

DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – February 06 2019

Status of our reports

This report ("Report") was prepared by Mazars LLP at the request of Dacorum Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2018 to January 31st 2019 by Mazars.

Appendix 1 outlines progress to date against the 2018/19 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 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 2018/19 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 | 13 | |
| Number of audits finalised | 7 | 54% |
| Number of audits issued at draft | 3 | 23% |
| Number of audits currently in progress | - | - |
| Number of audits with planned start dates | 3 | 23% |
| Number of audits with start dates to be agreed | - | - |
| Total | 13 | 100% |

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

- NNDR (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Council Tax (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Housing Benefit and Council Tax Support (Evaluation assurance: **Full**. Testing assurance: **Full**)

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

- Business Continuity
- Procurement
- Planning

Follow-up of Recommendations

2018/19

The table below details the recommendations raised in the audit reports for 2018/19. The summary of the outcome of our follow up work to the 31st December 2018 is shown in the table below:





| Year | Total Recommendations | Implemented / no longer relevant | % | Implemented / partly implemented / no longer relevant | % |
|--------------|-----------------------|----------------------------------|------------|---|------------|
| 2018/19 | 13 | 6 | 46% | 6 | 46% |
| Total | 13 | 6 | 46% | 6 | 46% |

Appendix 2 provides a summary of the status of all recommendations where the proposed implementation date was before 31st December 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 2018/19

| | 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 a high level of assurance: CRSA will be used in these areas to cover the adequacy and effectiveness of the Key Controls in place across the four areas | 20 | 0.5 | Q4 | ToR Issued | | | | | | Fieldwork starting w/c 4 th March |
| | 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 | 0.5 | Q4 | ToR Issued | | | | | | Fieldwork starting w/c 4 th March |
| | 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 | | | | |
| | NNDR | Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied. | 8 | 8 | 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. | 8 | 8 | Q3 | Final Issued | Full | Full | | | | | |
| Core Financial Systems Total | | | 52 | 25 | | | | | | | | |

| | Area | Scope | Plan Days | Days Delivered | Start of Fieldwork | Status | Opinion | | Recommendations | | | Comments |
|---|------------------------------------|--|-----------|----------------|--------------------|---------------------|-------------|-------------|-----------------|---|---|----------|
| | | | | | | | Evaluation | Testing | 1 | 2 | 3 | |
| Operational Risks | Business Continuity | Covering adequacy and effectiveness of the Council's arrangements for Business Continuity including maintenance and testing of plans. | 10 | 9 | Q3 | Draft Report Issued | | | | | | |
| | Planning | Covering adequacy and effectiveness of controls in place over planning applications, including new national changes. | 10 | 9 | Q4 | Draft Report Issued | | | | | | |
| | 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 | 2 | |
| Operational Risks Total | | | 30 | 28 | | | | | | | | |
| Strategic Risks | General Data Protection Regulation | Covering adequacy and effectiveness of controls over preparations for General Data Protection Regulations. | 15 | 15 | Q2 | Final Issued | Substantial | Substantial | - | 2 | 1 | |
| | Commercial Asset Management | Covering adequacy and effectiveness of controls over management of garages within the Borough. | 15 | 15 | Q2 | Final Issued | Substantial | Substantial | - | 2 | 1 | |
| | Procurement | To provide assurance over the Council's controls in place in relation to the governance and evaluation of significant contracts. The review will focus on particular projects. | 15 | 14 | Q3 | Draft Report Issued | | | | | | |
| Strategic Risks Total | | | 45 | 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. Risk management workshops and training. | 28 | 3 | Q2-Q4 | Ongoing | N/A | | | | | |

| | Area | Scope | Plan Days | Days Delivered | Start of Fieldwork | Status | Opinion | | Recommendations | | | Comments |
|--|------------------------------|--|------------|----------------|--------------------|--------------|------------|-------------|-----------------|---|---|---|
| | | | | | | | Evaluation | Testing | 1 | 2 | 3 | |
| | 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 | | Q2-4 | | | | | | | |
| Governance, Fraud & other Assurance Methods | | | 38 | 3 | | | | | | | | |
| ICT | ICT Asset Management | Covering controls over Policies and Procedures, Asset Register, Security of Hardware and Software, Loss Management and Disposals. | 10 | 10 | Q3 | Final Issued | Full | Substantial | - | 2 | - | |
| | Change Management | Covering controls over Change Management process, Software and Hardware Changes. | 15 | | Q4 | ToR Issued | | | | | | Fieldwork starting 21 st March |
| ICT total | | | 25 | 10 | | | | | | | | |
| Other | Follow-up of Recommendations | Follow-up of all priority 1 and 2 recommendations made in final reports issued. | 10 | 7 | | | | | | | | |
| | Management | | 20 | 13 | | | | | | | | |
| Other total | | | 30 | 20 | | | | | | | | |
| Plan total | | | 220 | 130 | | | | | | | | |
| | Ad Hoc | Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). | 30 | - | | | | | | | | |
| TOTAL | | | 250 | 130 | | | | | | | | |

Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2018/19 audit plan. The objective was to confirm the extent to which the recommendations made in 2018/19 internal audit final reports have been implemented.

The tables below provides a summary of the status of all 2018/19 recommendations raised in final reports issued.

2018/19

| Title | Raised | Implemented | Partly Implemented | Outstanding | No longer relevant | Original Due Date | Revised Due Date | Not yet due | Resp. Officer |
|---------------------------------------|-----------|-------------|--------------------|-------------|--------------------|-------------------|------------------|-------------|---------------|
| Housing Rents | 3 | 3 | - | - | - | 31 Oct 2018 | | | Katie Kiely |
| GDPR | 3 | 3 | - | - | - | 31 Oct 2018 | - | - | John Worts |
| Commercial Asset Management (Garages) | 3 | - | - | - | - | 31 Jan 2019 | - | 3 | Layna Warden |
| IT Asset Management | 2 | - | - | - | - | 31 May 2019 | - | 2 | Gary Osler |
| NNDR | 1 | | | | | 31 August 2019 | - | 1 | Chris Baker |
| Council Tax | 1 | | | | | 31 August 2019 | - | 1 | Chris Baker |
| Total | 13 | 6 | - | - | - | | | 7 | |

Appendix 3 - Statement of Responsibility

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

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