



Internal Audit Annual Report
For the year ended 31 March 2019
Presented to the Audit Committee 18 July 2019

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In the event of any questions arising from this report please contact Sarah Knowles , Senior Manager, sarah.knowles@mazars.co.uk or Mark Towler, Director, mark.towler@mazars.co.uk.

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.

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix A3 of this report for further information about responsibilities, limitations and confidentiality.

01 Introduction

Background

Following a competitive tender Mazars LLP were appointed to provide an internal audit service to the Council from April 2015. This Annual Report covers the work we have undertaken for the year ended 31 March 2019, and incorporates our audit opinion.

Scope and purpose of internal audit

The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.

This opinion forms part of the framework of assurances that is received by the Council and should be used to help inform the Annual Governance Statement. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

Our professional responsibilities as internal auditors for the year ended 31 March 2019 are set out within Public Sector Internal Audit Standards (PSIAS) produced by the Internal Audit Standards Advisory Board.

This report covers the internal audit activity for the 1st April 2018 to 31st March 2019 period, and summarises matters which came to our attention during the year. Such matters have been included within our detailed reports to the Audit Committee during the course of the year.

Acknowledgments

We are grateful to the Corporate Directors, Assistant Director (Finance & Resources), and other staff throughout the Council for the assistance provided to us during the year.

02 Internal Audit Work undertaken in 2018/19

Our Internal Audit Plan for 2018/19 was considered and approved by the Audit Committee at its meeting on 28 March 2018. The Plan was for a total of 250 days including 10 days Follow Up, 20 days Management and planning and 20 days contingency.

During the course of the year a number of changes were made to the planned programme of work to reflect changes in circumstances within the Council.

The audit findings in respect of each review, together with our recommendations for action and the management response were set out in our detailed reports. A summary of the reports we have issued is included at *Appendix A1*. The appendix also describes the levels of assurance we have used in assessing the control environment and effectiveness of controls and the classification of our recommendations.

A summary of the Priority 1 recommendations made during the course of the year is included at *Appendix A2*.

03 Annual Opinion

Scope of the Internal Audit Opinion

In giving our annual audit opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide to the Council is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, we have taken the following matters into account:

- The results of all audits undertaken during the year ended 31 March 2019;
- Whether or not any Priority 1 or Priority 2 recommendations have not been accepted by management and the consequent risks;
- The effects of any material changes in the organisation's objectives or activities;
- Matters arising from previous reports to the Audit Committee;
- Whether or not any limitations have been placed on the scope of internal audit;
- Whether there have been any resource constraints imposed upon us which may have impinged on our ability to meet the full internal audit needs of the organisation; and
- What proportion of the organisation's internal audit needs have been covered to date.

Internal Audit Opinion

On the basis of our audit work, our opinion on the Council's framework of governance, risk management and internal control is Substantial in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work, 2 of which were fundamental in nature. These matters have been discussed with management, to whom we have made a number of recommendations. All of these have been, or are in the process of being addressed, as detailed in our individual reports.

In reaching this opinion the following factors were taken into particular consideration:

Corporate Governance and Risk Management

Following the development of the Assurance Framework in 2015/16, we selected a sample of "key questions" to confirm the evidence to support the statements is in place. Our opinion in this area from an operational perspective has been impacted by the results of a number of audits within the Plan, most of which were aligned to the risks and mitigating controls recorded on the Council's Strategic and Operational Risk Registers. For example, the review of Commercial Asset Management was completed as it was a mitigating control for one of the Council's key risks (FR_I02) relating to the Council's approach to investment in infrastructure. During the year, we also carried out a desktop review of the Council's Risk Management Strategy and related guidance. We supported the Corporate Director (Finance & Operations) in facilitating a Member session to review the Strategic Risk Register. Further work is planned throughout 2019/20.

Internal Control

Of the 16 audits undertaken in the year where we provided a formal assurance level, eight were given a 'Full' level of assurance, and seven were given a 'Substantial' level of assurance.



During the year, we have made 2 'Priority 1', 15 'Priority 2' recommendations. 13 recommendations categorised as 'Priority 3' were also made.

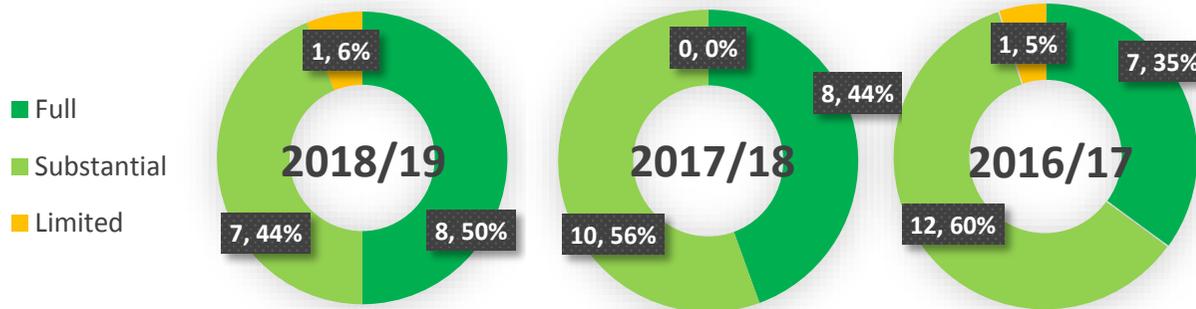
In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations made in their audit reports and report on their status to each Audit Committee. During the year, we reviewed the implementation of recommendations as they fell due.

All recommendations made during the year were accepted by Management.

04 Benchmarking

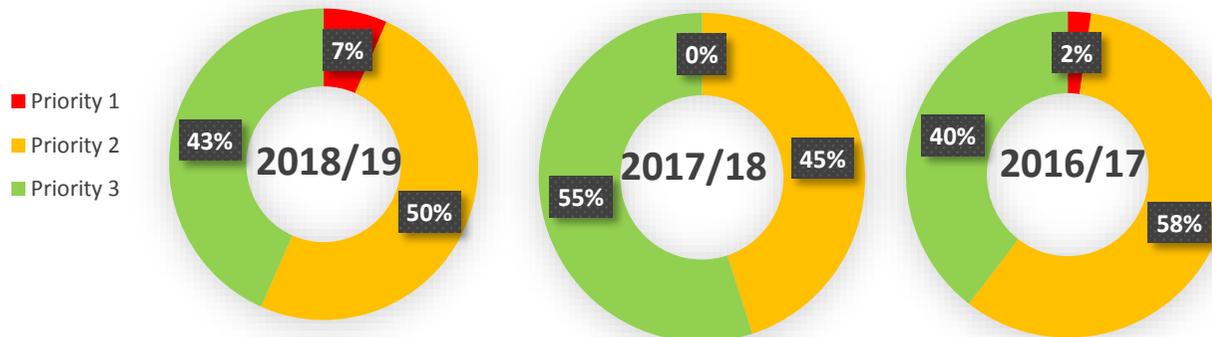
This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Council.

Comparison of Assurance Levels (where given)



Of the 16 audits where an assurance level has been provided in 2018/19, 'Full' assurance has been provided in eight cases, 'Substantial' assurance has been provided in seven cases, one audit provided 'Limited' assurance.

Comparison of Recommendations by categorisation



In 2018/19, a total of 30 recommendations have been made. 2 of these were categorised as Priority 1. 15 recommendations were categorised as Priority 2 and 13 categorised as 'Priority 3.

05 Performance of Internal Audit

Compliance with professional standards

We employed a risk-based approach to determining the audit needs of the Commission at the start of the year and use a risk-based methodology in planning and conducting our audit assignments. Our work has been performed in accordance with PSIAS.

Internal Audit Quality Assurance

In order to ensure the quality of the work we perform, we have a programme of quality measures which includes:

- Supervision of staff conducting audit work;
- Review of files of working papers and reports by managers and partners;
- The use of satisfaction surveys for each completed assignment.
- Annual appraisal of audit staff and the development of personal development and training plans;
- Sector specific training for staff involved in the sector;
- Regular meetings of our Sector Strategy Groups, which issues technical guidance to inform staff and provide instruction with regard to technical issues; and
- The maintenance of the firm's Internal Audit Manual.

Performance of Internal Audit

Conflicts of Interest

There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Measures

We have completed our audit work in accordance with the agreed Plan and each of our final reports has been reported to the Audit Committee.

Satisfaction surveys have been issued to the Council for each audit together with the final report. 10 surveys have been returned to date, for which the Council provided 'very good' ratings in 9 cases and a 'good' rating in 1 case.

Regular meetings with the Assistant Director (Finance & Operations) have taken place in order to monitor progress against plan.

A1 Summary of internal audit work undertaken in 2018/19

The following reviews were undertaken during the 2018/19 audit year:

Auditable Area	Level of Assurance (If appropriate)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Main Accounting	Full / Full	20	20	-	-	-	-	
Accounts Payable				-	-	1	1	1
Accounts Receivable				-	-	-	-	-
Treasury Management, Cash & Bank				-	-	-	-	-
Budgetary Control	Full / Full	8	8	-	-	-	-	
Council Tax	Full / Full	8	8	-	-	1	1	1
NNDR	Full / Full	8	8	-	-	1	1	1
Housing Benefit and Council Tax Support	Full / Full	8	8	-	-	-	-	-
Housing Rents	Full / Substantial	10	10	-	2	1	3	3
ICT Change Management	Full / Substantial	15	15	-	2	-	2	2
ICT Asset Management	Full / Substantial	10	10	-	2	-	2	2
General Data Protection Regulations	Substantial / Substantial	15	15	-	2	1	3	3

Auditable Area	Level of Assurance (if appropriate)	Days		Recommendations				
		Budget	Actual	Priority 1 (Fundamental)	Priority 2 (Significant)	Priority 3 (Housekeeping)	Total	Total agreed by Management
Planning	Substantial / Substantial	10	10	1	-	5	6	6
Commercial Asset Management	Substantial / Substantial	15	15	-	2	1	3	3
Procurement	Substantial / Substantial	15	15	-	3	-	3	3
Business Continuity	Substantial / Limited	10	10	1	2	2	5	5
Totals				2	15	13	30	30
%				7%	50%	43%	100%	

We use the following levels of assurance and recommendation classifications within our audit reports:

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.

A2 Summary of Priority 1 Internal Audit Recommendations

Report	Observation and Risk	Recommendation	Priority	Management Response / Deadline	Responsibility
Business Continuity	<p>The Council currently has a Corporate Business Continuity Plan supported by eight service level plans. Business Continuity Plans should be regularly reviewed and updated to ensure that they remain fit for purpose and within each of the council's plans it states:</p> <p><i>Plans are reviewed and updated at least once a year. There may be several events which would occasion a re-assessment of the plan before the annual review. Examples of such events are: Acquisition of new equipment, or upgrading of operational systems Staff or organisational changes, Changes of contractors or suppliers, Changes of addresses or telephone numbers, Changes to business processes, Changes in operating practices, Changes in</i></p>	<p>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.</p> <p>The Council should consider adopting an annual review timetable to ensure that all plans are appropriately reviewed and updated across the year.</p>	1	<p>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.</p> <p>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</p>	<p>Group Managers – Service level BC plans</p> <p>Corporate BC plan: Group Manager (Environmental & Community Protection), Corporate Health, Safety and Resilience Team Leader</p>

Report	Observation and Risk	Recommendation	Priority	Management Response / Deadline	Responsibility
	<p><i>legislation, Relocation of unit / team.</i></p> <p>A review of all the continuity plans found they had not been updated for some time, with the last updates noted below:</p> <ul style="list-style-type: none"> • Corporate BCP (April 2016) • Housing (May 2017) • Environmental Services (January 2017) • People and Performance (December 2016) • Procurement (December 2016) • Regulatory Services (now ECP) (September 2016) • Revenues, Benefits and Fraud (December 2016) • Finance (April 2017) • ICT (August 2016) 			<p>existing Corporate Business Continuity Plan.</p>	

Report	Observation and Risk	Recommendation	Priority	Management Response / Deadline	Responsibility
	<p>A key part of activating business continuity plans is contacting the key individuals within the Council and the lack of regular update of plans increases the risk that incorrect individuals are listed and or contact numbers are incorrect. This would delay or hamper any activation of the plan.</p> <p>Moreover, informing staff is also an important part of activation and each of the plans currently refer to the use of an SMS Text Service that should be utilised. However, upon review it was found that this system had been replaced by a different system so the plans are currently not in line with the correct processes that would be followed.</p> <p>It was noted from review of the BCP's that a number of them still made reference to the old civic centre building with the Corporate BCP still having the old building plans included within its appendices. Moreover the Corporate BCP details ten critical</p>				

Report	Observation and Risk	Recommendation	Priority	Management Response / Deadline	Responsibility
	<p>services that the Council needs to maintain in the event of an emergency however it was identified there is a lack of alignment between the critical services listed in Corporate BCP and the existing scope of the Service level BCP's. Audit were informed that this is due to the lack of updated plans following the restructure of service areas. Therefore the current plans are clearly out of date.</p> <p>At present, the Council currently has out of date business continuity plans that could impact upon its ability to maintain critical services in a timely manner in the event of an incident or emergency.</p>				
Planning	The Council's Constitution states that only Team Leader, Group Manager, Assistant Director or Director can make the delegated decisions on Planning Applications. The decisions are recorded within the Acolaid system, this is a case	The Acolaid case management system requires updating to ensure that no breaches of the scheme of delegation can occur.	1	I have escalated this to Idox our provider of Acolaid, who are looking into a solution on permissions and this will be part of our next monthly Idox maintenance days. This should be fixed within	Group Manager, Development Management & Planning

Report	Observation and Risk	Recommendation	Priority	Management Response / Deadline	Responsibility
	<p>management system which has a decision section. In line with the constitution, only the above individuals in the scheme of delegation should make the final decision, however it was found during testing that the section is unrestricted to other system users. Therefore there is no control that would prevent unauthorised officers from making decisions. Moreover the system has a drop down box to select the individual making the decision, therefore a user could select one of the delegated authorisers to make it appear that they had made that decision.</p> <p>Therefore, there is a risk that Planning Application decisions are not made in line with the Council's constitution and there is no system functionality to confirm where this has taken place.</p>			<p>a month at an upcoming maintenance day.</p> <p>30 April 2019</p> <p>We are upgrading our back office system from Acolaid to Uniform and have a project team of 6 officers working on this, all who will be able to set up new users and restrict permissions from users. Uniform will go live in mid-September.</p> <p>30 September 2019</p>	

A3 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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