

Audit Agenda



Wednesday 8 February 2017 at 7.30 pm

Conference Room 2 - The Forum

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

Membership

Councillor Barnes
Councillor Brown
Councillor Douris

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

Substitute Members:

Councillors G Adshead, Anderson, Link and Ransley

For further information, please contact J Doyle (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

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

4. PUBLIC PARTICIPATION

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

5. STRATEGIC RISK REGISTER (Pages 4 - 21)

6. APPOINTMENT OF AUDITORS POST 2018 AND BEYOND (Pages 22 - 25)

7. INTERNAL AUDIT PROGRESS REPORT (Pages 26 - 39)

8. INTERNAL AUDIT REPORTS (Pages 40 - 71)

Internal Audit Reports

- Council Tax
- Digital Dacorum
- NNDR

- 9. INTERNAL AUDIT - DRAFT PLAN 2017-18** (Pages 72 - 78)
- 10. AUDIT COMMITTEE WORK PROGRAMME** (Pages 79 - 80)
- 11. EXCLUSION OF THE PUBLIC** (Page 81)

To consider passing a resolution in the following terms:

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 (Item 12).

- 12. ANNUAL REVIEW OF RISK BASED VERIFICATION IN BENEFITS** (Pages 82 - 101)

Agenda Item 5



AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	8 February 2017
PART:	1
If Part II, reason:	

Title of report:	Strategic Risk Register Quarter 3, 2016/17
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> Incorporated within the report.
'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 2016/17 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:	Cabinet, October 2014, Agenda Item 10

BACKGROUND

1. The revised Strategic Risk register showing the position at the end of Q3 2016/17 is attached at Appendix A.
2. For this quarter the risk scores have remained unchanged, however the narrative has been reviewed and amended as appropriate to reflect the present position.
3. This iteration of the risk register, i.e. as at Quarter 3, will be reported to Cabinet on 21 March 2017, and will include comments and suggestions as requested by the Audit Committee.

STRATEGIC RISK REGISTER

December 2016



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: 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	3 Likely	2 Medium	6 Amber
Consequences		Current Controls		Assurance	
<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 2016



1. Disclosure of personal information causing harm to a resident
 2. High profile negative publicity regarding the way the Council operates
 3. Significant financial penalty imposed by the Information Commissioner

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.

Emergency Plan
 Human Resources terms & conditions

Sign Off and Comments

Sign Off Complete

The HSE investigation into the monitoring of Hand Arm Vibration at Cupid Green continues. Due to the sensitive nature of information relating to this investigation, Members will be kept updated through the portfolio-holder.

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: Sally Marshall	Portfolio Holder: Neil Harden	Tolerance: Treating
Inherent Probability 4 Very Likely	Inherent Impact 4 Severe	Inherent Risk Score 16 Red	Residual Probability 2 Unlikely	Residual Impact 4 Severe
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		- Leading in Dacorum continues to be delivered (all courses stated in risk register)	• Across 2015/16 the Council had a voluntary annual turnover rate of 10.6% (76 staff). This compares	

STRATEGIC RISK REGISTER

December 2016



effectively deliver services through increased 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.

Page 8

- People strategy to be implemented in early 2017 which will cover issues including graduate scheme, apprenticeship scheme, succession planning, reviewing T&Cs etc.
- Continuation of sharing services with other LAs, with policy development and transactional/operational Hr activities
- The new approach for service planning for focuses heavily on service innovation, service efficiencies and workforce planning.
- 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.

positively to the public sector average (18%) and it is below the level within local government (11.9%). It is also lower than average for district councils (11%).

- 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.

Sign Off and Comments

Sign Off Complete

STRATEGIC RISK REGISTER

December 2016



Recruitment and Retention:

Our recruitment process is well-established including be-spoke training for managers, job adverts across a range of media (including social media) and up-to-date recruitment policies and the use of behaviour based assessments. We have also appointed a new specialist recruitment agency. However we know that more can be done and as part of our new People Strategy, we are undertaking a number of projects to improve how we recruit, select and retain high performing staff.

Development and Training:

Our skills and management training programme (Leading in Dacorum) continues to be delivered successfully and in 2015/16 we provided over 900 delegate training places for staff. The new People Strategy also sets out our vision and plans for organisational development including ensuring that we provide a dedicated training budget for each team and that we consider introducing coaching skills across the organisation.

CSG - 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: Neil Harden	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
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. 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		Information Security Officer appointed responsibilities include: <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. 		<ul style="list-style-type: none"> Information Security Officer appointed Various ICT policies and procedures in place Compulsory training for staff on Data Security PSN Compliance 	

STRATEGIC RISK REGISTER

December 2016



data.

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.

Consequences of Risk –

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 failure to meet duties and to protect people, finances and assets.
5. Potential damage to DBC's reputation.

- 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.
- Compulsory training for staff on Data Security
- PSN Compliance
 - Audit of data protection approach

Sign Off and Comments

Sign Off Complete

STRATEGIC RISK REGISTER

December 2016



As noted in previous reports, we have a controls to ensure that we effectively manage our data protection responsibilities.

We run quarterly training courses on the Data Protection Act, Information Security Management and the Freedom of Information Act. Our guidance requires staff to attend a refresher course at least once every four years. Staff are also required to review and sign a number of data protection policies. All suppliers working with our data are also required to complete an 'accreditation form'.

We have secured our annual PSN compliance assessment which ensures that our processes and network & security controls meet the Cabinet Office's exacting security requirements. This includes anti-virus software, corporate firewalls and various authentication processes. The planned move to a new remote working solution will build on this approach. The move to the Forum was a potential risk, however through various checks and processes we have taken steps to ensure that physical data was safely migrated. In addition as we decommission the existing Civic Centre we will be undertaking a series of measures, led by COG, to ensure that all data is safely removed.

Given the range of measures and controls we do not consider it necessary to change the ratings for this risk.

Page 1 FC-1 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: Margaret Patricia 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: <ul style="list-style-type: none"> • 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 		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		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.	

STRATEGIC RISK REGISTER

December 2016



to build new homes but only to pay for 30% of costs (leaving the other 70% to be sourced)

- 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 £30M 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.

changes – if the proposed legislation is enacted – will only mitigate the impact to an extent as the scale of 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

STRATEGIC RISK REGISTER

December 2016



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

Associations in order to minimise losses of resource to the Borough and to increase supply of new 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

Page 13

STRATEGIC RISK REGISTER

December 2016



• The HRA is reported as part of the overall corporate financial reporting process

Sign Off and Comments

Sign Off Complete

The government has confirmed that sale of high value council homes will not commence in 2017/18 and has yet to provide any detail of amounts and timing. The HRA business plan will have options as and when it comes in to meet the impact which will be brought before members. Pay to Stay is now not a requirement.

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: 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	3 Likely	3 High	9 Amber
Consequences		Current Controls		Assurance	
<p>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)</p> <p>Sustained funding reductions of this magnitude are not</p>		<p>The Council's Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment, 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'.</p> <p>The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-</p>		<p>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.</p> <p>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).</p> <p>These internal audit opinions provide assurance that the</p>	

STRATEGIC RISK REGISTER

December 2016



only a risk to the Council's capacity to grow and enhance the community, but more fundamentally they are a risk 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.

term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link:

<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

Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives.

STRATEGIC RISK REGISTER

December 2016



financial constraints outlined within the MTFS and the HRA plan. The aspirations of the Council and the community are managed through the Council's Communications Strategy both through social media, the local press and Digest.

Sign Off and Comments

Sign Off Complete

The provisional Local Government Finance Settlement was announced in December 2016, and was in line with the 4-year deal approved by Government in November 2016. This means that there are no material funding changes to the MTFS.

A draft version of the MTFS will be issued to Cabinet along with the Budget papers in February 2017. The most recent version of the draft shows that the Council continues to identify initiatives that make significant inroads into the savings targets required for future years. Senior management focus will be required to ensure that these initiatives are delivered successfully and on time in order to ensure the medium-term deliverability of the council's objectives.

I3 - 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: 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	
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		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		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.	

STRATEGIC RISK REGISTER

December 2016



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

Page 17

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.
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

Regular reports are made as set out above in controls.

STRATEGIC RISK REGISTER

December 2016



Page 18

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 Corporate Regeneration Group
- Fortnightly reporting on key projects to CMT
- Reporting to Performance Board before each Cabinet Meeting
- A clear programme for the Local Development

STRATEGIC RISK REGISTER

December 2016



Framework and CIL <ul style="list-style-type: none"> • Quarterly reporting to Overview and Scrutiny • Regular reporting to Cabinet • Adherence to the agreed performance and project management processes 	
Sign Off and Comments	
Sign Off Complete There are no material changes at this point while government considers policy direction for both housing and planning.	

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: 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 minded. - We will not be able to respond to negative posts or views which could cause significant reputational damage or risk.		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 proactively engage with residents through Twitter, Facebook, Linked In, Instagram and using online videos. - We have 18 social media accounts covering corporate and operational services including from the CSU.		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 o Information Security Incident Procedure o Social Media Strategy o Facebook and Twitter accounts o Social Media Management System	

STRATEGIC RISK REGISTER

December 2016



- 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 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

- 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.
- We use a subscription service that manages and secures accounts.
- All staff are required to read and sign-up to a range of

STRATEGIC RISK REGISTER

December 2016



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.

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

We continue to deliver a strong but managed social media presence. We posted over 1,928 outbound messages, received over 262 direct messages which were responded to in accordance with our social media policy and guidance, and had a total twitter reach of 5.9 million viewers across our 18 social media accounts and networks. Some of the campaigns we have run include the widely publicised "Vote Hemel" (The Great British High Street Awards) campaign, events (Halloween and Christmas lights), recycling (food waste and Christmas tree recycling) and celebrating achievements (Max Whitlock and Jess Stretton). The success of our social media work is reflected in the local government ranking (source: net natives) which placed Dacorum Borough Council as the highest ranked (of the 10 borough councils in Hertfordshire) for both October and November 2016.

As highlighted previously, we use a range of management and security measures including the enforcement and implementation of our social media and ICT policies and our dedicated social media management system (Crowd Control). We seek to mitigate the risk of negative social media responses through our social media management system and by having a monitoring system in place which ensures we have staff available to respond to any issues. We have also agreed to routinely remove posts from individuals who have been restricted in the way they communicate with the Council, and all vexatious or inappropriate language is automatically deleted from our accounts as part of the risk management software.

Agenda Item 6



AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	8 February 2017
PART:	1
If Part II, reason:	

Title of report:	Appointment of Auditors 2018 and beyond
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance & Resources James Deane, Corporate Director (Finance & Operations)
Purpose of report:	To seek Committee's opinions on the appointment of the Council's external auditors for financial year 2018/19 and beyond.
Recommendations	That Committee approve the recommendation for the Council to opt into the PSAA procurement arrangement for the appointment of the Council's next auditors
Corporate objectives:	Modern and Efficient Council
Implications:	<u>Financial</u> Contained within the body of the report.
'Value For Money Implications'	<u>Value for Money</u> Contained within the body of the report.
Risk Implications	Contained within the body of the report.
Equalities Implications	None
Health And Safety Implications	There are no health and safety implications

Executive Summary

1. Current auditor appointments are managed by Public Sector Audit Appointments Limited, an independent company established by the Local Government Association to manage existing appointments under transitional arrangements after the winding down of the Audit Commission. The existing audit appointments will end with the completion of the 2017/18 audits.
2. The Council must appoint a new auditor by December 2017, and can choose one of three options to procure the appointment. In summary, these options are:
 - The Council acts alone to carry out a procurement exercise independent from other local authorities or external bodies;
 - The Council joins with other authorities to undertake a joint procurement; or,
 - The Council opts in to a Sector Led Body (SLB) acting on behalf of authorities across the country to procure appointments.
3. Officers recommend that the Council pursues Option 3 for the appointment of its next auditor on the basis of the efficiency, resource, and financial savings available as a result of being a part of a larger procurement with greater buying power.
4. The views of Audit Committee will be reported back to Cabinet at its meeting of 14 February 2017, to inform Cabinet's recommendation to Council. Legislation requires that the Council's opting into a SLB is a decision of Full Council.

Background

5. In August 2010 the then Secretary of State for Communities and Local Government, Eric Pickles, announced that he intended to close the Audit Commission, the body that appointed external auditors to Local Government and NHS organisations. As part of this announcement, he also stated that organisations whose appointments were previously controlled by the Audit Commission should have the freedom to appoint their own external auditors.
6. The Local Audit & Accountability Act 2014 ('the Act') abolished the Audit Commission, which closed on 31 March 2015. At the time of closure, contracts were already in place for local government and NHS external audit appointments that covered audits up to and including the financial year 2016/17. Within these contracts there was an option to extend for a maximum of three further years, i.e. up to and including the financial year 2019/20.
7. A consultation exercise with key stakeholder groups was undertaken, and the Government decided that for local government bodies the contracts will be extended by one year, i.e. to incorporate the audit of the 2017/18 financial year. After this, local authorities must make arrangements to appoint the external auditors themselves.

Options for appointing External Auditors

8. The appointment of external auditors is tightly regulated and local authorities must comply with a range of controls to ensure that appointments are, and are

seen to be, independent. Within the framework laid out, there are three options available to local authorities to appoint auditors for the period beginning 2018/19:

- Establish an independent auditor panel. The panel must be made up of a majority, or of wholly independent members and must be chaired by an independent member;
 - Jointly establish an auditor panel with other authorities; or,
 - Opt in to an approved sector led body (SLB) to be specified by DCLG to act as the Appointing Person on behalf of opted-in authorities.
9. The Local Government Association (LGA) has been working with the PSAA in order to develop a SLB which offers an alternative to each council setting up its own, separate Auditor Panel. Formal invitations to opt in were issued in December 2016 and opt in will require Full Council Approval (*Regulation 19, Local Audit (Appointing Person) Regulations 2015*). A response to the formal invitation will be required by March 2017.
10. The LGA is supporting the sector led approach because of the benefits for the sector as a whole (which also apply to this Council independently). These benefits include:
- Purchasing power to negotiate competitive audit fees worth an estimated £30m annually;
 - A more cost-efficient approach to tendering – avoiding the costs of every authority incurring costs associated with an individual tendering exercise;
 - Economies of scale to be achieved from collective procurement, enabling the winning bidders to plan and resource audits more efficiently and effectively;
 - Quality monitoring and other information sharing across contracts (subject to protections over confidentiality);
 - Sensible distribution of audit appointments taking into consideration joint working between individual Councils and other public bodies, managing rotations where conflicts of interest arise.
11. In July 2016, PSAA was specified by the Secretary of State as an Appointing Person. A national collective scheme for appointment has now been published by PSAA and an invitation to opt in has been issued, with a response required by 9 March 2017. Initial interest has been expressed by 200 authorities, suggesting significant economies of scale.

Evaluation of the options available to the Council

12. Officers have considered the advantages and disadvantages of the options available:
13. **Option 1:** Establish an independent Auditor Panel - Whilst option 1 would give the Council complete autonomy over the whole process, the cost and resource involved in setting up a new panel and carrying out a procurement exercise are expected to be significant. In addition, it is unlikely that the Council acting alone

would have sufficient purchasing power to obtain best value, relative to sharing the purchasing power of a larger procurement body.

14. **Option 2:** Jointly establish an Auditor Panel with other authorities - A joint set-up and procurement with other partners would still require the Council to incur significant cost and resource in order to set up a compliant panel and carry out a procurement exercise. Whilst this option is preferable to Option 1, and would offer an opportunity to benefit from combined purchasing power, even a shared procurement with all authorities in Hertfordshire would be unlikely to achieve material economies of scale relative to those available to a national body. (For example, Audit Commission procurements in 2012 and 2014 were for 750 and 260 audited bodies, and achieved savings of 40% and 25% respectively.)
15. **Option 3:** Opt in to an approved sector led body (SLB) - Use of a SLB (PSAA) to act as the Appointing Person would allow the Council access to the benefits of a national procurement exercise (also enabling local procurement resources to remain focused on core business activities), whilst also ensuring that the actual and perceived independence of auditors is protected through the separation of the Council from the decision-making process.

Recommendation

16. Having considered the relative merits of each option, it is recommended that the Council opt into the PSAA Appointing Person arrangement (Option 3), subject to confirmation of the final details of the scheme.

Agenda Item 7



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – February 8 2017

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.

CONTENTS

Introduction	1
Background.....	1
Progress to Date	1
Follow-up of Recommendations.....	2
Priority 1 Recommendations	4
Appendix 1 – Status of Audit Work 2016/17.....	5
Appendix 2 – Follow-up of Recommendations 2015/16 and 2016/17	10
Appendix 3 - Statement of Responsibility.....	12

Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2016 to January 31st 2017 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2016/17 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 2016/17 Internal Audit Plan is progressing well and audit coverage has been in line with the Plan, as shown in Appendix 1.

We have issued the following Final reports:

- Council Tax (Evaluation assurance: **Full**. Testing assurance: **Full**);
- NNDR (Evaluation assurance: **Full**. Testing assurance: **Substantial**);
- Digital Dacorum (Evaluation assurance: **Full**. Testing assurance: **Full**)

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

- Payroll and Pensions Administration
- Key Financial Controls

Follow-up of Recommendations

2015/16 and 2016/17

The table below details the recommendations raised in the audit reports for 2015/16 and 2016/17. The summary of the outcome of our follow up work to the 31st January 2017 is shown in the table below:





Year	Total Recommendations	Implemented / no longer relevant	%	Implemented / partly implemented / no longer relevant	%
2015/16	53	52	98%	52	98%
2016/17	32	13	41%	13	41%
Total	85	65	76%	65	76%

Appendix 3 provides a summary of the status of all recommendations where the proposed implementation date was before 31st January 2017.

Definition of Assurance & Priorities

Audit assessment

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

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

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

Grading of recommendations

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

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

Priority 1 Recommendations

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

Appendix 1 – Status of Audit Work 2016/17

	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 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.	15	14.5	Q3	Draft Report Issued						
	Treasury Management, Cash & Bank											
	Accounts Receivable											
	Accounts Payable											

Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
			Days Delivered			Evaluation	Testing	1	2	3	
Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	7		Q4	Scoping meeting held						
Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	8	Q3	Final Issued	Full	Full			1	
NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	6	6	Q3	Final Issued	Full	Substantial			1	
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		Q4							
Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, auto-enrolment etc.	8	7.5	Q3	Draft Report issued						
Core Financial Systems Total		52	36								

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Operational Risks	Homelessness	Covering adequacy and effectiveness of controls over homelessness, including the approach to developing the Homelessness Prevention Strategy.	10	10	Q2	Final Issued	Substantial	Substantial		3		Also raised 1 System Improvement Opportunity
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	10	10	Q2	Final Issued	Full	Substantial	1	1	1	Also raised 1 System Improvement Opportunity
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	10	10	Q1	Final Issued	Full	Substantial		2	3	
	Human Resources	Covering adequacy and effectiveness of key controls over recruitment, workforce planning, sickness absence and training	10			Q4						
Operational Risks Total			40	30								
Strategic Risks	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes.	15	15	Q1	Final Issued	Substantial	Substantial		3	3	
	Delivery of Digital Dacorum Strategy and Associated Projects and Activities	Programme/Project management assurance in respect of Digital Dacorum. A sample of projects in the programme will be selected.	15	15	Q3	Final Issued	Full	Full				(previously named Programme/Project Management)

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
	Commercial Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, void management and performance management.	14	14	Q1	Final Issued	Substantial	Substantial		3	2	
Strategic Risks Total			44	44								
Governance, Fraud & other Assurance Methods	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities.	10	1	All	Work in progress						
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	10		All							
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management.	12		Q2-4							
	Benefits/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	10	8	Q3	Work in progress						
Governance, Fraud & other Assurance Methods			42	9								

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
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.	15		Q4							
	Customer Relationship Management (CRM)	The audit will provide assurance over Application Management and Governance, System Security, Interface Controls and Data Flow, Data Input, Data Output, Change Control and Support Arrangements	15	14	Q1	Draft report issued						
ICT total			30	14								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	8								
	Management (including Audit Committee Training)		25	20								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). -Housing Allocations	15 10		Q4							
		-Housing Maintenance	5	5	Q2	Final Report Issued	Limited	Limited		8		
Other total			65	33								
TOTAL			273	166								

Appendix 2 – Follow-up of Recommendations 2015/16 and 2016/17

A follow-up audit has been undertaken in accordance with the 2016/17 audit plan. The objective was to confirm the extent to which the recommendations made in 2015/16 and 2016/17 internal audit final reports have been implemented.

The table below provides a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31st January 2017.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Performance Management	1	1							Rob Smyth
Regeneration	6	6							Chris Taylor
Licensing	4	2			2				Ross Hill
Parking	3	3							Nick Brown/ Steve Barnes
Right to Buy	5	5							Richard Baker/ Andy Vincent/ Chris Baker
PCI-DSS	4	4							John Worts
Housing Repairs	4	4							Fiona Williamson
Council Tax	1	1							Chris Baker
NNDR	4	3				Sep 2016	Mar 2017	1	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	50			2			1	

The table below provides a summary of the status of all 2016/17 recommendations raised in final reports issued as at 31st January 2017.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	5	5				31 Oct 2016	-		Katie Kiely
Commercial Asset Management	5	5				31 Oct 2016	-		Nick Brown
Homelessness	3	3				31 Dec 2016	-		Natasha Brathwaite
Housing Maintenance	8					31 Jan 2017	-	8	Fiona Williamson
Community Infrastructure	6					31 Mar 2017	-	6	Chris Taylor
Contract Management	3					31 Mar 2017	-	3	Ben Hosier
NNDR	1					30 Jun 2017	-	1	Stuart Potton
Council Tax	1					31 Dec 2017	-	1	Chris Baker
Total	32	13						19	

Appendix 3 - Statement of Responsibility

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

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

Mazars Public Sector Internal Audit Limited

London

February 2017

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Agenda Item 8



Dacorum Borough Council Final Internal Audit Report Council Tax

January 2017

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

CONFIDENTIAL

Distribution List:

Dave Skinner – Assistant Director (Finance and Resources)
Chris Baker - Group Manager (Revenues, Benefits and Fraud)
Anna Elliott – Revenues Team Leader
Stuart Potton – Revenues and Benefits Support Team Leader
James Deane – Corporate Director (Finance and Operations)
(Final Report Only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: November 2016
Date of draft report: January 2017
Receipt of responses: January 2017
Date of final report: January 2017

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Contents

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	5
4. Observations and Recommendations	6
Recommendation 1: Historic Items in the Suspense Account (Priority 3)	6
Appendix B - Staff Interviewed.....	8
Statement of Responsibility.....	9

1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of Council Tax.

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 Council Tax, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation; Council Tax Transactions and Records; Valuation and Tax Setting, Discounts, Exemptions, Allowances and Premiums; Billing; Receipts from Rate Payers and Refunds; Suspense Accounts; Recovery and Enforcement; Write-Offs; and Management of Collection Rates.

1.3. Summary Assessment

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

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

Evaluation Assessment	Testing Assessment
Full	Full

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

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 Council Tax are shown in Section 3.

1.4. **Key Findings**

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

- Historic Items in the Suspense Account (Priority 3).

Historic payments allocated to the Council Tax should be investigated and cleared to ensure that all income received by the Council has been correctly allocated, and to contribute to the effectiveness of the debt recovery process.

A recommendation was raised in the 2015/16 Council Tax internal audit report regarding the timeliness of refunds and transfers of credit from closed accounts which had credit balances. Follow up of this recommendation found that processes have been put in place to reduce the time taken for these refunds and transfers to be made. Furthermore, the Revenues and Benefits Team Leader performs a monthly spot check on the timeliness of refunds and transfers. Management should continue to monitor the progress of the refunds project to ensure that the backlog of refund requests is cleared, and all refunds are processed in a timely manner.

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

1.5. **Management Response**

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

1.6. **Acknowledgement**

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Council Tax, 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, Procedures and Legislation

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

Council Tax Transactions and Records

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

Valuation and Tax Setting

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

Chargeable amounts for each banding are correctly set up on the system in accordance with the approved rates.

Discounts, Exemptions, Allowances and Premiums

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

Billing

Accurate rate of Council Tax is raised against all properties based on the property banding.

All Council Tax payers are billed in a timely and accurate manner in order to help ensure timely receipt.

Receipts from Tax Payers and Refunds

All income due from tax payers has been received and recorded accurately.

Only valid and authorised refunds are made. Refunds on closed credit accounts are made in a timely manner.

Suspense Accounts

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

Recovery and Enforcement

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

Write-Offs

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





















Management of Collection Rates

Collection targets are met and management are provided with sufficient, accurate and timely information on debt collection rates to allow for effective 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 & Legislation			
Council Tax Transactions and Records			
Valuation and Tax Setting			
Discounts, Exemptions, Allowances and Premiums			
Billing			
Receipts from Tax Payers and Refunds			
Suspense Accounts			Recommendation 1
Recovery and Enforcement			
Write-Offs			
Management of Collection Rates			

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: Historic Items in the Suspense Account (Priority 3)

<p>Recommendation</p> <p>The Northgate system issue should be resolved to enable the historic items in the Northgate suspense account to be written on.</p>
<p>Observation</p> <p>Unidentifiable payments to the Council Tax bank account are allocated to the suspense account. These payments are then investigated, and efforts are made to allocate the payment to the correct account.</p> <p>Examination of the Council Tax suspense account on Northgate found 511 items totalling £11751.90 are being held in the account. The oldest item is over 13 years old, dated 03 Feb 2003 (It should be noted that the amount of this item is £41 and is not significant and this is reflected in the priority of this recommendation). The Systems Development and Finance Lead Officer informed us that these historic items should most likely be written on, but the department has not yet had the resources to complete this task.</p> <p>Where historic items in the suspense account are not allocated, there is a risk of financial loss to the Council where it is unable to fully allocate income received. Furthermore, the effectiveness of debt recovery activities may be compromised.</p>
<p>Responsibility</p> <p>Revenues and Benefits Support Team Leader</p>
<p>Management response / deadline</p> <p>This is mainly an issue of historic records (90% of the items showing as outstanding are over 10 years old), We will work with the software provider to ensure that we are able to clear or allocate items from the suspense account.</p> <p>Deadline: task to be completed by end of December 2017</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:

- Anna Elliott - Revenues Team Leader
- Stuart Potton - Revenues and Benefits Support Team Leader
- Chris Baker - Group Manager (Revenues, Benefits and Fraud)
- Teresa Canning - Revenues Lead Officer
- Jake Seabourne - Systems Development and Finance Lead 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

January 2017

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Dacorum Borough Council

Final Internal Audit Report

Digital Dacorum

February 2017

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

CONFIDENTIAL

Distribution List:

Charles Berry Ottaway - Innovation and Improvement
Team Leader

Robert Smyth - Assistant Director (People, Performance
& Projects)

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: November 2016

Date of draft report: January 2017

Receipt of responses: February 2017

Date of final report: February 2017

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.

Contents

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	4
4. Observations and Recommendations	5
Recommendation 1: Key Performance Indicators and Baseline Data (Priority 3)	5
Appendix A - Reporting Definitions	6
Appendix B - Staff Interviewed.....	7
Statement of Responsibility.....	8

1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of the Digital Dacorum Strategy (DDS).

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 Digital Dacorum, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Governance Arrangements, Project Plans, Monitoring and Management Reporting, and End of Project Procedures.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Digital Dacorum found that there is a sound system of internal control designed to achieve the system objectives, and the controls in place 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 Digital Dacorum are shown in Section 3.

1.4. Key Findings

We have raised one Priority 3 recommendation where we believe there is scope for improvement within the control environment. The recommendation raised is in relation to retaining the baseline data used to measure the impact of projects and their Key Performance Indicators.

Overall we were able to confirm that there are robust arrangements and processes in place over the delivery of Digital Dacorum Strategy.

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

1.5. Management Response

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

1.6. Acknowledgement

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

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Digital Dacorum, 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:

Governance Arrangements

There is a clear accountability and adequate structure is in place to facilitate an efficient, effective and transparent delivery of the projects and activities driving the Digital Dacorum Strategy.

Project Plans

Projects associated with Digital Dacorum Strategy have clearly defined objectives and milestones. Projects are scoped in sufficient details to enable reliable estimates of budget, timescale and other resource requirements.

Key risks threatening the achievement of project objectives are identified promptly and preventative measures or response plans are put in place to manage these risks.

Monitoring and Management Reporting

Progress of the projects and activities associated with Digital Dacorum Strategy is monitored regularly and preventative measures are put in place where possible to avoid slippage or overspend and corrective actions are taken as appropriate.

Information need of management is clarified and complete, accurate and relevant performance information is provided to facilitate effective and efficient management oversight and decision making.









End of Project Procedures

Project is evaluated upon completion and any lessons learnt are fed through to future projects. Any issues requiring further actions at the time of the end of project sign off are tracked through to a full resolution.

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 Arrangements			
Project Plans			
Monitoring and Management Reporting			
End of Project Procedures			Recommendation 1

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: Key Performance Indicators and Baseline Data (Priority 3)

<p>Recommendation</p> <p>The baseline data relating to the performance and statistics prior to a project being undertaken through the Digital Dacorum Strategy (DDS) should be evidenced in the evaluation report to provide assurance on project success and output delivery .</p>
<p>Observation</p> <p>Key Performance Indicators and baseline data are important for the Council to measure and quantify the success and impact of the projects under the DDS.</p> <p>Review of the five completed projects so far identified that three have had a Project Evaluation Report completed. In the remaining two cases, the evaluation report is not yet due. Within the evaluation report there is a section in relation to the impact of the project (measured by KPIs).</p> <p>Project 1 (Website Re-Design) has two KPIs in place as follows:</p> <ul style="list-style-type: none"> • Number of people viewing website pages; and • Functional and clear web pages (measured by the average time spent on page and bounce rate). <p>The post project data says there has been a 2.2% increase on the number of site visits from data collected March - October 2016, 7.64% reduction on the average time spent on page and 19.71% reduction on the bounce rate. However, pre-project data (baseline data) is left blank within the Project Evaluation Report. We did request the baseline data but these could not be provided at the time of the audit.</p> <p>Where there is no baseline data, there is an increased risk that the Council is unable to demonstrate the accuracy of the performance being reported in case of challenge.</p>
<p>Responsibility</p> <p>Assistant Director (People, Performance & Projects)</p>
<p>Management response / deadline</p> <p>Establishing relevant baseline data is vital for the effective assessment of the success of a project.</p> <p>In this case, while we collected and reported on the relevant base-line data (and its progress throughout the project) in a number of different forums and reports, the information had not been listed on the project evaluation report.</p> <p>We will go back and amend the project evaluation report and we will also ensure that all future project evaluation reports contain details of the baseline data.</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:

- Charles Berry-Ottaway Innovation and Improvement Team Leader
- Robert Smyth Assistant Director (People, Performance & Projects)

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

February 2017

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Dacorum Borough Council

Final Internal Audit Report

National Non-Domestic Rates (NNDR)

January 2017

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

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Distribution List:

Dave Skinner – Assistant Director (Finance and Resources)

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

Anna Elliott – Revenues Team Leader

Stuart Potton – Revenues and Benefits Support Team Leader

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

Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: November 2016

Date of draft report: January 2017

Receipt of responses: January 2017

Date of final report: January 2017

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Contents

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	5
4. Observations and Recommendations	6
Recommendation 1: Overdue Property Inspections (Priority 2).....	6
Appendix A - Reporting Definitions	7
Appendix B - Staff Interviewed.....	8
Statement of Responsibility.....	9

1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of National Non-Domestic Rates (NNDR).

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: Policies, Procedures and Legislation; NNDR Transactions and Records; Valuation, NNDR Multiplier and Rate Setting; Liability and Reliefs; Billing; Receipts from Rate Payers and Refunds; Suspense Accounts; Recovery and Enforcement; Write-Offs; Management of Collection Rates; and Business Rate Retention.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the NNDR found that 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 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 NNDR are shown in Section 3.

1.4. Key Findings

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

- Overdue Property Inspections (Priority 2).

The Revenues and Benefits department schedule property inspections on properties with empty property relief awards, to ensure that the relief award is still valid. Inspection of the NNDR overdue inspections list found that 72 inspections were over three months overdue. Attempts should be made to identify the cause of the backlog, and for the overdue work programme to be cleared.

A follow up of the recommendations raised in the 2015/16 NNDR internal audit report was also completed and of the four recommendations, two were implemented and two have yet to be fully implemented. The details of the follow up status are as follows:

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

Not Implemented - There are some historic balances remaining in the suspense account with some dating back to 2003. However, given that a recommendation has been raised in the Core Financial audit 2016/17 we have not repeated the recommendation as part of this work.

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

Implemented - Testing of a sample of ten debt recovery cases found that in all cases actions taken were included in the case notes on Northgate.

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

Implemented - Testing of a sample of ten debt write-offs confirmed that the appropriate supporting documentation had been retained in all cases.

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

Partly Implemented - Sample testing of twenty relief and exemption awards found that in all cases the award was independently validated. However, there is currently a backlog of void inspections. A recommendation has been raised to clear the overdue inspections.

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 NNDR, 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, Procedures and Legislation;

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

NNDR Transactions and Records;

Reliability, integrity, confidentiality and security of the NNDR system and ratepayer records is maintained through the reliable operation of the system and its interface with the main accounting systems. NNDR records agree to the Council's Main Accounting (general ledger) systems and also to the bank account.

Valuation, NNDR Multiplier and Rate Setting

New and structurally altered hereditaments are notified to the Valuation Officer Agency (VOA) so that chargeable hereditaments are included on the VOA rating list and these are recorded on the NNDR system in a complete, accurate, valid and timely manner.

NNDR base is updated on the system in accordance with the central government notification.

Liability and Reliefs;

New and structurally altered hereditaments are notified to the Valuation Officer Agency (VOA) so that chargeable hereditaments are included on the VOA rating list and these are recorded on the NNDR system in a complete, accurate, valid and timely manner.

NNDR base is updated on the system in accordance with the central government notification.

Billing;

Annual reconciliations between the gross debit and the valuation list ensure that the debit set up is based on the most up to date information on the valuation list.

All NNDR income due to the Council are billed in a timely and accurate manner in order to help ensure timely receipt.

Receipts from the Ratepayers and Refunds;

All daily income collection reports obtained from the cash receipting system are reconciled with the Revenues Section's own records of income received.

Only valid and authorised refunds are made and approved refunds are processed in a complete and accurate manner.

Suspense Accounts

All unidentified payments are promptly investigated, monitored and authorised before being transferred to appropriate accounts.

Recovery and Enforcement

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

Write-Offs

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

Management of Collection Rates

Periodical monitoring of collection rates against the targets takes place to ensure that the expected income is being received.























Business Rates Retention

Contributions to CLG are completely, accurately, validly and timely paid and recorded in the Council's accounts in accordance with regulatory 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
Policies, Procedures & Legislation			
NNDR Transactions and Records			
Valuation, NNDR Multiplier and Rate Setting			
Liability and Reliefs			Recommendation 1
Billing			
Receipts from the rate payers and Refunds			
Suspense Accounts			*
Recovery and Enforcement			
Write-Offs			
Management of Collection Rates			
Business Rates Retention			

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

*A recommendation relating to historic balances in the suspense account has been raised in the Core Financial audit 2016/17.

4. Observations and Recommendations





Recommendation 1: Overdue Property Inspections (Priority 2)

<p>Recommendation</p> <p>Management should identify the cause of the inspections backlog. An action plan could then be formulated to clear the overdue inspections.</p>
<p>Observation</p> <p>The Council inspects properties which have been awarded empty property relief at least every three months, to ensure the status of the property has not changed.</p> <p>Examination of the NNDR overdue inspections listing held on Northgate found that the scheduled inspection of 72 properties with empty property relief awards was overdue by more than 3 months.</p> <p>Where properties awarded empty property relief are not inspected on a regular basis, there is an increased risk that invalid relief awards are made. This would result in a financial loss to the Council.</p>
<p>Responsibility</p> <p>Revenues & Benefits Support Team Leader</p>
<p>Management response / deadline</p> <p>Initial investigations into the cause of the backlog have identified that the main factor was reduced capacity to carry out inspections due to a vacancy. During this period inspections were still carried out, but on a prioritised basis, meaning those linked to large rateable value properties with the biggest potential financial impact took place, but those for properties with lesser rateable values were left.</p> <p>The post in question has now been filled, and the overdue inspections are being cleared – at the end of January 2017 there were only 12 properties where the inspection request is more than 3 months old.</p> <p>Deadline: inspections to be brought up to date by the end of June 2017.</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:

- Anna Elliott - Revenues Team Leader
- Stuart Potton - Revenues and Benefits Support Team Leader
- Chris Baker - Group Manager (Revenues, Benefits and Fraud)
- Nik Kordek - Revenues Lead Officer
- Jake Seabourne - Systems Development and Finance Lead 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

January 2017

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Dacorum Borough Council

Draft Internal Audit Operational Plan 2017/18

February 2017

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

CONTENTS

PAGE

1. Background	1
2. 2017/18 Audit Planning	1
Appendix A - Internal Audit Plan 2017/18	2
Statement of Responsibility	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. 2017/18 Audit Planning

As part of the audit planning, for 2017/18 we have prepared a proposed plan of internal audit work for the period 1 April 2017 to 31 March 2018.

The Internal Audit Plan 2017/18 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 2017/18 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 2017/18.

Internal Audit Plan 2017/18

Appendix A

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2017/18, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	F7	Financial	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	Financial	7	Q4
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	F7, FR_R01	Financial/ Reputational	8	Q3
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, income maximisation, fair revenue distribution and appeals.	F7, FR_R01	Financial/ Reputational	8	Q3
	Housing Benefit & Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	FR_R02	Reputational	8	Q4
Core Financial Systems Total					46	

Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
Operational Risks	Empty Homes	Covering adequacy and effectiveness of controls over management of the empty homes process, including statutory checks.	HL_F02	Operational/ Financial	10	Q3
	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes.	I3	Infrastructure	10	Q4
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	F6, F7	Financial	10	Q1
	Off-Payroll Engagement	Specific audit of the authority's arrangements to review and record the intermediary status of existing and future personal service companies (PSC).	C5	Legal and Regulatory	5	Q1
Operational Risks Total					35	
Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
Strategic Risks	Information Governance	Covering adequacy and effectiveness of controls over the preparations for General Data Protection Regulation, compliance with the Freedom of Information Act and Transparency.	C5,C7	Legal and Regulatory/ Corporate	15	Q1
	Community Contracts	Partnership / contract management assurance in respect of new Community Contracts. A sample of projects in the programme will be selected.	PP_R014	Organisational /Management	15	Q2
	Capital Programme	To review the Council's controls in place to prevent slippage of significant capital projects. The review will also look at the whole approach that the Council takes with a focus on particular projects.	FR_F02	Financial	14	Q3
Strategic Risks Total					44	
Assurance Requirement	Area	Scope	Risk no.	Risk Category	Planned Days 2017/18	Proposed Quarter 2017/18
ICT	Cloud Computing	The scope will focus on Cloud governance and Information Security Risk Management, contract compliance management monitoring, Protection and Privacy of Information Assets in the Cloud and Cloud Services Asset Management Security.	C7,PP_R04	Corporate/ Reputational		Q2
	Social Media	The review will focus on governance, policies, procedures, training and awareness functions related to social media	C7, R5	Corporate/ Reputational		Q3

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.		Operational	12	Q1-Q4
	Benefit/Savings Realisation	To provide assurance that processes are in place to measure such initiatives.	F7, FR_F03	Financial	10	Q3
Fraud & Other Assurance Methods Total					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)				22	
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Director (Finance & Operations).			30	
Other Total					62	
Total					259	

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Mazars LLP

London

February 2017

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Agenda Item 10

AUDIT COMMITTEE: Work Programme 2016-17

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
21 Sept 2016		9/9/2016	Progress Report <ul style="list-style-type: none"> • Housing Rents • Community Infrastructure Levy • Commercial Asset Management • Customer Relationship Management (CRM) 	Internal Audit
			Audit Progress Report	EY LLP
			Strategic Risk Register	
30 Nov 2016		18/11/16	Progress Report <ul style="list-style-type: none"> • Homelessness • Contract Management • Continuous Auditing/Data Mining 	Internal Audit
			Audit Progress Report	EY LLP
			Strategic Risk Register	

8 Feb 2017		27/1/17	Progress Report <ul style="list-style-type: none"> • Main Accounting • Treasury Management, Cash & Bank • Accounts Receivable • Accounts Payable • Council Tax • Payroll and Pensions Administration • Programme/Project Management • Benefits/Savings Realisation • ITC Security 	Internal Audit
			Strategic Risk Register	
			Audit Progress Report	EY LLP

11 EXCLUSION OF THE PUBLIC

To consider passing a resolution in the following terms:

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 (Item 12).

Agenda Item 12

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

Document is Restricted

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

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