MAZARS

DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – July 18 2019

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2019 to June 30th 2019 by Mazars.

Appendix 1 outlines progress to date against the 2019/20 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 2019/20 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	**15**	
Number of audits finalised	-	
Number of audits issued at draft	1	7%
Number of audits currently in progress	-	
Number of audits with planned start dates	3	20%
Number of audits with start dates to be agreed	11	73%
Total	**15**	100%

We have issued the following Final reports for 2018/19 since the last Audit Committee meeting:

- Budgetary Control (Evaluation assurance: **Full**. Testing assurance: **Full**)

- Core Financial Systems (Evaluation assurance: **Full**. Testing assurance: **Full**)

- Business Continuity (Evaluation assurance: **Substantial**. Testing assurance: **Limited**)

- IT Change Management (Evaluation assurance: **Full**. Testing assurance: **Substantial**)

We have also issued the following draft report for 2019/20 for which we are awaiting the final management responses before issuing the Final Report:

- Housing Rents

Follow-up of Recommendations

2018/19

The table at Appendix 2 details the recommendations raised in the audit reports for 2018/19. The summary of the outcome of our follow up work to the 30th June 2019 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%
2018/19	30	15	50%
Total	**30**	**15**	**50%**

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

One Priority 1 recommendation has been raised in the final reports issued since the last Audit Committee meeting.

This recommendation was raised in the Business Continuity report, and was as follows:

Recommendation: The Council should ensure that the Corporate Business Continuity Plan and the Service Level Business Continuity Plans are reviewed and updated. These should be aligned to ensure that critical function for the council are appropriately covered within the Service Level plans.

The Council should consider adopting an annual review timetable to ensure that all plans are appropriately reviewed and updated across the year.

Management Response: All Service level BC plans were reviewed and updated by Group Managers early in 2019. There had been some service realignment prior to the updates however the plans still covered all the critical areas just not necessarily held in the correct Group area. These have now been moved to the correct manager's plans.

HCC are reviewing and updating the Corporate BC plan, final draft should be submitted to CHSR at the end of May 2019, once reviewed by CHSR Team this will be submitted to the Health, Safety and Resilience Committee for approval, before being submitted to Corporate Management Team. This will then replace the existing Corporate Business Continuity Plan.

Appendix 1 – Status of Audit Work 2019/20

	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: continuous auditing methods will be used in these areas to cover the adequacy and effectiveness of the Key Controls in place across the four areas.	16		Q2-Q4							
	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.	8		Q3							
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, income maximisation, fair revenue distribution and appeals.	8		Q3							
	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.	8		Q3							
	Payroll & Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	8	0.5	Q2	ToR Issued						Audit to start 22nd July
Core Financial Systems Total			**56**	**0.5**								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Operational Risks	Community Safety Partnerships	Covering adequacy and effectiveness of controls over community safety, including governance, monitoring of priorities, award of grant funding and performance management.	7		Q2							
	Apprenticeships Scheme & Levy	Covering controls in place over compliance with the scheme requirements, maximisation of take up and integration into organisation	5		Q4							
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	10	9	Q1	Draft Report Issued						
Operational Risks Total			**22**	**9**								
Strategic Risks	VAT – Making Tax Digital	To confirm the Council's systems and processes are MTD compliant.	15		Q2							
	Leisure Services Contract Management	Covering adequacy and effectiveness of controls over management and monitoring of the new Leisure Contract.	12		Q2							
	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.	15		Q3							
Strategic Risks Total			**42**									
Governance, Fraud & other Assurance Methods	Governance and Risk Management	Resources to assist in the development of Corporate/ Directorate Risk Registers, the use of CRSA to provide assurance that managers understand their requirements and take ownership of their	20		Q2-Q4	Ongoing	N/A					

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
		responsibilities. Risk Management workshops/training.										
	Fraud	A review of the Fraud training programme, processes and communications.	10		Q2							
	Governance Role	Review of the new member induction and training processes and delivery. Prior to May and the next round of new member inductions and training post the 2019 elections.	10		Q3							
	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			**50**									
ICT	Disaster Recovery	The specific areas will be agreed with management but suggestions could include IT Asset Management, Disaster Recovery, Change Management, IT Project Management	10		Q3							
	Social Media Review	Review present controls and training in place for officers involved in Social Media. Gap analysis on where we do and do not use SM and where improvements could be made.	15		Q2							
ICT total			**25**									
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	2								
	Management		20	2								
Other total			**30**	**4**								
Plan total			**220**	**13.5**								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	25	-								
TOTAL			**250**	**13.5**								

Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2019/18 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	3				31 Jan 2019			Layna Warden
IT Asset Management	2	2				31 May 2019			Gary Osler
NNDR	1					31 August 2019		1	Chris Baker
Council Tax	1					31 August 2019		1	Chris Baker
Procurement Strategy	3					31 Dec 2019		3	Ben Hosier
Planning	6	3				30 Sept 2019		3	Sara Whelan
Core Financials (Accounts Payable)	1					30 Sept 2019		1	Fiona Jump
IT Change Management	2	1				31 Dec 2019		1	Ben Trueman
Business Continuity	5					31 Oct 2019		5	Emma Walker
Total	**30**	**15**						**15**	

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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