



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – September 23 2015

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2015 to September 11th 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 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 Final report:

- Regeneration (Evaluation Assurance: **Substantial**. Testing assurance: **Substantial**).

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

- Licencing

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 been agreed by management, and we have almost completed identifying 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 been completed.

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	36	92%	39	100%
Total	39	36	92%	39	100%

Appendix 3 provides a summary of the status of all 2014/15 recommendations where the proposed implementation date was at or before 31st August 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		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

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

Grading of recommendations

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

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

Priority 1 Recommendations

We have not raised any Priority 1 recommendations in the final report issued since the last Audit Committee meeting.

Appendix 1 – Status of Audit Work 2015/16

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2015/16, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	21		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	5	Q2	Work in Progress							
	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	10	Q2	Fieldwork Complete							

	Licensing	Covering adequacy and effectiveness of key controls over applications for and granting of licences and enforcement of those licences.	8	7	Q2	Draft							
	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	22									
Strategic Risks	Regeneration	Project management assurance in respect of significant regeneration schemes and assurance over grant spending.	10	10	Q1	Final	Substantial	Substantial	-	2	3		
	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		Q4								
	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	2	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	2									
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	13	Q2	Fieldwork Complete							
	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	13									
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	4									
	Management (including Audit Committee Training)		25	7									
	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	11									
TOTAL			287	58									

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.

Regeneration (2015/16)

Our audit of DBC's internal controls operating over Regeneration 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 with some of the controls may put some of the system objectives at risk.

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

Evaluation Assessment	Testing Assessment
Substantial	Substantial

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

- The Hemel Evolution Programme Board's Terms of Reference should record its review date to ensure that it is regularly updated and relevant to its purpose. (Priority 3)
- The governance diagram for the MURI project should detail the reporting responsibilities it has to the Dacorum Regeneration Steering Group. (Priority 3)
- The Terms of Reference for the Dacorum Regeneration Steering Group should be reviewed and its members' attendance should be assessed to ensure all required departments are adequately represented. We would also suggest that the list of required members is reviewed and its review date is documented. (Priority 3)
- The change control process which allows teams to amend and align original project end dates in CorVu to actual deliverable dates within their project plans should be communicated to the project teams, in order to facilitate improved quality of reporting. (Priority 3)
- CorVu reports should be completed correctly with accurate, complete and reliable risk information included and progress reported against all the key milestones and dates contained in the original Project Initiation Document (PID). 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)
- The level of training on CorVu within the Regeneration team should be reviewed and action taken to ensure everyone is at an agreed level of capability. (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 31st August 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	7	2							Craig Thorpe
Regeneration	1	1								Chris Taylor
Budgetary Control	3	3								Marie Stokes
Customer Services	9	8	1							Mark Housden Ben Trueman
Accounts Payable	1	1								Richard Baker
Treasury Management	1	1								Richard Baker
Procurement	5	5								Ben Hosier
Total	39	36	3							

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

September 2015

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