



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – November 20 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.

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 C of this report for further information about responsibilities, limitations and confidentiality.

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2019 to November 13th 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	4	27%
Number of audits issued at draft	-	-
Number of audits currently in progress	3	20%
Number of audits with planned start dates	3	20%
Number of audits with start dates to be agreed	5	33%
Total	15	100%

We have issued the following Final reports for 2019/20 since the last Audit Committee meeting:

- Making Tax Digital (Overall assurance: **Good**)
- Housing Benefit and Council Tax Support (Evaluation assurance: **Good**, Testing assurance: **Good**)

Follow-up of Recommendations

2018/19 and 2019/20





The table at Appendix 2 details the recommendations raised in the audit reports for 2018/19 and 2019/20. The summary of the outcome of our follow up work to the 30th September 2019 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%
2018/19	30	21	70%
2019/20	4	3	75%
Total	34	24	71%

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
Good		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied, or any weaknesses identified do not affect key controls and are unlikely to impair the achievement of the objectives of the system.
Substantial		Whilst there is a basic sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	While controls are generally operating effectively, there are weaknesses, which 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. Major issues for the attention of senior management and the Audit Committee
Priority 2	Recommendations, which, although not fundamental to the system, provide scope for improvements to be made. Recommendations for local management action in their areas of responsibility.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed. Detailed problems of a minor nature resolved on site through discussions with local management.

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 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		Q3-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	2	Q3							Audit started 14 th November
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, income maximisation, fair revenue distribution and appeals.	8	2	Q3							Audit started 14 th November
	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	8	Q3	Final Report issued	Good	Good	-	-	-	
Payroll & Pensions Administration	Covering of the adequacy and effectiveness of controls over starters, leavers, amendments, etc.	8	8	Q2	Final Report Issued	Good	Substantial	-	1	-		
Core Financial Systems Total			56	20								

	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	1	Q3							Audit deferred to 2020/21
	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	10	Q1	Final Report Issued	Substantial	Substantial	-	2	1	
Operational Risks Total			22	11								
Strategic Risks	VAT – Making Tax Digital	To confirm the Council's systems and processes are MTD compliant.	15	15	Q2	Final Report Issued	N/A	Good				
	Leisure Services Contract Management	Covering adequacy and effectiveness of controls over management and monitoring of the new Leisure Contract.	12	0.5	Q3	ToR Issued						Audit starting November 26th
	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	8	Q3	WIP						
Strategic Risks Total			42	23.5								
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	1	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	0.5	Q3							
	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	1.5								
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	7	Q3	WIP						
	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		Q4							
ICT total			25	7								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	5								
	Management		20	8								
Other total			30	13								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Plan total			225	76								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	25	-								
TOTAL			250	76								

Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2019/20 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 and 2019/20 recommendations raised in final reports issued.

2018/19

Title	Raised	Implem ented	Partly Impleme nted	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	1				31 August 2019			Chris Baker
Council Tax	1	1				31 August 2019			Chris Baker
Procurement Strategy	3					31 Dec 2019		3	Ben Hosier
Planning	6	6				30 Sept 2019			Sara Whelan
Core Financials (Accounts Payable)	1	1				30 Sept 2019			Fiona Jump
IT Change Management	2	1				31 Dec 2019		1	Ben Trueman
Business Continuity	5					31 Oct 2019		5	Emma Walker
Total	30	21						9	

2019/20

Title	Raised	Implem ented	Partly Impleme nted	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	3	3				30 Sept 2019			Layna Warden
Payroll and Pension Administration	1					31 Oct 2019		1	Fiona Jump
Total	4	3						1	

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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