



Dacorum Borough Council

Final Internal Audit Report

Human Resources

June 2017

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

CONFIDENTIAL

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Key Dates:

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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 HR (Starter Verification).

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 HR (Starter Verification), and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Right to Work in the UK; Disclosure and Barring Service (DBS); Signed Contracts and Offer Letters; and Medical Clearance.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the HR (Starter Verification) found that there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk. Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

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

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

- Management certification of right to work in the UK document (Priority 2).

A sample of 15 new starters over the past 12 months was selected for testing, and in 6 cases it was found that the hiring manager had not signed and dated the scan of the document to confirm that the original copy had been verified. This certification is a requirement on the hiring managers' checklist.

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 HR (Starter Verification), 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:

Right to Work in the UK

Adequate checks are conducted for all staff working in Dacorum Borough Council to validate their right to work in the UK. Sufficient evidence is retained to provide defence for the Council in case of any disputes or queries concerning the staff's right to work in the UK.

Disclosure and Barring Service (DBS)

Roles/posts requiring the DBS checks and the level of checks required are correctly identified. Correct level of DBS checks are conducted in accordance with legislations and the checks are conducted promptly for staff whose roles require the checks.

Signed Contracts and Offer Letters

Signed contracts and offer letters are retained for all employees working for the Council.

Medical Clearance

Medical clearance is submitted and retained for all employees as required.

3. Assessment of Control Environment

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

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

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Right to Work in the UK			Recommendation 1
Disclosure and Barring Service (DBS)			
Signed Contracts and Offer Letters			
Medical Clearance			

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: Managers to certify right to work in the UK document scans (Priority 2)

<p>Recommendation</p> <p>Managers should be reminded to certify scans of documents to confirm that the original copy has been verified, in line with the requirements of the Manager's Checklist.</p>
<p>Observation</p> <p>As part of the hiring process, the Manager's Successful Candidates Checklist requires all appropriate documents to be seen by the Manager, copies taken, then signed and dated stating that the original has been seen and verified.</p> <p>Sample testing of 15 new starters over the past 12 months found that in seven cases, the scan of the document confirming the right to work in the UK had not been signed and dated by the hiring manager.</p> <p>These are personnel references 104243; 102179; 102485; 101613; 103403; 104902; and 103247.</p> <p>Where hiring managers do not certify scans of documents to verify that these are the original copies and record that they have checked the individual's right to work in the UK, they are not complying with the checklist and there is a risk that the Council may be unable to demonstrate the steps taken to verify the individual's right to work in the UK.</p>
<p>Responsibility</p> <p>HR and OD Team Leader</p>
<p>Management response / deadline</p> <p>In the majority of cases the "Right to work in the UK" documentation was signed and dated as a true copy by the recruiting manager. In the cases cited as 'not complying' the appropriate documents were scanned to HR by the manager, which should (and does) provide a degree of validation. However we acknowledge that without the 'written signature' there should not be an assumption made in these cases that the validation check has been carried out.</p> <p>It states on the manager's post interview checklist that it is the manager's responsibility to check the validity of the right to work in the UK documents and we believe this is the most appropriate and proportionate approach.</p> <p>Going forward we will ensure the wording on the manager's post interview checklist reflects the responsibility to sign and date as a true copy before sending to HR. The HR checklists will also be reviewed to ensure the wording clearly reflects their responsibility to ensure managers have signed and dated this documentation before proceeding with the recruitment process.</p> <p>Implemented.</p> <p>We will also consider whether a more robust electronic method can be identified, given the organisation's commitment to a paperless environment. This will be picked up as part of the HR system replacement.</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:

- Anne Stunell - HR and OD Team Leader

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

Statement of Responsibility

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

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

Mazars Public Sector Internal Audit Limited

London

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