



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – May 30 2018

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 2017/18..... | 5 |
| Appendix 2 – Follow-up of Recommendations..... | 9 |
| Appendix 3 - Statement of Responsibility..... | 11 |

Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2017 to May 17th 2018 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2017/18 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 Corporate Director (Finance & Operations) and the Audit Committee.

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

Progress to Date

Progress against the 2017/18 Internal Audit plan is shown in Appendix 1 and shows the status of work to date and the number of days delivered. At the time of this report, progress against the plan is as follows:

| | | |
|---|-----------|-------------|
| Number of audits in plan | 16 | |
| Number of audits finalised | 14 | 88% |
| Number of audits issued at draft | | |
| Number of audits currently in progress | 1 | 6% |
| Number of audits with planned start dates | - | - |
| Number of audits carried forward into 2018/19 | 1 | 6% |
| Total | 16 | 100% |

We have issued the following Final reports since the last Audit Committee meeting:

- Budgetary Control (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Benefits/Savings Realisation (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Community Infrastructure Levy (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)

Follow-up of Recommendations

2016/17 and 2017/18

The table below details the recommendations raised in the audit reports for 2016/17 and final reports issued for 2017/18. The summary of the outcome of our follow up work to the 28th February 2018 is shown in the table below:





| Year | Total Recommendations | Implemented / no longer relevant | % | Implemented / partly implemented / no longer relevant | % |
|--------------|-----------------------|----------------------------------|------------|---|------------|
| 2016/17 | 45 | 45 | 100% | 45 | 100% |
| 2017/18 | 18 | 13 | 72% | 13 | 72% |
| Total | 63 | 58 | 92% | 58 | 92% |

Appendix 2 provides a summary of the status of all recommendations where the proposed implementation date was before 30th April 2018.

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 2017/18

| | 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 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. | 15 | 15 | Q3 | Final Issued | Full | Substantial | - | 1 | - | |
| | 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. | 7 | 7 | Q4 | Final Issued | Full | Full | - | - | - | |
| | 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 | Full | - | - | - | |
| | Housing Benefit and Council Tax Support | Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied. | 10 | 10 | Q3 | Final Issued | Full | Substantial | - | 1 | - | |
| Core Financial Systems Total | | | 46 | 46 | | | | | | | | |

| | Area | Scope | Plan Days | Days Delivered | Start of Fieldwork | Status | Opinion | | Recommendations | | | Comments |
|--------------------------------|-------------------------------|--|-----------|----------------|--------------------|--------------|-------------|-------------|-----------------|---|---|----------|
| | | | | | | | Evaluation | Testing | 1 | 2 | 3 | |
| Operational Risks | Empty Homes | Covering adequacy and effectiveness of controls over management of the empty homes process, including statutory checks. | 10 | 10 | Q3 | Final Issued | Full | Substantial | - | 1 | - | |
| | Community Infrastructure Levy | Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes. | 10 | 10 | Q4 | Final Issued | Substantial | Substantial | - | 2 | - | |
| | 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 | - | 1 | 1 | |
| | 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). | 5 | 5 | Q1 | Final Issued | Full | Substantial | - | - | 1 | |
| Operational Risks Total | | | 35 | 35 | | | | | | | | |
| Strategic Risks | Information Governance | Covering adequacy and effectiveness of controls over compliance with the Freedom of Information Act and Transparency. | 10 | 10 | Q2 | Final Issued | Full | Substantial | - | 1 | 1 | |
| | Community Contracts | Partnership / contract management assurance in respect of new Community Contracts. A sample of projects in the programme will be selected. | 15 | 15 | Q2 | Final Issued | Full | Substantial | - | 1 | - | |

| | Area | Scope | Plan Days | Days Delivered | Start of Fieldwork | Status | Opinion | | Recommendations | | | Comments |
|--|------------------------------------|--|-----------|----------------|--------------------|--------------|------------|-------------|-----------------|---|---|------------------------------|
| | | | | | | | Evaluation | Testing | 1 | 2 | 3 | |
| | 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. | 14 | 14 | Q3 | Final Issued | Full | Substantial | - | - | 2 | |
| | General Data Protection Regulation | Covering adequacy and effectiveness of controls over the preparations for General Data Protection Regulation. | 5 | 0 | | | | | | | | Carried forward into 2018/19 |
| Strategic Risks Total | | | 44 | 39 | | | | | | | | |
| 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 | 10 | All | | N/A | | | | | |
| | 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 | 0 | 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 | 0 | Q4 | | | | | | | |
| | 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 | 10 | Q4 | Final Issued | Full | Full | | | | |
| Governance, Fraud & other Assurance Methods | | | 42 | 20 | | | | | | | | |

| | Area | Scope | Plan Days | Days Delivered | Start of Fieldwork | Status | Opinion | | Recommendations | | | Comments |
|--------------------|---------------------------------------|--|------------|----------------|--------------------|---------------------|------------|-------------|-----------------|---|---|----------|
| | | | | | | | Evaluation | Testing | 1 | 2 | 3 | |
| ICT | ICT Cyber Security (Cyber Essentials) | The specific scope will be agreed with management but would look to provide assurance over policies and procedures, access controls and incident management. | 15 | 15 | Q1 | Final Issued | Full | Substantial | - | 1 | 3 | |
| | Social Media | The review will focus on governance, policies, procedures, training and awareness functions related to social media | 15 | 13 | Q4 | Fieldwork Completed | | | | | | |
| ICT total | | | 30 | 28 | | | | | | | | |
| Other | Follow-up of Recommendations | Follow-up of all priority 1 and 2 recommendations made in final reports issued. | 10 | 10 | | | | | | | | |
| | Management | | 22 | 22 | | | | | | | | |
| | Ad Hoc | Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). | 30 | - | | | | | | | | |
| Other total | | | 62 | 32 | | | | | | | | |
| TOTAL | | | 259 | 200 | | | | | | | | |

Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2017/18 audit plan. The objective was to confirm the extent to which the recommendations made in 2016/17 and 2017/18 internal audit final reports have been implemented.

The tables below provides a summary of the status of all 2016/17 and 2017/18 recommendations raised in final reports issued.

2016/17

| 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 | 8 | - | - | - | 31 Jan 2017 | - | - | Fiona Williamson |
| Community Infrastructure Levy | 6 | 6 | - | - | - | 31 Mar 2017 | 30 Jun 2017 | - | Chris Taylor |
| Contract Management | 3 | 3 | - | - | - | 31 Mar 2017 | 30 Sep 2017 | - | Ben Hosier |
| NNDR | 1 | 1 | - | - | - | 30 Jun 2017 | - | - | Stuart Potton |
| Council Tax | 1 | - | - | - | 1 | 31 Dec 2017 | - | - | Chris Baker |
| Core Financial Systems | 2 | 2 | - | - | - | 31 July 2017 | - | - | Richard Baker |
| Benefits Realisation | 1 | 1 | - | - | - | 28 Feb 2018 | - | - | Fiona Jump |
| Housing Benefit and Council Tax Support | 3 | 3 | - | - | - | 30 June 2017 | - | - | Chris Baker |
| Housing Register and Housing Allocations | 3 | 3 | - | - | - | 30 Sept 2017 | 31 Mar 2018 | - | Natasha Beresford |

| | | | | | | | | | |
|---|-----------|-----------|---|---|----------|-------------|---|---|--------------|
| Human Resources | 1 | 1 | - | - | - | 30 Sep 2017 | - | - | Anne Stunell |
| Customer Relationship Management | 2 | 2 | - | - | - | 31 Jan 2018 | - | - | Robert Smyth |
| Delivery of Digital Dacorum Strategy and Associated Projects and Activities | 1 | 1 | - | - | - | 28 Feb 2017 | - | - | Robert Smyth |
| Total | 45 | 44 | - | - | 1 | - | - | - | |

2017/18

| Title | Raised | Implemented | Partly Implemented | Outstanding | No longer relevant | Original Due Date | Revised Due Date | Not yet due | Resp. Officer |
|---|-----------|-------------|--------------------|-------------|--------------------|-------------------|------------------|-------------|-------------------|
| Housing Rents | 2 | 2 | - | - | - | 30 Sept 2017 | 31 Dec 2017 | - | Katie Kiely |
| Off Payroll Engagement | 1 | 1 | - | - | - | 31 Dec 2017 | - | - | Sally Nunn |
| ICT Cyber Security | 4 | 4 | - | - | - | 30 Sep 2017 | 31 Jan 2018 | - | Ben Trueman |
| Information Governance | 2 | 2 | - | - | - | 31 Mar 2018 | - | - | John Worts |
| Council Tax | 1 | - | - | - | - | 30 June 2018 | - | 1 | Chris Baker |
| Community Contracts | 1 | 1 | - | - | - | 31 Jan 2018 | - | - | Alex Care |
| Capital Programme | 2 | - | - | - | - | 31 Jul 2018 | - | 2 | Fiona Jump |
| Core Financial Systems | 1 | 1 | - | - | - | 28 Feb 2018 | - | - | Fiona Jump |
| Empty Properties | 1 | - | - | - | - | 30 Jun 2018 | - | 1 | Natasha Beresford |
| Housing Benefit and Council Tax Support | 1 | 1 | - | - | - | 31 Jan 2018 | - | - | Matthew Kelly |
| Community Infrastructure Levy | 2 | 1 | - | - | - | 31 Jul 2018 | - | 1 | Chris Taylor |
| Total | 18 | 13 | - | - | - | | | 5 | |

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

May 2018

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.

