M A Z A R S

DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – July 29 2015

CONTENTS

Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2015 to July 10th 2015 by Mazars Public Sector Internal Audit Limited.

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

Background

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

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

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

Progress to Date

Audit fieldwork on the 2014/15 Internal Audit Plan is now completed with the Procurement final report being issued. (Evaluation assurance: **Substantial**. Testing assurance: **Limited**).

Audit fieldwork on the 2015/16 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 Draft report, for which we are awaiting the final management responses before issueing the Final Report:

- Regeneration

Other Work:

Assurance Framework

The approach we are taking is based upon us supporting the Council in the development of its draft Assurance Framework and in future years, driving the Internal Audit plan from this framework. The Assurance Framework will provide enhanced assurance around governance procedures and will further enhance the assurance needs of the senior management and other key stakeholders of the Council.

The Key Questions in the framework have now been agreed by management, and we are currently working to identify the evidence needed to support the statements made. In future years management will need to update the evidence trail and this will be reviewed by Internal Audit.

Anti-Fraud Arrangements

In light of both national changes following the introduction of Single Fraud Investigation Service, the increased financial risks that Dacorum Borough Council (the Council) now faces following the introduction of Council Tax and Business Rates Support, and a desire to develop the Council's corporate fraud approach; the Council sought to undertake a review of its arrangements for preventing and detecting fraud. A draft report summarising our work in this area has now been completed.

Risk Management

We will be facilitating a workshop with Cabinet, Leader of the Opposition and Chief Officer Group to repopulate the strategic risk register for the year ahead.

Follow-up of Recommendations

2014/15

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

Year	Total Recommendations	Implemented	%	Implemented or partly implemented	%
2014/15	39	24	62%	29	74%
Total	**39**	**24**	**62%**	**29**	**74%**

Appendix 3 provides a summary of the status of all 2014/15 recommendations where the proposed implementation date was at or before 30th June 2015.

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	F	There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial	S	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	L	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	N	Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

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

Priority 1 Recommendations

We have raised one Priority 1 recommendation in the Procurement final report issued since the last Audit Committee meeting.

- All purchases and contracts should be procured and/or tendered in line with the Commissioning and Procurement Standing Orders. (Priority 1)

Appendix 1 – Status of Audit Work 2015/16

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2015/16, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	21		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.	8		Q4								
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8		Q3								
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8		Q4								
	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								
Core Financial Systems Total			**55**										
Operational Risks	Housing Repairs	Covering adequacy and effectiveness of controls over the management of planned and responsive repairs and the demonstration of value for money. The audit will also cover contract management arrangements in place.	12		Q2								
	Parking	Covering adequacy and effectiveness of the controls in place over income collection for on street and off street parking. The audit will also cover contract management arrangements in place.	12		Q2								

	Licensing	Covering adequacy and effectiveness of key controls over applications for and granting of licences and enforcement of those licences.	8		Q2								
	Members' Training and Expenses	Covering adequacy and effectiveness of key controls over training and expenses following the elections.	8		Q4								
	Housing Lettings	Covering adequacy and effectiveness of key controls over the allocations process once properties are available to let.	10		Q4								
Operational Risks Total			**50**										
Strategic Risks	Regeneration	Project management assurance in respect of significant regeneration schemes and assurance over grant spending.	10	10	Q1	Draft							
	Partnership Arrangements	Review the arrangements in place for joint strategic needs assessments and the changes in commissioning services and the controls in place for data and information sharing..	10		Q3								
	Health and Safety	Covering adequacy and effectiveness of controls over Health and Safety	7		Q3								

	Performance Management	Covering adequacy and effectiveness of controls in place regarding the performance management framework and progress in delivering strategic objectives.	10		Q3								
	Data Security	Covering adequacy and effectiveness of the Council's strategic approach to data security.	7		Q2								
Strategic Risks Total			**44**	**10**									
Governance, Fraud & other Assurance Methods	Control Risk Self Assessment including the Corporate Governance Framework	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities. To be utilised on a number of the core financials and will be issued prior to fieldwork and used to scope the audit.	13		All								
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	10		All								
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management. part of the annual governance statement.	10		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		Q3	
Governance, Fraud & other Assurance Methods			**43**			
ICT	PCI DSS	The specific scope will be agreed with management but would look to provide assurance over the information governance, customer data security and adherence to Caldicott.	15		Q2	
	Digital Dacorum (Including CRM)	The specific scope will be agreed with management but would look to provide assurance over pre and post implementation reviews and focus on strength of controls.	15		Q4	
ICT total			**30**			
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	2		
	Management (including Audit Committee Training)		25	3		
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). Risk Management Workshops Right to Buy	30			
Other total			**65**	**5**		
TOTAL			**287**	**15**		

Appendix 2 - Summary of Final Reports

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

Procurement (2014/15)

Our audit of DBC's internal controls operating over Procurement 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 evidence that the level of non-compliance puts the system objectives at risk.

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

Evaluation Assessment	Testing Assessment
Substantial	Limited

We have raised one priority 1 recommendation, two priority 2 recommendations and one priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- Procedures should be in place for Procurement to match the expenditure identified from the contracts register, with contractors actual spend on Agresso. (Priority 2)

- When savings have been identified between contracts and actual supplier expenditure, this should be added to the Council's savings tracker. (Priority 3)

- The "commission to procure" documentation should be formally approved by budget holders prior to all tendering projects beginning. (Priority 2)

- All purchases and contracts should be procured and/or tendered in line with the Commissioning and Procurement Standing Orders. (Priority 1)

- The Procurement team's performance, based on objectives and cost savings identified for each procurement activity, should be monitored and reported to the appropriate forum. (Priority 2)

Appendix 3 – Follow-up of Recommendations 2014/15

A follow-up audit has been undertaken in accordance with the 2014/15 audit plan. The objective was to confirm the extent to which the recommendations made in 2014/15 internal audit final reports have been implemented.

The tables below provide a summary of the status of all outstanding 2014/15 recommendations where the proposed implementation date was at or before 30th June 2015 and had not been reported as implemented at the previous Audit Committee meeting.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due	Resp. Officer
Performance Management	2	2								Rob Smyth
Risk Management	4	4								James Deane
Community Infrastructure Levy	4	4								James Doe
Trees and Woodlands	9	4	3	1					1	Craig Thorpe
Regeneration	1	1								Chris Taylor
Budgetary Control	3	3								Marie Stokes
Customer Services	9	4	2						3	Mark Housden Ben Trueman
Accounts Payable	1	1								Richard Baker
Treasury Management	1	1								Richard Baker
Procurement	5								5	Ben Hosier
Total	**39**	**24**	**5**	**1**					**9**	

Appendix 4 - Statement of Responsibility

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

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

Mazars Public Sector Internal Audit Limited

London

July 2015

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

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

Registered office: Tower Bridge House, St Katharine's Way, and London E1W 1DD, United Kingdom. Registered in England and Wales No 4585162.

Mazars Public Sector Internal Audit Limited is a subsidiary of Mazars LLP. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.

MAZARS