Cause of Risk - The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services.</p> <p>It is also required by the Data Protection Act and Government's Public Sector Network (PSN) Code of Connection (CoCo) to maintain confidentiality, integrity, availability and appropriately authorised use of the data.</p> <p>With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information storage sources, controls on data management and security have become complex and important.</p> <p>Consequences of Risk –</p> <ol style="list-style-type: none"> 1. Poor decision making due to ineffective use of or insufficient availability of data and information sharing. 2. Loss, misrepresentation or unauthorised disclosure of sensitive data, DBC has the potential to be susceptible to cyber-attacks or sabotage. 3. Under performance. Breach of Data Protection Act leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs. 4. Significant interruption of vital services leading to 		<p>Information Security Officer appointed -responsibilities include:</p> <ul style="list-style-type: none"> • the Council's Corporate Information Assurance specialist • the custodian, owner and updater of ICT Security and Information Governance strategy, policy and procedure ensuring that the Council complies with the latest legislation in terms of ICT Security standards and compliance. • To ensure that the Council's policies and procedures regarding ICT Security and Information governance are adhered to across all the Council's services. • To keep informed of relevant technical innovation and changes to technological, infrastructure, telecom and software systems in relation to Information Security. • To be the custodian and owner of Information Security and Governance Standards. • To manage Information Security and Governance strategies and to support the Council in the future development of Information Security, Governance and Business Continuity. • To train Council Staff, Members on Information Security, Data Protection Act and Freedom of Information Acts. <p>Compulsory training for staff on Data Security</p>		<ul style="list-style-type: none"> - Information Security Officer appointed - Various ICT policies and procedures in place - Compulsory training for staff on Data Security 	

STRATEGIC RISK REGISTER

December 2015



failure to meet duties and to protect people, finances and assets.

5. Potential damage to DBC's reputation.

Sign Off and Comments

Sign Off Complete

In November we were received our PSN compliance - which demonstrates that our processes and network & security controls are compliant with the requirements of the Cabinet Office. We have also provided updated training on information security, data protection and FOI to Members and staff. As part of the move to the Forum we are also developing a series of plans to ensure that we properly manage the movement and disposal of any physical information. It is also worth highlighting that in Q4 there will be an internal audit on our approach to data security.

Changes to legislation could negatively affect the medium to long term viability of the HRA Business Plan.

Category: Financial	Corporate Priority: Affordable Housing		Risk Owner: Mark Gaynor	Portfolio Holder: Cllr Margaret Griffiths	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	4 Very Likely	3 High	12 Red
Consequences		Current Controls		Assurance	
Since the ‘once and for all’ settlement with government on the self financing of the HRA there have been major legislative and policy changes which, overall, have impacted detrimentally on the HRA Business Plan: • The re-invigoration of the RTB which has increased sales from around 15-20 per year to well over 100 • The parallel introduction of the RTB ‘one for one’ replacement scheme where the Council can use receipts to build new homes but only to pay for 30% of costs (leaving the other 70% to be sourced)		Elements of the changes are yet to apply (the rent changes start from April 2016) and the current controls – proper business planning, the disciplines of the MTFS, project and programme management arrangements, effective contract management, annual efficiency programmes and so on – reflect on the existing position and could provide sufficient mitigation to the long term business plan. The controls proposed for the new changes – if the proposed legislation is enacted – will only mitigate the impact to an extent as the scale of		A remodelling of the HRA Business Plan has been made to take account of the impact of the changes which will be considered by Cabinet (initially in November 2015 and periodically thereafter). This has demonstrated that the current new build programme can be completed. The ability to extend this further will depend on the success of the mitigations above.	

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• A change to national rent policy which moved from RPI + 0.5% to CPI + 1% and ending the process of reaching target rents (leaving 60% of DBC properties below target)

The government now propose two further changes which, if enacted, will further constrain the capacity of the HRA Business Plan viability:

• A rent reduction of 1% per year for four years and a complete inability to make any progress towards convergence to target rents (a reduction of income of £20M over the first four years and over £500M over the lifetime of the HRA Business Plan)

• Enforced sales of 'high value' council homes as they become vacant to fund Housing Association RTB
The first of these changes is already in draft legislation and the assumption must be that it will happen. The consequences are very significant, and even with mitigation will continue to be so:

The financial viability of the HRA to meet its current business plan objectives in full cannot be made due to loss of income and economies of scale as stock numbers diminish.

Services to tenants will have to reduce, including proposed investment in the existing stock, to deal with the scale of resource reduction.

The new build programme at its proposed scale will have to reduce, and possibly cease, in order to provide services to tenants and balance the books.

That resources provided through RTB one for one replacement will be unused and lost to the Borough as it

change, compounded with previous changes, are so significant. The controls are as follows:

A complete review of the HRA Business Plan to spread the impacts over activities and over time. Initially, in order to deliver the current new build programme, this will be focused on a slowing down of the investment into current stock.

Reducing the costs of running the service through efficiency and service redesign (in partnership with tenants and leaseholders).

Improved procurement of services and renegotiation of existing contracts (though these have been procured within the last year or so and will restrict potential). This would include seeking shared services with other partners and models of operation which reduce the overheads of the HRA.

Maximising the income to the HRA by altering use of parts of the stock (increased use of HRA stock for temporary accommodation and provision of low level care as part of a tenancy where rent controls do not apply).

Altering the tenure mix of the current new build programme to include shared ownership and market sale in order to cross subsidise new rented provision. This could incorporate an element of affordable rent to increase revenue.

Development of a partnership approach to use of RTB one for one replacement funding with local Housing Associations in order to minimise losses of resource to the Borough and to increase supply of new homes.

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is returned to the Treasury as a result of the Council's inability to provide the 70% match funding and as Housing Associations reduce their supply of new affordable homes (as a result of the same legislative changes impacting on the Council).
The Council's housing stock will progressively reduce through RTB, enforced sales and reduction in new build which will reduce its ability to meet the housing needs in the Borough and achieving the strategic objective of increasing the supply of affordable homes.

Fully exploring the potential of a Local Housing Company to improve the cost of delivery of new homes alongside the benefits to the General Fund.

Lobbying of government regarding the disproportionately severe impacts of the changes, though historical reasons, on DBC seeking some local amelioration.

Ensuring that our intelligence on the changing position and on developments within the sector are fully up to date through membership of ARCH, liaison with CIH and other key bodies.

The following controls are in place already with regard to the financial and strategic management of the HRA Business Plan:

- An annual refresh of the HRA Business Plan reported both to CMT and to Cabinet
- Monthly meeting between budget holders and accountants monitoring progress against original timeframes and costs
- Regular meetings of the Corporate New Build Group considering performance and new schemes
- CMT receive a fortnightly update on the new build programme
- Performance Board comprising Chief Officers and cabinet members receive a report on progress before each cabinet meeting
- Reports on HRA performance go the Overview and Scrutiny every quarter
- The HRA is reported as part of the overall corporate financial reporting process

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Sign Off and Comments

Sign Off Complete

Cabinet has approved the updated Housing Revenue account Business Plan to take account of the changes. The passage of the two Bills that impact on the HRA through Parliament is being monitored, together with any further information that becomes available.

F7 - Funding and income is not sufficient to deliver the Council's corporate objectives

Category: Financial	Corporate Priority: Dacorum Delivers		Risk Owner: James Deane	Portfolio Holder: Cllr Graeme Elliot	Tolerance: Treating	
Page 25	Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
	4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
	Consequences		Current Controls		Assurance	
The government’s austerity programme has led to reduced Local Authority funding over the last five years, resulting in the Council’s need to find savings of £5m since 2010/11. Further funding reductions in excess of £3m are forecast over the next four years, which increase the risk of the Council being unable to deliver its vision for the borough, as detailed in the Corporate Plan. (http://www.dacorum.gov.uk/docs/default-source/council-democracy/dacorum_corporateplan_web.pdf?sfvrsn=2)		The Council’s Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment, which allows for more effective forward planning. These controls are detailed below, and have resulted in my reducing the inherent risk score from ‘4’, Very Likely, to ‘3’, ‘Likely’.		There were three internal audit reviews undertaken by Mazars during 2014/15, which provide an external view of the effectiveness of the controls implemented by the Council to manage the financial risks to delivering its priorities.		
Sustained funding reductions of this magnitude are not only a risk to the Council’s capacity to grow and enhance the community, but more fundamentally they are a risk		The Council’s Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is		The audits on ‘Efficiency Savings’ and ‘Main Accounting’ received a Full level of assurance (the highest available), and the audit on ‘Budgetary Control’ received a Substantial level of assurance (the second highest available).		
				These internal audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available		

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to the continued provision of high quality frontline services to residents.

If the Council is unable to deliver its vision or to protect its frontline service provision, it risks the following consequences:

Increased community hardship as the services provided to the most vulnerable residents in the borough are impacted, leading to delays in their accessing financial and residential help.

The impact of reducing standards of environmental services across the borough could lead to a less attractive environment and a loss of community identity and civic pride for residents.

Reputational damage as residents become dissatisfied with their experience of interacting with the Council. This risk is exacerbated by the growth of social media and the ability of residents to share their experiences with large numbers of people instantaneously.

reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link:

<http://www.dacorum.gov.uk/docs/default-source/council-democracy/mtfs-july-cabinet-2015.pdf?sfvrsn=0>

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.

The Council's reviewing of its Corporate Plan together with its Communications Strategy mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently by managing aspiration and expectation (detail below). On this basis, I have reduced the Impact score from '4', Severe, to '3', 'High.

The Council reviews its Corporate Plan periodically to ensure that the vision for the borough remains relevant and realistic within the financial constraints outlined within the MTFS and the HRA plan. The aspirations of the Council and the

resources, and therefore to maximise the opportunity for delivering its corporate objectives.

STRATEGIC RISK REGISTER

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	community are managed through the Council's Communications Strategy both through social media, the local press and Digest.	
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Sign Off and Comments

Sign Off Complete

The Local Government Finance Settlement delivered by Central Government in December 2015, indicated that the level of grant funding for the Council will be reduced more quickly than is reflected in the currently approved Medium Term Financial Strategy. The Council's savings target for 2016/17 has increased by around £500k, with an additional £2m of savings to be found over the life of the MTFS (up to £5.1m).

The Council was expecting the savings targets to be higher than those within the most recently approved MTFS, and Budget Review Group had already approved a savings roadmap for officers to begin work on identifying £5m of savings over the next three years. This roadmap was a key element for the officer element of the budget-setting exercise for 2016/17.

On the basis that the Settlement does not change the practical savings targets on which officers are already working, I have not increased the rating on this risk.

As part of the 2016 Finance Settlement, Councils have been given the option to accept an indicative four year funding deal which would provide funding certainty over the period. At the time of writing the details of the 4-year deal are not available. Members will be consulted at the point a decision is required.

13 - The Borough does not secure sufficient investment in infrastructure to ensure that housing delivery and economic and community growth is sustainable in the longer term.

Category: Infrastructure	Corporate Priority: Affordable Housing		Risk Owner: Mark Gaynor	Portfolio Holder: Cllr Graham Sutton	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
Consequences		Current Controls		Assurance	

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The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. Failure to provide this infrastructure will have a number of damaging consequences:

A reduction in the quality of life and opportunities for people in the Borough

A serious constraint to economic growth with the impact on the contribution to service provision through Business Rates growth

Increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope

Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council

Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.

The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:

Ensuring that the Local Plan (and its component elements such as the Core Strategy, site allocations, supporting policies and so on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. Use of masterplanning supports what is required to be delivered to produce sustainability on larger sites. The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision local people want.

The process for setting out development delivered is through the Annual Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure.

Regular reports are made as set out above in controls.

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Operating a 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.

Stimulating required growth through the Council's own regeneration activity, including Hemel Evolution, Gade Zone and Heart of Maylands resulting in inward investment being more likely.

Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.

Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.

Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)

Working to create key partnerships to bring forward development capable of funding major infrastructure (such as Gorhambury)

These controls are exercised within the following:

- Monthly reporting to Hemel Evolution Board and

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	<p>Corporate Regeneration Group</p> <ul style="list-style-type: none"> • Fortnightly reporting on key projects to CMT • Reporting to Performance Board before each Cabinet Meeting • A clear programme for the Local Development Framework and CIL • Quarterly reporting to Overview and Scrutiny • Regular reporting to Cabinet • Adherence to the agreed performance and project management processes 	
Sign Off and Comments		
<p>Sign Off Complete</p> <p>The Government has recently issued a consultation paper on the operation of CIL and it is intended to respond via the Portfolio Holder.</p>		

R5 - The Council does not embrace the increased use of social media as a tool for social engagement and increased community engagement.

Category: Reputational	Corporate Priority: Dacorum Delivers		Risk Owner: Sally Marshall	Portfolio Holder: Cllr Neil Harden	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
The risk of not using social media - This will mean that our approach to engagement (i.e. letters, workshops, printed magazines) is likely to exclude key demographic groups including younger residents and those who are more technologically		In order to mitigate these risks we have put in place a number of controls: The risk of not using social media - Our social media strategy sets out how we will		o Corporate Information Security Management Policy o Corporate Information Technology Security Policy o Data Protection Act Policy o Freedom of Information Policy o PSN/Government Connect (GSx) Acceptable Usage Policy	

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minded.

- We will not be able to respond to negative posts or views which could cause significant reputational damage or risk.
- We will have less opportunity to influence Government and media through the use of targeted campaigns and communications.
- The organisation may not be viewed as 'technologically forward thinking' which could lead to reputational risks. This includes more difficulty in attracting hi-tech investment or exclusion from innovation pilots.

Managing the risk of social media

- Members of the public can use DBC's profile to raise negative or incorrect statements that damage the reputation of DBC.
- Employees may breach data security rules regarding the management of private or confidential information.
- Inappropriate or unacceptable content posted by employees
- Our social media accounts are 'identity jacked' which occurs when fake accounts are set up to look like those of DBC. This is a risk because the fake accounts can post

- proactively engage with residents through Twitter, Facebook, Linked In, Instagram and using online videos.
- We have 13 social media accounts covering corporate and operational services including from the CSU.
- We regularly use social media to actively promote campaigns, events and messages.
- We interact with partners and other third parties (eg HCC) to promote joint initiatives via social media
- We generate reports and analysis on scale and content of Facebook and Twitter posts.

Managing the risk of social media

- We employ the Crowd Control system to enable the Communications team to manage and authorise services posts and tweets.
- The Crowd Control system also enables the Communications team to monitor and respond to any negative posts.
- Our system provides automatic moderation of abusive messages.
- We provide in-house training for all staff posting on DBC social media accounts.

- o Information Security Incident Procedure
- o Social Media Strategy
- o Facebook and Twitter accounts
- o Social Media Management System

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incorrect or inappropriate information which is then associated with DBC.

- Weak authentication in the use of social media accounts can lead to them being hacked. The hacked accounts are then used to post inappropriate, derogatory or libellous comments.
- The use of social media can make it easier for 'pressure groups' to generate support behind negative campaigns.

- We use a subscription service that manages and secures accounts.
- All staff are required to read and sign-up to a range of policies including:
 - Corporate Information Security Management Policy
 - Corporate Information Technology Security Policy
 - Data Protection Act Policy
 - Freedom of Information Policy
 - PSN/Government Connect (GSx) Acceptable Usage Policy
 - Information Security Incident Procedure

Sign Off and Comments

Sign Off Complete

Over the last three months we have continued to manage our social media presence in line with our Social Media Strategy and ICT and security policies. We have promoted a number of social media activities via our 9 online accounts including supporting events, sharing information and running corporate and service specific campaigns. One example included our campaign to 'encourage people to help family and friends get online'. A Chief Executive and Directors note was also sent out to remind all staff of their responsibilities in relation to social media posts/comments. We also looked at social media security as part of our new communication and consultation strategy.

Certification of claims and returns annual report 2014-15

Dacorum Borough Council

April 2016

Ernst & Young LLP



Building a better
working world

Audit Committee
Dacorum Borough Council
Civic Centre
The Marlowes
Hemel Hempstead
Hertfordshire HP1 1HH

19 April 2016

Dear Members

Certification of claims and returns annual report 2014-15 Dacorum Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Dacorum Borough Council's 2014-15 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014-15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions (DWP) and did not undertake an audit of the claim.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

We checked and certified the Council's claim for housing benefit subsidy. This claim had a total value of £47,462,713. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in section 2.

We made no recommendations in the prior year and have none to make this year.

Fees for certification work are summarised in section 2. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 27 April 2016 meeting of the Audit Committee.

Yours faithfully

Mark Hodgson
Executive Director
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£47,462,713
Amended/Not amended	Amended
Qualification letter	Yes (amendments had no impact on the subsidy due to the Council)
Fee - 2014-15	£23,390
Fee - 2013-14	£30,714

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. We found errors and carried out extended testing in the following areas:

- Rent rebates – Initial testing identified one instance where the claimant's income had been incorrectly assessed, resulting in the overpayment of benefit. Because of the error identified by our initial testing, extended testing on a sample of 40 cases was undertaken. This testing identified a further two instances where the claimant's income had been incorrectly assessed. These resulted in the overpayment of benefit (one case) and the underpayment of benefit (one case). We reported the effect of these errors (a potential reduction in benefit eligible for subsidy of £3,020) in our qualification letter.
- Rent rebate overpayments – Because of errors identified in the previous year, we tested a sample of 40 cases to establish whether the correct classification had been made between those classified as claimant error, and those classified as local authority error. This testing identified three instances where overpayments had been classified incorrectly. We reported the effect of these errors (a potential reduction in benefit eligible for subsidy of £5,596) in our qualification letter.
- Rent allowances – Because of errors identified in the previous year we tested a sample of 40 cases to establish whether the claimant's income from earned income had been correctly assessed. This testing identified two instances where the claimant's income had been incorrectly assessed. These resulted in the overpayment of benefit (one case) and the underpayment of benefit (one case). We reported the effect of these errors (a potential reduction in benefit eligible for subsidy of £2,265) in our qualification letter.

2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	30,714	23,390	23,390

3. Other assurance work

During 2014-15 we also acted as reporting accountants in relation to the Council's pooling of housing capital receipts return. We have provided a separate report to the Council in relation to this return. Our fee for this work was £3,200. As this work was undertaken outside the Audit Commission/PSAA regime, and the fees for this are not included within the fees reported in section 2. They are referred to here for completeness to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

Our testing of this return identified that an amendment to the return of was needed to record the amount of expenditure incurred by the Council on new build dwellings during 2014-15. The value of this amendment was £5,180,340. We certified the Council's return on 19 April.

4. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £23,036. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:

<http://www.psaa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Corporate Director (Finance & Governance) before seeking any such variation.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – April 2016

This report and the work connected therewith are subject to the Terms and Conditions of the contract dated 1st April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. The report is produced solely for the use of Dacorum Borough Council. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Mazars Public Sector Internal Audit Limited will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2015 to 31st March 2016 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2015/16 Internal Audit Plan.

Background

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

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

Audit fieldwork on the 2015/16 Internal Audit Plan has progressed well and audit coverage has been in line with the Plan, as shown in Appendix 1.

We have issued the following Final reports:

- NNDR (Evaluation Assurance: **Full**. Testing Assurance: **Substantial**).
- Health and Safety (Evaluation Assurance: **Full**. Testing Assurance: **Substantial**).
- Core Financial Systems (Evaluation Assurance: **Full**. Testing Assurance: **Substantial**).
- Data Security (Evaluation Assurance: **Full**. Testing Assurance: **Substantial**).
- Housing Benefits and Council Tax Support (Evaluation Assurance: **Full**. Testing Assurance: **Substantial**).
- Members' Training and Expenses (Evaluation Assurance: **Substantial**. Testing Assurance: **Substantial**).
- Budgetary Control (Evaluation Assurance: **Full**. Testing Assurance: **Full**).

Other Work:

Assurance Framework

We have supported the Council in the development of its draft Assurance Framework and will continue this support in future years, driving the Internal Audit plan from this framework. The Assurance Framework will provide enhanced assurance around governance procedures and will further enhance the assurance needs of the senior management and other key stakeholders of the Council.

A selection of Key Questions in the framework, encompassing the full spectrum of departments, was chosen for sample testing to confirm compliance. We have identified the key evidence required to support the statements made, and confirmed that this is available. A sample of 24 Key Questions were chosen across all areas. In all 24 cases evidence was available to confirm compliance.

In future years management will need to update the evidence trail and this will continue to be reviewed by Internal Audit.

Follow-up of Recommendations

2015/16

The table below details the recommendations raised in the audit reports for 2015/16 and 2014/15. It should be noted that progress in implementing recommendations raised has been followed up, as part of the 2015/16 audit plan and summary of the outcome is shown in the table below:





Year	Total Recommendations	Implemented	%	Implemented or partly implemented	%
2015/16	53	19	36%	21	40%
2014/15	39	36	92%	37	95%
Total	92	55	60%	58	63%

Appendix 3 provides a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31st March 2016.

Definition of Assurance & Priorities

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Priority 1 Recommendations

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

Appendix 1 – Status of Audit Work 2015/16

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2015/16, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	21	21	January	Final	Full	Substantial*	-	-	3	Also raised 1 System Improvement Opportunity *see page 11 for further information re testing opinion
	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.	12	12	March	Final	Full	Full	-	-	-	Audit included additional days to cover savings realisation
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	8	November	Final	Substantial	Full	-	1	-	
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	8	February	Final	Full	Substantial	-	1	3	
	Housing Benefit and Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	10	10	March	Final	Full	Substantial	-	2	1	
Core Financial Systems Total			59	59								
Operational Risks	Housing Repairs	Covering adequacy and effectiveness of controls over the management of planned and responsive repairs and the demonstration of value for money. The audit will also cover contract management arrangements in place.	12	12	September	Final	Substantial	Substantial	-	3	1	
	Parking	Covering adequacy and effectiveness of the controls in place over income collection for on street and off street parking. The audit will also cover contract management arrangements in place.	12	12	September	Final	Substantial	Substantial	-	2	1	

	Licensing	Covering adequacy and effectiveness of key controls over applications for and granting of licences and enforcement of those licences.	8	8	August	Final	Substantial	Substantial	-	3	1	
	Members' Training and Expenses	Covering adequacy and effectiveness of key controls over training and expenses following the elections.	8	8	January	Final	Substantial	Substantial	-	1	4	
	Housing Lettings	Covering adequacy and effectiveness of key controls over the allocations process once properties are available to let.	10									Deferred due to proactive fraud work in this area.
Operational Risks Total			50	40								
Strategic Risks	Regeneration	Project management assurance in respect of significant regeneration schemes and assurance over grant spending.	10	10	June	Final	Substantial	Substantial	-	2	4	
	Partnership Arrangements	Review the arrangements in place for joint strategic needs assessments and the changes in commissioning services and the controls in place for data and information sharing.	10	1	April							Deferred at request of Group Manager – start date confirmed as 25 th April
	Health and Safety	Covering adequacy and effectiveness of controls over Health and Safety	7	7	February	Final	Full	Substantial	-	3	2	

	Performance Management	Covering adequacy and effectiveness of controls in place regarding the performance management framework and progress in delivering strategic objectives.	10	10	October	Final	Full	Full	-	-	1	Also raised 1 System Improvement Opportunity
	Data Security	Covering adequacy and effectiveness of the Council's strategic approach to data security.	7	7	February	Final	Full	Substantial	-	2	3	
	Strategic Risks Total		44	35								
Governance, Fraud & other Assurance Methods	Control Risk Self Assessment including the Corporate Governance Framework	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be utilised on a number of the core financials and will be issued prior to fieldwork and used to scope the audit.	13	13	All	Complete						
	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	9	All	WIP						
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management.	10	-	Q4							Not carried out this year

	Benefits/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	-	-								To be included in the Budgetary Control audit
Governance, Fraud & other Assurance Methods			33	22								
ICT	PCI DSS	The specific scope will be agreed with management but would look to provide assurance over the information governance, customer data security and adherence to Caldicott.	20	20	August	Final	Full	Substantial	-	3	1	
	Digital Dacorum (Including CRM)	The specific scope will be agreed with management but would look to provide assurance over pre and post implementation reviews and focus on strength of controls.	10									Carried forward into the 16/17 plan
ICT total			30	20								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	10								
	Management (including Audit Committee)		25	25								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). Risk Management Workshops Right to Buy Crematorium Business Case	36	1 10 2	October March	Final WIP	Substantial	Limited	1	2	2	
Other total			71	48								
TOTAL			287	224								

Appendix 2 - Summary of Final Reports

Brief outlines of the work carried out, a summary of our key findings raised and the assurance opinions given in respect of the final reports issued since the last meeting of the Audit Committee are provided in this section.

NNDR (2015/16)

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

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

Evaluation Assessment	Testing Assessment
Full	Substantial

We have raised one priority 2 and three priority 3 recommendations where we believe there is scope for improvement within the control environment. This is set out below:

- Where all options to investigate long standing suspense account items have been exhausted, the balances within the NNDR suspense account should be reviewed by finance and appropriate remedial action taken (Priority 3).
- All applications for empty property relief should be validated by inspection (or other applicable method) and evidence of this retained on file (Priority 2).
- All updates to debt recovery cases should be included in the case notes on Northgate (Priority 3).
- All authorisation documentation, or a link to where the documentation is stored, for write-offs should be stored as part of the account notes on the Info@Work system (Priority 3).

Health and Safety (2015/16)

There is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

We have raised three Priority 2 and two Priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Policy and procedure documentation should be reviewed and updated on a regular basis (Priority 3).
- Team leaders, group managers and the Corporate Health and Safety Lead Officer's roles and responsibilities should be clearly defined and communicated to all relevant staff (Priority 2).
- The mandatory health and safety course should be completed by all staff and refresher courses should be offered to staff. (Priority 2).
- Risk assessments should be completed by all Services (Priority 2).
- A co-ordinated reporting mechanism should be in place for HSE accident reporting (Priority 3).

Core Financial Systems (2015/16)

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

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









Evaluation Assessment	Testing Assessment
Full	Substantial

We have raised one Priority 2 recommendation and two Priority 3 recommendations where we believe there is scope for improvement within the control environment. We have also raised one Systems Improvement Opportunity. We also identified that 44 officers had access to amend the supplier master file, this was deemed as unsecure. Access was subsequently addressed during the audit and reduced to seven officers. As this was implemented during the audit a recommendation has not been raised. The recommendations raised have been set out below:

- There should be a clear audit trail for the good receipting of payments on Agresso (Priority 3)
- Procedure Documentation should include dated version control Priority 3)
- New user authorisation should be submitted to the Agresso Systems Administrator (Priority 3)
- There should be a process update for the checking and verification process for amendments to supplier data (SIO)

Our Core Financial Systems audit in 2015/16 covered the key controls in place in the areas of Accounts Receivable, Accounts Payable, Main Accounting and Treasury Management as these had been "Full Assurance" audits in 2014/15.

The table below sets out where the recommendations were raised in each area, and our Annual Report will report three Full/Full assessments for Accounts Receivable, Main Accounting and Treasury Management, with a Full/Substantial Assessment for Main Accounting.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Accounts Receivable			
Accounts Payable			Recommendation 1 Recommendation 2 Systems Improvement Opportunity
Main Accounting			Recommendation 3
Treasury Management			

Data Security (2015/16)

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

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

Evaluation Assessment	Testing Assessment
Full	Substantial

We have raised four Priority 2 recommendations and one Priority 3 recommendation where we believe there is scope for improvement within the control environment. The recommendations raised have been set out below:

- Staff should receive mandatory refresher training periodically (Priority 2)
- Non-Attendance of Training should be followed up with the relevant Group Manager (Priority 2)
- Council should increase staff awareness relating to information security (Priority 3)
- Officers should collect sensitive documents at the time of printing (Priority 2)
- Officer should not leave workstations logged in when unattended (Priority 2)

Housing Benefit and Council Tax Support (2015/16)

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

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

Evaluation Assessment	Testing Assessment
Full	Substantial

We have raised two Priority 2 recommendations, and one Priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- The Local Authority should ensure that all awarded Discretionary Payments are paid to Claimants. (Priority 2).
- The Backdate Decision Recommendation form should be, consistently, fully completed; including an explicit decision as to authorise, or not authorise, the payment (Priority 3).
- Structured Fraud Awareness Training Notes / Slides should be developed (Priority 2).

Members' Training and Expenses (2015/16)

Our audit of the Council's internal controls operating over Members' Training and Expenses found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may put some of the system objectives at risk. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

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

Evaluation Assessment	Testing Assessment
Substantial	Substantial

We have raised one Priority 2 recommendation and four Priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Evidence of the decision to retain the allowances by the Leader of the Council should be retained. (Priority 3)
- Office expense claims should be clearly stated in the Members' Allowances Scheme. (Priority 3)
- Members should be encouraged to attend training sessions throughout the year. (Priority 3)
- Claim forms should be authorised by the Group Manager for Democratic Services or an appointed officer, before they are processed by payroll. (Priority 2)
- Democratic services should ensure that expense claims match to attendance records. (Priority 3)

Budgetary Control (2015/16)

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

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

Evaluation Assessment	Testing Assessment
Full	Full

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

Appendix 3 – Follow-up of Recommendations 2015/16

A follow-up audit has been undertaken in accordance with the 2015/16 audit plan. The objective was to confirm the extent to which the recommendations made in 2015/16 internal audit final reports have been implemented.

The tables below provide a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31st March 2016 and had not been reported as implemented at the previous Audit Committee meeting.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due	Resp. Officer
Performance Management	1	1								Rob Smyth
Regeneration	6	6								Chris Taylor
Licensing	4	1	1		2					Ross Hill
Parking	3	2				Apr 2016			1	Nick Brown/ Steve Barnes
Right to Buy	5	4	1							Richard Baker/ Andy Vincent/ Chris Baker
PCI-DSS	4	4								John Worts
Housing Repairs	4	1				Apr 2016			3	Fiona Williamson
Council Tax	1					Apr 2016			1	Chris Baker
NNDR	4								4	Chris Baker
Health & Safety	5								5	Chris Troy
Core Financial Systems	3								3	Richard Baker

Data Security	5								5	John Worts
Housing Benefit & CTS	3								3	Chris Baker
Member's Training & Expenses	5								5	Jim Doyle
Total	53	19	2		2				30	

2014/15 Recommendations

Three recommendations from 2014/15 remained partly implemented following the last Committee.

Customer Services

Recommendation: Comprehensive failure demand data should be analysed to identify where Council resources are best focused to resolve problems.

Management Update: We are currently in negotiation with Northgate in relation to the wider roll out of the CRM provision across the Council. Once the CRM has been fully implemented and the benefits of the Digital Dacorum projects are fully realised it is envisaged that this will reduce the number of failure demands and will make it much easier to understand the root causes and rectify them. We agree that this recommendation is still partially implemented until the wider CRM provision is in place, this is likely to be during 2016/17.

Trees and Woodlands

Recommendation: Consideration should be given to the viability of a direct electronic link between the EzyTreev and Agresso system to allow for direct data transfer.

Recommendation: In the absence of a direct interface a monthly reconciliation between the EzyTreev system and Agresso should take place. This should be signed and dated by the officer who carried out the reconciliation and verified by an independent officer.

Management Update: Group Manager (Environmental Services) confirmed that these recommendations will not be implemented. The CSG team (including Trees and Woodlands) were subjected recently to scrutiny by external consultants; a number of further recommendations were made. The viability of recommendations raised may require revision when considering the recent recommendations raised and not in isolation.

Internal Audit will therefore class these recommendations as "no longer relevant".

Appendix 4 - Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

April 2016

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Dacorum Borough Council

Final Internal Audit Report

Core Financial Systems

April 2016

This report has been prepared on the basis of the limitations set out on page 11.

CONFIDENTIAL

Distribution List:

Richard Baker – Group Manager (Financial Services)
David Skinner – Assistant Director (Finance and Resources)
James Deane – Corporate Director (Finance and Operations (Final Report Only)
Sally Marshall – Chief Executive (Final Report Only)

Key Dates:

Date of fieldwork: January/February 2016
Date of draft report: March 2016
Receipt of responses: April 2016
Date of final report: April 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of the Core Financial Systems.

1.2. Audit Objective and Scope

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

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

1.3. Summary Assessment

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

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

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over the Core Financial Systems are shown in Section 3.

1.4. **Key Findings**

We have raised three Priority 3 recommendations where we believe there is scope for improvement within the control environment. We have also raised one Systems Improvement Opportunity. We also identified that 44 officers had access to amend the supplier master file, this was deemed as unsecure. Access was subsequently addressed during the audit and reduced to seven officers. As this was implemented during the audit a recommendation has not been raised. The recommendations raised have been set out below:

- There should be a clear audit trail for the goods receipting of payments on Agresso (Priority 3)
- Procedure Documentation should include dated version control Priority 3)
- New user authorisation should be submitted to the Agresso Systems Administrator (Priority 3)
- There should be a process update for the checking and verification process for amendments to supplier data (SIO)

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

1.5. **Management Response**

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

1.6. **Acknowledgement**

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

2. Scope of Assignment

2.1. Objective

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

2.2. Approach and Methodology

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

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

2.3. Areas Covered

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

Accounts Receivable

Invoice request forms are matched to invoices. BACS payment notification reports regularly checked to the bank statements. Aged debtor reports are reviewed regularly. Refunds and write- offs are approved prior to action being taken. Any enforcement action is monitored appropriately.

Accounts Payable

Formal procedures are in place for making amendments to supplier information. Invoices are matched to purchase orders/requisitions prior to payment. Any duplicate payments are regularly identified and investigated. 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 appropriately checked and authorised. Regular reconciliations with the main accounting system take place.

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.









Treasury Management

Any transactions/deals are made only with approved institutions, and are signed off appropriately. 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.

3. Assessment of Control Environment

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

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Accounts Receivable			
Accounts Payable			Recommendation 1 Recommendation 2 Systems Improvement Opportunity
Main Accounting			Recommendation 3
Treasury Management			

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

4. Observations and Recommendations

Recommendation 1: Goods Receipting of Payments (Priority 3)

<p>Recommendation</p> <p>All payments processed through the Agresso system should have a clear audit trail to highlight which member of staff has goods receipted the product or service prior to payment being processed.</p>
<p>Observation</p> <p>A clear audit trail of the workflow within Agresso confirms that goods receipting has taken place for all invoices.</p> <p>It was identified during testing of 15 Purchase Order Payments that in six cases there was no evidence of a goods receipt note maintained on the Agresso audit trail. In discussion with the Group Manager – Financial Services, it was highlighted that in these cases, the Goods Receipt Note entry was before the invoice registration. This caused the User Identification and date to be lost when matched to the Goods Receipt Note. All invoices had been paid at the time of testing.</p> <p>It could not be confirmed that goods had been receipted in six of the 15 purchase orders tested.</p> <p>Where the finance system appears to allow payments without proper authorisation (goods receipting) to be processed, there is a risk that inappropriate / inaccurate payments may be made.</p>
<p>Responsibility</p> <p>Group Manager – Financial Services</p>
<p>Management response / deadline</p> <p>During the audit, it was identified that where goods had been receipted before the invoice was registered on the system, and then later matched to the invoice, the goods receipt history was being overwritten.</p> <p>Reports have now been written that provide a full audit trail of the goods receipting records. This was implemented in February 2016.</p>

Recommendation 2: Dated Version Control on Procedure Documentation (Priority 3).

<p>Recommendation</p> <p>All Procedure notes held within the Finance Department should include a dated version control.</p>
<p>Observation</p> <p>This will help to confirm when the document was introduced, reviewed and amended and support the assurance of up to date and accurate working practices.</p> <p>On inspection of the recently implemented Supplier Amendment Procedure Notes, it was identified there was no form of version control, including the date it was created, amended, or due for review.</p> <p>Where documents are not reviewed or revised, there is a risk of out dated, ineffective and/or inefficient working practices.</p>
<p>Responsibility</p> <p>Financial Services Team Leader</p>
<p>Management response / deadline</p> <p>All procedure notes are reviewed within Financial Services at least once a year. A central control document is maintained and reviewed monthly to ensure the procedures are reviewed. As each procedure note is updated during 2016/17 version control will be added.</p>

Recommendation 3: New User authorisation submitted to Agresso Systems Administrator (Priority 3).

<p>Recommendation</p> <p>Where requests are submitted to the Systems Administrator on Agresso to add a new user, the "Approved Form" should be attached for evidence and proof of prior authorisation from the relevant officers. This will confirm authorisation has been given, and the user can be set up with the level of access required.</p>
<p>Observation</p> <p>The new user authorisation form provides evidence that approval has been granted for the new user to be set up on the system.</p> <p>Where new users require access levels relating to a Team Leader position or above, an "Approval Form" is required to be completed and authorised by a Corporate Director and the Section 151 Officer. On inspection of the latest Group Manager to be added to the system, authorisation had been obtained by a member of the finance team, however this was not passed onto the Systems Administrator who would set up user access based on an e-mail from a member of the finance team.</p> <p>Where user access is granted without confirmation of senior authorisation, there is a risk that officers gain inappropriate access to sensitive areas within the Agresso System, therefore risking the integrity of data.</p>
<p>Responsibility</p> <p>Group Manager – Financial Services</p>
<p>Management response / deadline</p> <p>The Systems Developer only acts on the instruction of members of the Finance Team for providing financial authority to approve spend. This control will be strengthened by also providing the Developer with a copy of the approved form when the instruction is sent. This will be implemented immediately.</p>

System Improvement Opportunity: Checking and Verification of Amendments to Supplier Data**System Improvement Opportunity**

Management should consider a System Improvement Opportunity with regards to the process of checking amendments and creations of supplier details. Consideration should be taken to simplify the process, removing unnecessary duplication, and freeing resources to add value in other areas of the finance department.

Observation

The current process for Supplier Amendments is set out as follows;

- Supplier Creation/Amendment with Supporting Documentation.
- Check 1: Officer completes a check based on the supporting documentation received, initials and signs documentation to confirm that the information is accurate.
- Check 2: A Creation and Amendment to Supplier Details Report is produced. An officer checks the amendments on the report against information on Agresso, ensuring supporting documentation is attached.
- Check 3: A Team Leader will confirm Check 2 has happened by repeating Check 2 on the completed reports delivered by the given officer.

There is no clear process in place to identify that the amendments from the individual test samples had been checked by a secondary officer, as per the process above.

The Amendments and Creations Report consists of all cases where the supplier file has been saved. Where no amendment has been made, but the officer completing Check 1 saves the file, it will produce a duplicate item on the report. It was confirmed that one supplier was shown on the Amendment and Creations Report three times.

Management should strongly consider updating the process to efficiently mitigate the risk of invalid/inaccurate supplier details being added to the system and consider the level of additional control each stage adds to mitigating the given risk. Consideration should also be taken to determine the effectiveness of the report produced in its current form. There appears to be duplication within the process in its current form. It is understood that a new officer has been introduced into the finance department to streamline processes and increase process efficiency.

Where the process is already efficient, there is an added risk of misuse of resources. Resource allocation should be appropriate to mitigate the risk to a desired level. Where resources are ineffectively used in one area, the build-up of demands for resources grows in other areas. This will stretch resources and increases the risk of error.

Responsibility

Group Manager – Financial Services

Management response / deadline





A weakness in the process of adding and amending suppliers was identified by the team in 2015. Following the identification of this weakness, measures were put into place immediately to add additional controls and reduce risk of fraud and error. These measures were not working as smoothly as anticipated as it became clear that it was difficult for the responsible employee to be able to easily identify where additional checks needed to take place.

These processes were under review at the time of the audit to streamline them and ensure strong controls were held over supplier records. A revised process was devised with Procurement, which now includes the provision of a Supplier Welcome Pack. This pack includes all of the forms a supplier must complete before being added to the system. All changes to suppliers are verified by phone and reviewed by a second member of the team. These changes were implemented in February 2016.

Appendix A - Reporting Definitions

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Richard Baker Group Manager (Financial Services)
- Clare Dempsey Sundry Debtors Lead Officer
- Sally Nunn Financial Services Team Leader
- Katherine Thomas Finance Assistant
- Tracy Claridge Assistant Accountant
- Robbie File Business Systems Developer
- Yamini Krishnan Assistant Accountant
- Elaine Bowman Finance Assistant

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

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

April 2016

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Dacorum Borough Council

Final Internal Audit Report

Budgetary Control

April 2016

This report has been prepared on the basis of the limitations set out on page 7.

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Distribution List:

David Skinner – Assistant Director (Finance and Resources)

Richard Baker - Group Manager (Financial Services)

Caroline Souto – Financial Planning and Analysis Team Leader

James Deane – Corporate Director (Finance and Operations) (Final Report Only)

Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: February/March 2016

Date of final report: April 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Budgetary Control.

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: Policies, procedures and legislation; budget setting; budget upload; budget monitoring and savings realization; budget alterations and virements; and management information.

1.3. Summary Assessment

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

Evaluation Assessment	Testing Assessment
Full	Full

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Budgetary Control is shown in Section 3.

1.4. Key Findings

We have raised no recommendations as a result of our work in this area.

1.5. Acknowledgement

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Budgetary Control, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

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

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

2.3. Areas Covered

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

Policies, procedures and Legislation

All members of staff act consistently in compliance with the legislative and management requirements and the administration of the budget setting and control 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.

Budget Setting

Budgets are set and funds allocated so as to achieve the organisations strategic and operational objectives. Where savings are required, budget holders have identified appropriate efficiencies to meet the savings required. The means of achieving savings are approved and included in the setting of the budget for the respective services.

Budget Upload

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.

Budget Monitoring and Savings Realisation

Robust procedures are in place for the monitoring of budgets.

Any variances identified are investigated and remedial action taken where appropriate so as to minimise the risk of budget over/under spends.

All savings offered are being monitored to ensure realisation.

Budget Alterations and Virements

Budget alterations and virements are completely, accurately, and validly processed in a timely manner and supporting documentation retained to support the actions taken.













Management Information

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.

3. Assessment of Control Environment

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

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





Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Legislation			
Budget Setting			
Budget Upload			
Budget Monitoring and Savings Realisation			
Budget Alterations and Virements			
Management Information			

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

Appendix A - Reporting Definitions

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Caroline Souto - Financial Planning and Analysis Team Leader
- Keshika Naidoo - Finance and Operations Accountant
- Lucy Tash - Finance and Operations Accountant

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit

London

April 2016

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

In this document references to Mazars are references to Mazars Public Sector Internal Audit Limited.

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Dacorum Borough Council

Final Internal Audit Report

National Non-Domestic Rates (NNDR)

April 2016

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:

Chris Baker - Group Manager (Revenues, Benefits and Fraud)

Anna Elliott – Revenues Team Manager

David Skinner – Assistant Director (Finance and Resources)

James Deane – Corporate Director (Finance and Operations) (Final Report only)

Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: February / March 2016

Date of draft report: April 2016

Receipt of responses: April 2016

Date of final report: April 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2015/16, we completed a risk based audit of the processes in place for National Non-Domestic Rates (NNDR).

NNDR, or business rates, is collected by local authorities from those that occupy non-domestic property which contributes towards the cost of local services. The money, together with revenue from council tax payers, revenue support grant provided by the Government and other income streams are used to pay for the services provided by residents of the Borough. Each hereditament (property) is given a 'rateable value' by the Valuation Office Agency which determines the amount of NNDR to be charged. The Council is responsible for the billing, collection and recovery of NNDR income. The NNDR team operate within the Revenue and Benefits section of the Council which is managed by the Group Manager for Revenues, Benefit and Fraud.

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: Policies, procedures and legislation; NNDR transactions and records; reconciliations; discounts and reduction applications; billing; receipt from rate payers; clearing of suspense account; recovery action; writing off irrecoverable debt; monitoring of collection rates; refunds and void allowances and retrospective reliefs.

1.3. Summary Assessment

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

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

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over NNDR is shown in Section 3.

1.4. **Key Findings**

We have raised one priority 2 and three priority 3 recommendations where we believe there is scope for improvement within the control environment. This is set out below:

- Where all options to investigate long standing suspense account items have been exhausted, the balances within the NNDR suspense account should be reviewed by finance and appropriate remedial action taken (Priority 3).
- All applications for empty property relief should be validated by inspection (or other applicable method) and evidence of this retained on file (Priority 2).
- All updates to debt recovery cases should be included in the case notes on Northgate (Priority 3).
- All authorisation documentation, or a link to where the documentation is stored, for write-offs should be stored as part of the account notes on the Info@Work system (Priority 3).

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

1.5. **Management Response**

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

1.6. **Acknowledgement**

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of NNDR, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

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

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

2.3. Areas Covered

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

























- **Policies, Procedures and Legislation**
Policies and procedures are in place to minimise the risk that staff act unilaterally and independently of legislative and management requirements and ensure that NNDR functions are undertaken in an economic, effective and efficient manner. The Council complies with statute by offering convenient methods of payment to the rate payers. Planning regulations have been considered and/or amended in order to promote business growth and maximise business rate income under the Localism Act 2011.
- **NNDR Transactions and Records**
Reliability, integrity, confidentiality and security of the NNDR system and ratepayer records is maintained through the reliable operation of the system and its interface with the main accounting systems.
- **Reconciliations**
Annual reconciliations between the gross debit and the valuation list ensure that the debit set up is based on the most up to date information on the valuation list. Regular reconciliations take place between the NNDR and Main Accounting (general ledger) systems.
- **Discount and reduction applications**
The Council has in place procedures for accurately and promptly processing all applications discounts and exemptions.
- **Billing**
All NNDR bills are sent out by mid-March to enable taxpayers to enter into their preferred method of payment.
- **Receipts from the rate payers**
All daily income collection reports obtained from the cash receipting system are reconciled with the Revenues Section's own records of income received.
- **Clearing of suspense accounts**
All unidentified payments are promptly investigated, monitored and authorised before being transferred to appropriate accounts.

- **Recovery action**
All debts are followed up in a timely manner and in accordance with the Council's recovery procedures.
- **Writing off irrecoverable debt**
Amounts are not recommended for write off as irrecoverable unless detailed investigations are undertaken to establish that there is no possibility of recovering the amounts in question. All write offs should comply with the procedures laid down in Financial Regulations.
- **Monitoring of collection rates**
Periodical monitoring of collection rates against the targets takes place to ensure that the expected income is being received.
- **Refunds**
Only valid and authorised refunds are made.
- **Void allowances and retrospective reliefs**
To confirm that there is a proper and independent arrangement for verifying void (empty) properties before a void allowance is given to a particular rate payer. Reliefs are authorised prior to being applied retrospectively.

3. Assessment of Control Environment

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

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Legislation			
NNDR Transactions and Records			
Reconciliations			
Discounts and Reduction Applications			
Billing			
Receipts from Rate Payers			
Clearing of Suspense Account			Recommendation 1
Recovery Action			Recommendation 2
Writing-off Irrecoverable Debt			Recommendation 3
Management of Collection Rates			
Refunds			
Void Allowances and Retrospective Reliefs			Recommendation 4

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

4. Observations and Recommendations

Recommendation 1: High Amount of Uncleared Historic Suspense Account Items (Priority 3)

<p>Recommendation</p> <p>Where all options to investigate long standing suspense account items have been exhausted, the balances within the NNDR suspense account should be reviewed by finance and appropriate remedial action taken.</p>
<p>Observation</p> <p>Suspense accounts should be regularly cleared and historic items removed to ensure income is maximised and accurate financial reporting is maintained.</p> <p>Discussion with Systems Development and Finance Lead Officer and Revenues and Benefits Support Team Manager identified that the NNDR suspense account on Northgate is monitored monthly. Items in this account enter the Northgate system but are posted to the wrong account for example. A further suspense account operated by finance stored payments with no account number for example.</p> <p>Examination of all NNDR suspense account transactions since 2004 identified the most recent item to be posted to this suspense account was 27 February 2013 indicating that other compensating controls within the finance suspense account were operating effectively. It was noted however that the total amount outstanding in the account was £39,597.24 with the oldest item being from 2004. The suspense account spreadsheet consists of both debits and credits where items are matched and removed from suspense.</p> <p>Where long standing suspense items which cannot be re-allocated remain in the suspense account, there is a risk that the Council is not utilising available income and that the final accounts are misstated.</p>
<p>Responsibility</p> <p>Revenues and Benefits Support Team Leader</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>The suspense account records will be reviewed in order to re-allocate outstanding suspense items as appropriate. Initial review shows that the most recent outstanding item dates from 2010, so these investigations may take some time.</p> <p>Deadline: end of September 2016.</p>

Recommendation 2: Failure to Update Debt Recovery Notes (Priority 3)

<p>Recommendation</p> <p>All updates to debt recovery cases should be included in the case notes on Northgate.</p>
<p>Observation</p> <p>A standard process should be followed in an attempt to recover all outstanding debts. Each step should be documented and evidence retained on file.</p> <p>Examination of 15 NNDR accounts in debt selected from a list of Court Hearings on 11 December 2015 and 23 October 2015 identified one instance (sample number 10, outstanding debt of £2120.71) where the following actions were taken to recover debt:</p> <ol style="list-style-type: none"> 1. Occupier was billed on 30/06/2015 with the first instalment due on 01/08/2015. 2. A reminder letter was issued on 18/08/2015. 3. A summons sent on 29/09/2015. 4. Court hearing on 23/10/2015. 5. Account placed as 'Review' status on Northgate since the Court Hearing. It was noted the case had been reviewed on 28/01/2016 as part of a three monthly check of cases in 'Review' however notes were not updated on Northgate as to the next course of action. The three monthly check schedule states that the case is due for further review on 11/02/2016. However, audit could not ascertain whether appropriate action has been taken since the Court Hearing as notes on Northgate have not been updated. It was acknowledged that the Lead Officer responsible for this was on maternity leave at the time, however notes should be correctly recorded on the system. <p>All other instances were confirmed as having appropriate remedial action taken.</p> <p>Where case notes are not appropriately updated, there is a risk that sufficient debt recovery action is not taken which may lead to recoverable debts not being recovered.</p>
<p>Responsibility</p> <p>Revenues Team Leader</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>A reminder has been issued to officers to record reasons for decisions when reviewing cases.</p> <p>Deadline: completed.</p>

Recommendation 3: Authorisation Documentation Not Stored In Case File (Priority 3)

<p>Recommendation</p> <p>All authorisation documentation, or a link to where the documentation is stored, for write-offs should be stored as part of the account notes on the Info@Work system.</p>
<p>Observation</p> <p>The Council's Financial Regulations states, 'Depending upon the write-off thresholds, the write-off request may be supported with a minute/decision sheet relating to a Portfolio Holder or Cabinet Decision'.</p> <p>Examination of ten write offs selected from a list of write offs since April 2015 identified two instances (sample numbers 4 and 5 for amounts £29,277.70 and £25,924.84 respectively) where the amount for write off was over £20,000. Examination of a 'Debt Write-off Portfolio Holder Decision' document confirmed both write offs to be presented to the Portfolio Holder and this was signed. Therefore the write offs were appropriately authorised however it was noted that this authorisation document was not stored on the Info @ Work system.</p> <p>All other instances were appropriately authorised and retained on file.</p> <p>Where the necessary authorisation documentation is not available as part of case notes, there is a risk of authorisation documentation being mislaid. This may lead to unnecessary resources being required to locate the authorisation and/or re-process it.</p>
<p>Responsibility</p> <p>Revenues Team Leader</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>Links to the authorisation documents will be recorded on accounts in future.</p> <p>Deadline: end of April 2016</p>





Recommendation 4: Reliefs Awarded Without Independent Validation (Priority 2)

<p>Recommendation</p> <p>All applications for empty property relief should be validated by inspection (or other applicable method) and evidence of this retained on file.</p>
<p>Observation</p> <p>The 'Empty Properties - National Non Domestic Rates' policy states, 'In order to award an exemption we need to have received a request from the charge payer confirming the property is empty and the date it became empty - this can be in the form of writing or verbally. We will award the relevant exemption depending on property type and raise an inspection'.</p> <p>Examination of 15 empty property relief cases selected from a list of NNDR reliefs filtered into Empty Property Relief awarded since April 2015 identified one instance where an inspection or other means of independent validation had not taken place. The occupier notified the Council on 26/11/2015 that the property was empty, the relief was awarded on 27/11/2015 however no inspection has been completed since.</p> <p>Empty property status was confirmed in all other instances.</p> <p>Where an application for empty property relief is not independently validated, there is risk of reliefs being awarded invalidly leading to unnecessary loss of income to the Council.</p>
<p>Responsibility</p> <p>Revenues Team Leader</p>
<p>Management response / deadline</p> <p>Agreed.</p> <p>During the period in question, there was a vacancy for an inspector role and therefore a re-prioritisation of inspections. Recruitment to the vacant post started prior to the audit, and is currently ongoing. Following appointment to the post we will clear any outstanding inspections of vacant properties.</p> <p>Deadline: end of July 2016.</p>

Appendix A - Reporting Definitions

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Nicola Kordek - Revenues Lead Officer
- Jake Seabourne - Systems Development and Finance Lead Officer
- Anna Elliott - Revenues Team Leader
- Elaine Bowman - Finance Assistant
- Stuart Potton - Revenues and Benefits Support Team Manager
- Chris Baker - Group Manager - Revenues, Benefits and Fraud

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

April 2016

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Dacorum Borough Council

Final Internal Audit Report

Housing Benefit & Council Tax Support

April 2016

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

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Distribution List:

Matthew Kelly – Benefits Processing Team Leader
Chris Baker – Group Manager (Revenues, Benefits & Fraud)
David Skinner – Assistant Director (Finance and Resources)
James Deane – Corporate Director (Finance and Operations)(Final Report only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: March/April 2016
Date of draft report: April 2016
Receipt of responses: April 2016
Date of final report: April 2016

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1 April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Housing Benefit and Council Tax Support.

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

The Local Authority maintains a reactive approach in regards to Housing Benefit Reviews. This is because the authority is reliant on the claimant informing them where they have had a change of circumstance which may affect their benefit entitlement. If this process is delayed, overpayments are realised. These overpayments should be recovered by the Local Authority in a timely manner.

It was identified that there is a current running total in excess of £4m of overpayments being made within Housing Benefits and Council Tax Support at Dacorum Borough Council. This is an accumulation of all overpayments over the last few years. The increase during 2015/16 has been £740,000. Where an overpayment has been realised, the Local Authority is taking a proactive approach to recover all monetary amounts. However, this recovery process is capped by regulations at a standard maximum recovery rate of £11.10 a week through Benefit entitlement. The regulations also allow for additional recovery of 50% of any earnings disregard within the benefit calculation, and the Local Authority makes use of this power. Where the Local Authority has realised an overpayment, the Central Government will provide 40% of the overpayment, in the form of a reimbursement, as an incentive to recover the overpayment amount. If they can recover all of the overpayment, they will return with 140% of the money originally lost, which can then be used to pay future Housing Benefit claims.

There is a cap of Local Authority error through overpayment; if the Local Authority makes an error exceeding a percentage target, they will not receive any monetary incentive from the Government. This is a complex moving target set as a percentage of total errors and total expenditure; currently, the Local Authority is below the lower limit by approximately £13,000.

1.2. Audit Objective and Scope

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

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

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Housing Benefit and Council Tax Support found that there is a sound system of internal control designed to achieve the system objectives. However, there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

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

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Housing Benefit and Council Tax Support is shown in Section 3.

1.4. Key Findings

We have raised two Priority 2 recommendations, and one Priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- The Local Authority should ensure that all awarded Discretionary Payments are paid to Claimants. (Priority 2).
- The Backdate Decision Recommendation form should be consistently, accurately and fully completed; including an explicit decision as to authorise, or not authorise, the payment (Priority 3).
- Structured Fraud Awareness Training Notes / Slides should be developed (Priority 2).

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

1.5. Management Response

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

1.6. Acknowledgement

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Housing Benefits and Council Tax Support, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

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

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

2.3. Areas Covered

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

Policies, Procedures and Legislation

Policies and procedures are available to staff which are reviewed on an annual basis. Tasks within the service are allocated to appropriate teams and there is segregation of duties between crediting of invoices/write-offs and the debiting/setting up of accounts.

Administration and Assessment of New Claims

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

Local Housing Allowance

Benefit payments to private tenants are made in accordance with published rates in order to prevent private landlords from obtaining rents in excess of market conditions at the expense of the Council.

Reviews

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

Backdated Benefits/Discretionary Payments

Only genuine claims based on well-established criteria of “good cause” are paid against.

Payments and Reconciliations

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

Cancellations, Overpayments and Recovery Action

All cancellations are effected in a timely manner and any overpayments are accurately and completely identified for subsequent recovery action. Only appropriately justified write-offs are made.

















Fraud Management

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

3. Assessment of Control Environment

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

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies Procedures and Legislation			
Administration and Assessment of New Claims			
Local Housing Allowance			
Reviews			
Backdated Benefits / Discretionary Payments			Recommendation 1 Recommendation 2
Payments and Reconciliations			
Cancellations, Overpayments and Recovery Action			
Fraud Management			Recommendation 3

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

4. Observations and Recommendations

Recommendation 1: Confirmation of Awarded Discretionary Payments being Paid (Priority 2)

<p>Recommendation</p> <p>Management should confirm that all agreed Discretionary Housing Payments made to claimants have been paid in line with the confirmation letter sent to those claimants.</p>
<p>Observation</p> <p>In order to ensure that only appropriate Discretionary Housing Payments are made, all awarded discretionary payments should be paid in line with the awarding letter issued to claimants.</p> <p>For a sample of 20 Discretionary Housing Payments selected for testing that are made weekly to claimants, it was identified in one case that the payment was never processed, and therefore not paid to the claimant. It was confirmed that the payment had been approved by two officers and a letter had been sent to the claimant confirming the payment of £16.88 per week was to be paid from the 10th April 2015 to 26th April 2015 to support the short fall between Housing Benefit and rental amount for their property. No payment had been made, and there was no evidence to confirm that this had been followed up by the Claimant.</p> <p>It was identified that the payment was missed due to human error inputting the payment dates, the payment period start and end date were entered on the same day, therefore no payment was calculated or paid when the information was extracted from Northgate. This was identified at the time of the audit, and the Team Leader was unaware of the non-payment prior to testing.</p> <p>Where claimants are awarded Discretionary Housing Payments but are not paid there is an increased risk of financial hardship to the applicant and reputational loss to the Council.</p>
<p>Responsibility</p> <p>Benefits Processing Team Leader</p>
<p>Management response / deadline</p> <p>This was a one-off human error where the start and end date of the award had been entered as the same date. This meant that the Northgate processing system did not issue a payment as it asks for confirmation of DHP payments for one day – this actually prevented the system from paying an incorrect amount.</p> <p>To prevent this occurring again, the Benefit Processing Team Leader will carry out a monthly check of DHP payments to ensure that no awards have the status of “NEW” indicating that the payment has not been made.</p> <p>Deadline: already in place</p>

Recommendation 2: Completion of the Backdate Decision Recommendation Form (Priority 3)

<p>Recommendation</p> <p>The Local Authority should ensure that the Backdate Decision Recommendation forms are completed fully and comprehensively. This should include the explicit details of the decision that was made when completing and submitting the form.</p>
<p>Observation</p> <p>In order to ensure that only appropriate claims for the backdating of a Housing benefit claim are made, the Backdate Decision Recommendation form should be completed in full to confirm that a formal decision has been made and to enable management to review such decisions more effectively.</p> <p>A sample of 15 claims for backdated Housing benefits payments were chosen at random throughout 2015/16. It was identified that in four cases the deciding officer had not explicitly given details as to why the decision to ward or not award the backdating of the claim had made on the submission form. This may be inferred in the reasoning paragraph completed by the assessment officer, however it was not fully completed on the decision form to confirm clearly that a decision had been made as to award, or not award, the backdating benefit.</p> <p>Where the Decision Recommendation form is not fully completed there no clear audit trail as to the explicit decision made by the assessment officer and increases the time taken by management to review the decision made should a challenge be made.</p>
<p>Responsibility</p> <p>Benefits Processing Team Leader</p>
<p>Management response / deadline</p> <p>It is accepted that the administration of this area was not to the standard expected. This has already been addressed through a reminder issued to assessment staff on their weekly team briefing dated 6 April 2016. The issue has also been discussed in the weekly Lead Officers meeting dated 5 April 2016 where it was agreed that an increased sample size will be quality checked each week until confidence in the comprehensive administration of backdating decision sheets has been restored.</p> <p>Deadline: already in place</p>





Recommendation 3: Fraud Awareness Training Guidance / Slides (Priority 2)

<p>Recommendation</p> <p>There should be structured training and guidance in place to ensure that consistent training is delivered to all staff through the mandatory fraud awareness training that is delivered on site.</p>
<p>Observation</p> <p>In order to ensure that members of staff within the Benefits team are aware of their roles and responsibilities regarding fraud issues and the prevention of fraud, Fraud Awareness Training should be delivered following the development of structured guidance notes. This will also help ensure that consistent training is delivered to all staff in the mandatory fraud awareness training sessions.</p> <p>In discussion with the Benefits Processing Team Leader, Group Manager (Revenues, Benefits & Fraud), and the Corporate Anti-Fraud Team Leader; it was identified that there is currently no formal structured notes or presentation in place for the Anti-Fraud Team Leader to work from when delivering the training.</p> <p>Where there is no formal guidance or training slides regarding Fraud Awareness to work from when delivering training, there is an increased risk of inconsistent training being delivered to staff.</p>
<p>Responsibility</p> <p>Corporate Anti-Fraud Team Leader</p>
<p>Management response / deadline</p> <p>Slides have not been used by the Anti-Fraud Team Leader for several years, as she found that she received greater engagement during training sessions without them. However, we recognise that the lack of structured notes generates a significant risk to delivery of this course in the absence of the Anti-Fraud Team Leader. A set of structured notes covering the topics required and relevant examples will therefore be prepared, before the next scheduled training session.</p> <p>Deadline: end of June 2016</p>

Appendix A - Reporting Definitions

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Matthew Kelly Benefits Processing Team Leader
- Stuart Potton Team Leader – Revenues and Benefits
- Chris Baker Group Manager – Revenues, Benefits & Fraud
- Elaine Hopkins Corporate Anti-Fraud Team Leader

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

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

April 2016

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Dacorum Borough Council

Final Internal Audit Report

Data Security

April 2016

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:

John Worts – Information Security Manager
Mark Brookes – Group Manager (Legal Governance)
Steve Baker – Assistant Director (Chief Executive's Directorate) (Monitoring Officer)
David Skinner – Assistant Director (Finance and Resources)
James Deane – Corporate Director (Finance and Operations) (Final Report only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: February 2016
Date of draft report: March 2016
Receipt of responses: April 2016
Date of final report: April 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Data Security.

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: Policies and Procedures, Training, Storage and Disposal of Personal Data, and Incident Reporting

1.3. Summary Assessment

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

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

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Data Security are shown in Section 3.

1.4. **Key Findings**

We have raised four Priority 2 recommendations and one Priority 3 recommendation where we believe there is scope for improvement within the control environment. The recommendations raised have been set out below:

- Staff should receive mandatory refresher training periodically (Priority 2)
- Non-Attendance of Training should be followed up with the relevant Group Manager (Priority 2)
- Council should increase staff awareness relating to information security (Priority 3)
- Officers should collect sensitive documents at the time of printing (Priority 2)
- Officer should not leave workstations logged in when unattended (Priority 2)

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

1.5. **Management Response**

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

1.6. **Acknowledgement**

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Data Security, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

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

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

2.3. Areas Covered

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

Policies and Procedures

The Council has in place a Records Management policy and other associated policies and procedures including a Retention Schedule policy which deals with the secure storage and destruction of personal data. These are regularly reviewed and updated as required.

Training

Frequent, mandatory training of staff is provided and run by the Information Security Manager.

Physical Storage and Disposal of Personal Data

The Council carries out information and physical storage audits to establish the type of personal data being stored and how it is being stored. Arrangements are in place for the secure disposal of confidential waste.









Incident Reporting

Staff are aware of their responsibilities for handling personal data, what constitutes a breach or offence and how to report them using the Council's incident reporting procedure.

3. Assessment of Control Environment

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

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies and Procedures			
Training			Recommendation 1 and 2
Physical Storage and Disposal of Personal Data			Recommendations 3, 4 and 5
Incident Reporting			Recommendations 1 and 3

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

4. Observations and Recommendations

Recommendation 1: Refresher Training (Priority 2)

<p>Recommendation</p> <p>Management should introduce a requirement for all current staff to complete an Information Security refresher Training session on a regular basis.</p>
<p>Observation</p> <p>In order that members of staff are made aware of their continuing roles and responsibilities regarding Information Security and are kept up to date with any changes in legislative requirements, the Council should require staff to undertake mandatory refresher training on a regular basis, to ensure good working practice.</p> <p>Currently, the Council does not promote refresher training to those employees who have previously received training. Training is currently only promoted as a mandatory requirement for employees to complete within three months of starting with the Council. Consideration should be taken to ensure that all staff who have not received relevant training in the last five years are encouraged to attend the next Information Security training session put on by the Information Security Team Leader.</p> <p>It was confirmed that out of the 15 staff interviewed, from a selection of three service lines within the Council, that 13 had completed the relevant Information Security training. For seven, of the 13 employees, it was confirmed that they had last received training over five years ago. The longest time since receiving Information Security training being in 2004.</p> <p>Where staff do not receive up to date and relevant Information Security training, and are not made aware of where legislative and regulatory requirements have amended, there is a risk of inefficient and out of date working practices being adopted. There is also an added risk of employees not following legislative requirements due to the previous training now being superseded, which may in turn lead to financial penalties being imposed upon the Council.</p>
<p>Responsibility</p> <p>Information Security Team Leader / Training Officer</p>
<p>Management response / deadline</p> <p>The current full training (four sessions per year) is a mandatory requirement for all new staff.</p> <p>We will make the course mandatory every four years for all existing staff to ensure that their training is refreshed.</p> <p>We will review from existing records who has been on the course in the last four years and carry out targeted promotion of the course to ensure attendance. Failure to attend will be followed up with the appropriate Group Manager.</p> <p>Target for reviewing who has/has not been on the course and promotion of the new course will be completed by 1st June 2016.</p>

Recommendation 2: Non-Attendance of Training (Priority 2)**Recommendation**

Non completion or attendance for mandatory training, should be followed up with the Line Manager of the employee to ensure a legitimate reason for absence is given. Where a response is not received, this should be brought to the attention of the relevant Group Manager.

Observation In order to ensure compliance with the council's policy regarding mandatory training all staff should inform the trainer / Line Manager of the reason for non-attendance along with confirming attendance at the next available mandatory training session.

It was identified from the most recent Information Security training, carried out on the 14th January 2016 that of the 16 people registered to complete the training, only 11 attended, one employee cancelled the morning of training. Four employees did not attend the training session, of which two have given reason for the absence. There was no evidence to confirm that where reasons have not been provided, that this has been followed up and escalated to the appropriate officer.

Where staff do not attend mandatory training, there is a risk of ineffective working practices being adopted by employees. This could subsequently have adverse effects on the Council, performance, and in this scenario, data security; an inherent risk for the Council.

Responsibility

Information Security Team Leader / Training Officer

Management response / deadline

Any non-attendance will be brought to the attention of the employee's line manager immediately by e-mail from the People team. If an appropriate response is not received this will be reported to the relevant Group Manager. The employee will be automatically booked on the next available course and informed accordingly.

The People team currently sends reminder emails to attendees one week before the training course is due. At least 48 Hours' notice must be given to the People team otherwise the non-attendee's department will be recharged. This is current practice for external trainers and the recharge procedure for internal training courses will implemented by end of Q1 2016-17.

Recommendation 3: Raising Staff Awareness (Priority 3)**Recommendation**

The Council should raise staff awareness, potentially through advertisement, of how to determine that documents are classed as confidential or sensitive, distribution of confidential information to other departments, and how to effectively dispose of the confidential or sensitive information.

Observation

In order to ensure there are no breaches of Data Security all members of staff should be aware of how to determine what information is classed as confidential, and how to effectively distribute and dispose of sensitive information.

It was identified through interviewing five members' staff within three different service lines, 15 staff in total, that on six occasions, staff were unaware of what data is classified as sensitive data. It was further identified that two members of staff did not feel a draft contract was deemed as sensitive, One officer was also unaware of the correct procedure when receiving requests from departments regarding the disclosure of personal information. It was also identified that on two occasions, the officers deemed throwing personal data in a public bin was not a breach of data protection. Audit could not confirm, due to the fact that the forms were anonymous; whether this was because they felt it was an offence under the Data Protection Act and that it did not constitute a breach.

Where staff are unaware of the correct procedure for the disposal of confidential waste there is an added risk of a data breach through sensitive information not being disposed securely and confidentially.

Responsibility

Information Security Team Leader

Management response / deadline

The Information Security Team leader will print the Confidential Information flowcharts and place them above all confidential waste bins. (Action to be completed by 15/4/16).

In addition, further communication will be agreed with the Communications team and publicised through the 'Information Station' and 'The Review'. Deadline for both will be 15/4/16.

Training is included within the Information Security course on Confidential/Sensitive information and how to treat such information. Making this course mandatory for all staff every four years will help to ensure that staff are fully aware of the relevant procedures.

Recommendation 4: Printing of Sensitive Data (Priority 2)

<p>System Improvement Opportunity</p> <p>The Council should ensure that all members of staff are reminded of the need to ensure that all documents containing sensitive information that they have printed are not be left in the printer area for a prolonged period of time.</p>
<p>Observation</p> <p>In order that security of sensitive data is maintained members of staff should not leave sensitive or confidential information in public areas and to collect documents from the printing areas at the time of printing.</p> <p>During Three Spot Checks of the third floor carried out during 8th February 2016 - 10th February 2016, it was identified that;</p> <p>On two occasions, 9th February 2016 (12:45) and 10th February 2016 (11:30) that sensitive letters were left on the local printer within a department. The letters related to tenant rent arrears and contained sensitive tenant data in each occasion. Audit cannot confirm how long the information was left on the printer for.</p> <p>On one occasion, 10th February 2016 (11:30) that sensitive information in the form of a letter and backing documentation was left on a secure print printer in the corridor of the third floor. Audit cannot confirm how long the information was left on the printer for. It was confirmed that the user must have been present at the printer to release the document, however they failed to collect it at the time of release as no officers were in the corridor at the time of the spot check.</p> <p>Where sensitive data is left in a public area and not stored correctly, there is an increased risk of a breach of the Data Protection Act through leaving sensitive information in potentially public areas where other staff not privy to such information can gain access. This in turn could lead to penalties being imposed where a breach occurs.</p>
<p>Responsibility</p> <p>Information Security Team Leader</p>
<p>Management response / deadline</p> <p>Legal Governance has requested that two communications briefs go out to all staff through the 'Information Station' and 'The Review'. Deadline for both will be 15/04/16.</p> <p>An email will also be sent to all Group Managers to include the same message and ask them to raise the issue in their next team meeting. Deadline 15/04/16.</p> <p>A notice will also be put above all printers to remind staff not to leave any information on printers. Deadline 05/05/16.</p>

Recommendation 5: Unattended Workstations (Priority 2)**System Improvement Opportunity**

All Computer Users should ensure that they lock their computers when leaving their workstations, this includes short periods of leave from the workstation, such as collecting documents from the printer to ensure good working practice.

Observation

In order that the requirements of the Data Protection Act are complied with, members of staff should not leave workstations open and logged in when unattended, this includes short period of leave from the workstation. Staff should ensure they lock their workstations and remove any sensitive information from view when not present at their areas.

During three spot checks of the third floor carried out during 8th February 2016 - 10th February 2016, it was identified that on two occasions a Computer User was left logged in to their workstation when not present at their desk. The workstation had live documents open and visible on screen. Audit identified that it was the same desk on the 10th February, 09:00 and 11:30. It cannot confirm how long the user was away from their desk. Also, the desk was viewable from the corridor, where the office door was open.

Where workstations are left unattended and logged in, there is an added risk of the security of data being breached. Where employees are working on sensitive materials, and the workstation remains logged in with documents open on the computer screen, there is an increased risk of a data protection breach.

Responsibility

Information Security Team Leader

Management response / deadline

This area is already covered in the Information Security Training course

In addition this matter will also be highlighted in the communications briefs to go out to all staff through the 'Information Station' and 'The Review'. Deadline for both will be 15/04/16.





An email will also be sent to all Group Managers to include the same message and ask them to raise the issue in their next team meeting. Deadline 15/04/16.

After this the Information Security Team Leader will perform further spot checks and report back to Group Manager – Legal Governance if any issues continue

Appendix A - Reporting Definitions

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- John Worts Information Security Team Leader
- Matt Rawdon Group Manager (People)
- Andy Vincent Group Manager (Tenants & Leaseholders)
- Chris Baker Group Manager (Revenues, Benefits & Fraud)
- Chris Taylor Group Manager (Strategic Planning & Regeneration)
- Sarah Allen Central Administration Lead Officer
- Ann Stunell Human Resources Team Leader
- Laura Wood Strategic Planning & Regeneration Team Leader
- Stuart Potton Revenues & Benefits Support Team Leader
- Sue Birrell Housing Income Lead Officer
- Jackie Whitefoot Housing Income Officer
- Sharon Scourfield OD & Training Officer
- Nicola Beadle HR Advisor

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

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

April 2016

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Dacorum Borough Council

Final Internal Audit Report

Health and Safety 2015/16

April 2016

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:

Emma Walker – Team Leader (Food and Health and Safety)
Paul O'Day – Corporate Health and Safety Lead Officer
Chris Troy – Group Manager (Regulatory Services)
David Austin – Assistant Director (Neighbourhood Delivery)
Dave Skinner – Assistant Director (Finance and Resources)
James Deane – Corporate Director (Finance and Operations) (Final Report Only)
Sally Marshall – Chief Executive (Final Report Only)

Key Dates:

Date of fieldwork: February 2016
Date of draft report: March 2016
Receipt of responses: April 2016
Date of final report: April 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Health and Safety.

An external audit was carried out when the Health and Safety function was being transferred to Regulatory Services and a Corporate Health and Safety Lead Officer was appointed. An action plan was produced in 2014/15 and was updated August 2015, which the Corporate Health and Safety have been working from since.

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: roles and responsibilities, support and training, risk assessments, accident investigation, management monitoring and reporting.

1.3. Summary Assessment

There is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Health and Safety is shown in Section 3.

1.4. **Key Findings**

We have raised three Priority 2 and two Priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Policy and procedure documentation should be reviewed and updated on a regular basis (Priority 3).
- Team leaders, group managers and the Corporate Health and Safety Lead Officer's roles and responsibilities should be clearly defined and communicated to all relevant staff (Priority 2).
- The mandatory health and safety course should be completed by all staff and refresher courses should be offered to staff. (Priority 2).
- Risk assessments should be completed by all Services (Priority 2).
- A co-ordinated reporting mechanism should be in place for HSE accident reporting (Priority 3).

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

1.5. **Management Response**

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

1.6. **Acknowledgement**

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Health and Safety, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

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

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

2.3. Areas Covered

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

• Roles and Responsibilities

The Council has in place policies and strategies which incorporate relevant legislative requirements and provide clear guidance to staff. These policies are regularly reviewed to ensure they are up to date.

• Support and Training

Staff are fully supported, with relevant training and guidance provided to allow compliance with health and safety requirements and responsibilities.

• Risk Assessments

Risk assessments are submitted, reviewed and feedback is provided as per the Health & Safety Policy Statement

• Accident Investigation

Accident investigations carried out by service managers are reviewed by Corporate Health and Safety. Reporting to the HSE is corporately co-ordinated.











• Management Monitoring and Reporting

Health and Safety information is accurately produced and regularly reported to allow for effective monitoring, decision making and reporting in line with senior management requirements.

3. Assessment of Control Environment

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

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Roles and Responsibilities			Recommendation 1 and 2
Support and Training			Recommendation 3
Risk Assessments			Recommendation 4
Accident Investigations			Recommendation 5
Management Monitoring and Reporting			

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

4. Observations and Recommendations

Recommendation 1: Health and Safety policies (Priority 3)

<p>Recommendation</p> <p>A review of Health and Safety policies and procedures should be carried out in a timely manner to ensure staff are aware of correct protocol to follow. Policies and procedures should record the latest date of review and the responsible officer.</p>
<p>Observation</p> <p>Having up to date and in depth procedure notes will help to ensure that individuals understand their responsibilities with respect to the health and safety. It also helps to provide a consistent approach in the activities undertaken.</p> <p>Audit identified that relevant procedural guidance was accessible from the Council's intranet. However a number of procedures had not been reviewed since April 2012 and March 2013 including accident reporting, the risk assessment process, work equipment, working at a height, manual handling and more.</p> <p>In addition the 15/16 Action Plan set out seven policies which were due to all be reviewed by October 2015. Two of these seven relating to transportation and driving, and violence and aggression had last been reviewed April 2012.</p> <p>Where policies and procedures are not updated regularly, there is a risk that health and safety procedures will not be carried out effectively or efficiently.</p>
<p>Responsibility</p> <p>Group Manager Regulatory Services</p>
<p>Management response / deadline</p> <p>Partly Agreed – The policies relating to transportation and driving and violence and aggression had been reviewed but old versions had been accessed on the intranet. Management will therefore address this accordingly to ensure there is version control by the end of June 2016. All other policies will be reviewed as necessary in 2016/2017.</p>

Recommendation 2: Staff roles and responsibilities (Priority 2)**Recommendation**

Team leaders, group managers and the Corporate Health and Safety Lead Officer's roles and responsibilities should be clearly and accurately reflected in the Health and Safety policies including the Health and Safety Policy Statement. This should be clearly communicated to all relevant staff.

Observation

In order that reporting, training and submission of risk assessments are carried out effectively, defined roles and responsibilities should be clearly reflected in the policies and communicated to staff.

Audit identified that responsibility for accident reporting, including HSE reporting risk assessment submission and health and safety training had not been clearly communicated to all relevant parties.

Where defined roles and responsibilities are not clearly communicated to all relevant staff there is a risk that health and safety requirements will either not be completed or staff roles will overlap.

Responsibility

Group Manager Regulatory Services

Management response / deadline

Agreed There will be new instructions issued to all Group Managers so there is further clarity on roles and responsibilities. This will be ratified by Health and Safety Committee in June 2016.

Recommendation 3: Staff training and development (Priority 2)**Recommendation**

The mandatory health and safety course should be completed by all staff. Where staff have been employed by the Council for a number of years, a refresher health and safety training course should be offered.

Observation

In order that staff are sufficiently competent and able to mitigate health and safety risks in the workplace, mandatory and refresher training should be completed by all staff.

A mandatory E-learning health and safety course is available to staff on the intranet. Audit identified that out of an estimated 700 members of staff, only 130 staff members had completed the course. Through discussions with a sample of Group Managers it was also identified that some staff completed the course many years ago and would like a refresher course offered.

Where basic health and safety training is not completed, there is a risk that appropriate actions to mitigate health and safety risks will not be taken.

Responsibility

Group Manager People / Group Manager Regulatory Services

Management response / deadline

Agreed. As well as the general e-learning course for all staff there is clearly a need to check mandatory training takes place in relevant service areas, a spreadsheet to identify these requirements is being collated and will be presented to Health and Safety Committee in June 2016.

There is a requirement in the induction for managers to ensure all staff undertake the health and safety training and email reminders are sent to managers about the necessary for all staff to undertake the mandatory training.

GM's to review training annually to identify any officers that have not undergone relevant training.

Recommendation 4: Risk Assessments (Priority 2)**Recommendation**

Robust risk assessment monitoring should be undertaken. Group Managers and other relevant staff should be reminded to submit risk assessments to Corporate Health and Safety periodically for review and these should be followed up if not received.

Observation

In order to effectively mitigate health and safety risks in the workplace, risk assessments should be completed by each Service and reviewed by Corporate Health and Safety on a periodic basis as stated in the Health and Safety Policy statement and updated action plan.

Audit identified that a number of risk assessments are due to be completed per Service however the total expected number was unknown by Corporate Health and Safety. Only 13 risk assessments had been submitted to the Corporate Health and Safety Lead Officer for review. An email reminder had last been sent to Group Managers in October 2015 to remind them to submit risk assessments, however, no further action had been taken.

Where risk assessments are not followed up regularly, and where expected amount of risk assessments to be received are unknown, there is a risk that assessments will not be completed or reviewed in a timely manner, and health and safety risks in the workplace will not be mitigated.

Responsibility

Group Manager Regulatory Services

Management response / deadline

Agreed – there will be a scheme developed to audit individual services to ensure risk assessments are completed , this will be presented to Health and Safety Committee in June 2016.

Recommendation 5: HSE reporting (Priority 3)**Recommendation**

The mechanism for HSE accident reporting should be clarified, and this should be clearly communicated to all relevant staff.

Observation

In order to ensure that accident reporting is carried out appropriately and that corporate health and safety are aware of accidents in the workplace, a co-ordinated HSE reporting mechanism should be in place as per the Corporate Health and Safety Action Plan for 2015/16.

Audit identified through discussion and observation that HSE accident reporting has been reported by other departments and this has not always been communicated to the Corporate Health and Safety team at the time of reporting. However, they have been made aware of what has been reported at a later date.

Where a co-ordinated mechanism is not in place there is a risk that the health and safety team will not be aware of accidents that have taken place at the Council, or duplicate reporting may occur.

Responsibility

Group Manager Regulatory Services





Management response / deadline

Agreed. Currently services report all RIDDOR accidents direct to the HSE but from the 26th April 2016 all completed accident forms will be sent to Corporate Health & Safety. The Corporate Health & Safety team will then look at the accident information provided and if it meets the criteria for RIDDOR they will report it via the HSE's website. This will mean that the Corporate H&S team will see all accidents/incidents before they are reported to the HSE so there is no risk of duplication of reports and corporately we are aware first hand of any serious incidents / accidents.

Appendix A - Reporting Definitions

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Chris Troy - Group Manager (Regulatory Services)
- Emma Walker - Team Leader (Food and Health and Safety)
- Paul O'day - Corporate Health and Safety Lead Officer
- Bill Haylock - Organisational Development and Training Team Leader
- Sharon Scourfield - Organisational Development and Training Officer
- Elizabeth Hine - Risk, Compliance and Health and Safety Officer (Housing)
- Chris Taylor - Group Manager (Strategic Planning and Regeneration).

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

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

April 2016

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Dacorum Borough Council

Final Internal Audit Report

Members' Training and Expenses

April 2016

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:

Jim Doyle – Group Manager (Democratic Services)
Steve Baker – Assistant Director (Chief Executive Unit)
(MO)
David Skinner – Assistant Director (Finance and
Resources)
James Deane – Corporate Director (Finance and
Operations) (Final Report only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: January/February 2016
Date of draft report: March 2016
Receipt of responses: April 2016
Date of final report: April 2016

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1 April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Members' Training and Expenses.

There are 51 Members (elected Councillors) – many of whom were newly elected in May 2015. All Members receive a basic annual allowance with Special Responsibility Allowances given to Members who are appointed (annually by the Leader of the Council) to Chairs of Committees, Portfolio Holders or other Members who take on additional work.

The budget for Members Services is approximately £450k with £11k being set aside for training – either from internal or external trainers. The Member Development Steering Group (MDSG) meet on a quarterly basis and set the Learning Programme for Members with input from Chief Officers of the Council (Chief Exec and Directors).

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: Governance, Induction and Training, Allowances, Travel and Subsistence, and Management Reporting and Budget Monitoring.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Members' Training and Expenses found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may put some of the system objectives at risk. The level of non-compliance puts the system objectives at risk.

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

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Members' Training and Expenses is shown in Section 3.

1.4. **Key Findings**

We have raised one Priority 2 recommendation and four Priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Evidence of the decision to retain the allowances by the Leader of the Council should be retained. (Priority 3)
- Office expense claims should be clearly stated in the Members' Allowances Scheme. (Priority 3)
- Members should be encouraged to attend training sessions throughout the year. (Priority 3)
- Claim forms should be authorised by the Group Manager for Democratic Services or an appointed officer, before they are processed by payroll. (Priority 2)
- Democratic services should ensure that expense claims match to attendance records. (Priority 3)

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

1.5. **Management Response**

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

1.6. **Acknowledgement**

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Member's Training and Expenses, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

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

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

2.3. Areas Covered

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

• Governance

The Council's Constitution contains a clearly defined section on Members' allowances, is regularly updated by the Independent Remuneration Panel, and is available to all relevant staff and Members. Guidance is available which sets out the processes for claiming expenses for meetings, training or other Council business.

• Induction and Training

Induction, specialised and on-going training requirements are assessed and met through the provision of appropriate internal and/or external training. Feedback is received on training sessions in order to assess the usefulness of the training provided.

• Allowances

Payments for Basic, Special Responsibility and Co-opted Member Allowances are accurate and in accordance with the annually approved rates. Any changes in responsibility (and therefore allowances) are identified promptly and amendments made in a timely manner.

• Travel and Subsistence Expenses

Only appropriate and valid claims are paid to Members in accordance with the Members' Allowance Scheme. Claim forms are checked against meeting and attendance registers prior to authorisation for payment.











• Management Reporting and Budget Monitoring

Expenditure against budget is reviewed regularly to ensure budget allocations are not exceeded, and any variances are addressed in a timely manner.

3. Assessment of Control Environment

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

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Governance			Recommendation 1 Recommendation 2
Induction and Training			Recommendation 3
Allowances			
Travel and subsistence			Recommendation 4 Recommendation 5
Management reporting and Budget Monitoring			

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

4. Observations and Recommendations

Recommendation 1: Members' Allowances Scheme (Priority 3)

<p>Recommendation</p> <p>Evidence of the discussion around allowances by the Leader of the Council should be retained.</p>
<p>Observation</p> <p>In order to ensure that Members' allowances have been approved and set appropriately, evidence of the discussion around allowance rates should be retained.</p> <p>Audit obtained the Members' Allowance Scheme from the Council's constitution to confirm that the scheme had last been reviewed in April 2014. Through discussions with the Group Manager for Democratic Services it was identified that the Leader of the Council had made the decision to retain the 14/15 allowances rates in March 2015, although we could not obtain any evidence to support this decision.</p> <p>Where there is no evidence to support the decision made by the Leader of the Council regarding Members' allowances, there is a risk that Members' allowances may be inappropriately set resulting in over or under payments made to Members.</p>
<p>Responsibility</p> <p>Group Manager – Democratic Services</p>
<p>Management response / deadline</p> <p>In the financial climate of 2014/15 a consensus was reached that any change to the Member Allowance Scheme ("the Scheme") should mirror that of the Council's staff and this was reflected and agreed in the budget agreed at that time. The implication of this was retention of the existing Member Allowance Scheme rates and this was communicated to the Group Manager – Democratic Services by the Leader of the Council, understood by all concerned, but that no specific recommendation setting this out was confirmed. The Scheme will be reviewed by the Independent Remuneration Panel by 1st October 2016 with a view to recommending that full Council approves the Scheme for financial year 2017/18 at annual Council in April 2017. Thereafter full Council will approve the Scheme annually and this decision will be clearly minuted.</p>

Recommendation 2: Office expenses (Priority 3)

<p>Recommendation</p> <p>Office expense claims should be clearly stated in the Members' Allowances Scheme.</p>
<p>Observation</p> <p>In order that all expenses are claimed appropriately, the Members' Allowances Scheme should accurately reflect all expenses that can be claimed.</p> <p>Audit identified that expense claims for office equipment had been made by Members. Through discussions with the Group Manager it was identified that office equipment up to £200 can be claimed back by members. However, this had not been included in the Members' Allowances Scheme.</p> <p>Where expenses are not documented in the Members' Allowances Scheme there is a risk that members will be unaware of expenses that can be claimed, or expenses may be inappropriately claimed resulting in financial loss for the Council.</p>
<p>Responsibility</p> <p>Group Manager – Democratic Services</p>
<p>Management response / deadline</p> <p>Recommendation Accepted: The Member Allowance Scheme will be amended to include a specific reference to Office Equipment Expenses. This will be included within the remit of the Independent Remuneration Panel review and will be included in future year approvals.</p>

Recommendation 3: Members Training Attendance (Priority 3)

<p>Recommendation</p> <p>Members should be encouraged to attend training sessions throughout the year.</p>
<p>Observation</p> <p>In order that members are competent in their required role, they should be encouraged to attend training sessions put on by the Council.</p> <p>Audit identified that three members of the Council that had not attended any training sessions during the year as at January 2016.</p> <p>Where members do not attend training sessions, there is a risk that they will not carry out their required duties effectively.</p>
<p>Responsibility</p> <p>Group Manager – Democratic Services</p>
<p>Management response / deadline</p> <p>Recommendation accepted:</p> <p>This area of work is on-going and strenuous efforts are already underway by those supporting Member Development including – Corporate Management Team; The Member Development Steering Group (consisting of officers and members) Member Support; the trainers (internal and external); those involved in the Personal Development Programme; to develop a programme of training that meets councillors needs and encourages greater attendance at training sessions throughout the year.</p>

Recommendation 4: Authorisation of Expense Claims (Priority 2)

<p>Recommendation</p> <p>Claim forms should be authorised by the Group Manager for Democratic Services or an appointed officer, before they are processed by payroll.</p>
<p>Observation</p> <p>In order to ensure that expenses are claimed in line with the Members' Allowances Scheme, an appropriate officer should authorise claims prior to sending to payroll for processing.</p> <p>Audit identified that office expense claims were not authorised by any member of staff in the Democratic Service team prior to processing by payroll.</p> <p>Where claim forms are not authorised prior to processing, there is a risk that inappropriate expenses may be paid, resulting in financial loss for the Council.</p>
<p>Responsibility</p> <p>Group Manager – Democratic Services</p>
<p>Management response / deadline</p> <p>Recommendation accepted:</p> <p>Every Member Travel and Subsistence Claim form submitted to Democratic Services will be signed as authorised by either the Group Manager –Democratic Services or the Solicitor to the Council. Effective Immediately.</p>

Recommendation 5: Attendance records match expense claims (Priority 3)**Recommendation**

Democratic Services should ensure that expense claims match to attendance records.

Observation

In order that expense claims for travel to training sessions are valid, Democratic Services should ensure that expense claims for travel can be matched against attendance records.

Audit identified 1/6 travel claims that could not be matched to attendance records.

Where travel expense claims cannot be matched to attendance records, there is a risk that inappropriate expenses are paid, resulting in financial loss for the Council.

Responsibility

Group Manager – Democratic Services

Management response / deadline





Recommendation Accepted:

Although this process should have been carried out under current procedures it had ceased to be applied consistently and effectively. The procedure has been reinstated and each form is now checked against the attendance record and signed off by Group Manager – Democratic Services or the Solicitor to the Council. Effective Immediately.

Appendix A - Reporting Definitions

Audit assessment

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

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Jim Doyle Group Manager (Democratic Services)
- Michelle Anderson Corporate Support Team Leader
- Jackie Doyle Accountant
- Sharon Collins Parish and VCS Officer

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

Statement of Responsibility

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

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

April 2016

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Agenda Item 8

AUDIT COMMITTEE: 27 April 2016
APPENDIX A

AUDIT COMMITTEE: Work Programme 2015-16

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
27/4/2016		18/4/2016	Progress Report Key Financial Controls Budgetary Control NNDR Housing Benefit – Council Tax Support Data Security Health & Safety Member Training & Expenses Housing Lettings	Internal Audit
			2014/15 Report on the Certification of Claims and Returns 2015/16 Audit Planning Report	External Audit