

Dacorum Borough Council



Internal Audit Annual Report
For the year ended 31 March 2020
Presented to the Audit Committee 24 June 2020

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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 Peter Cudlip, Partner, peter.cudlip@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

This Annual Report covers the work we have undertaken for the year ended 31 March 2020, and incorporates our audit opinion.

Our contract with the Council ended on the 31 March 2020.

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 2020 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 2019 to 31st March 2020 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 2019/20

Our Internal Audit Plan for 2019/20 was considered and approved by the Audit Committee at its meeting on 06 February 2019. 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 some changes were made to the planned programme of work to reflect changes in circumstances within the Council, and the Community Safety audit was deferred to 2020/21.

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.

No Priority 1 recommendations were raised during the course of the year.

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 2020;
- Whether 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, none 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, and subsequently updated annually, we selected a sample of "key questions" to confirm the evidence to support the statements made.

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 Leisure Services Contract Management was completed as it was a mitigating control for one of the Council's key risks (PP_R014) relating to the Council's approach to managing service outcomes.

During the year, the Strategic Risk Register has been regularly reviewed, with quarterly reports going to Audit Committee.

Internal Control

Of the 17 audits undertaken in the year where we provided a formal assurance level, 11 were given a 'Full' level of assurance, and six were given a 'Substantial' level of assurance.



During the year, we have made 11 'Priority 2' recommendations and 4 'Priority 3' recommendations.

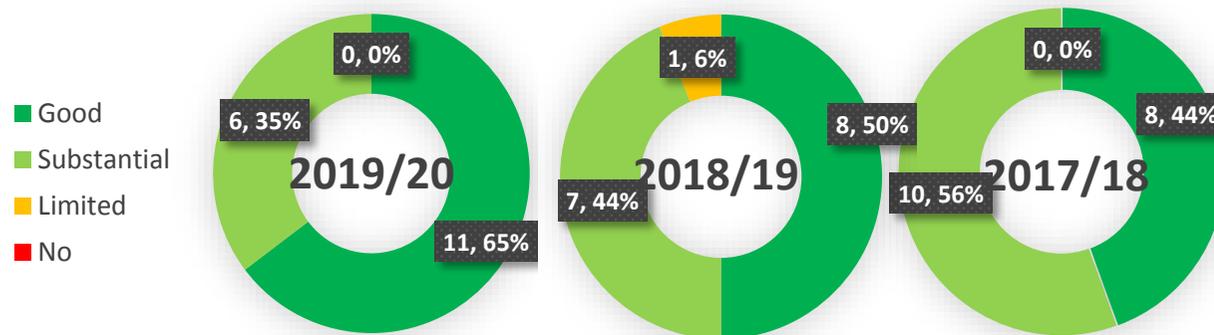
In respect of follow up of recommendations, internal audit has an established process for tracking the implementation of recommendations made in their audit reports and report on their status to each Audit Committee. During the year, we reviewed the implementation of recommendations as they fell due.

All recommendations made during the year were accepted by Management.

04 Benchmarking

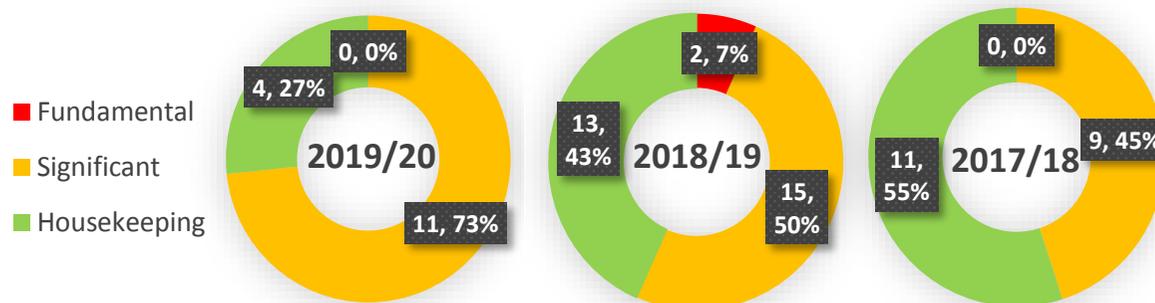
This section compares the Assurance Levels (where given) and categorisation of recommendations made at the Council.

Comparison of Assurance Levels (where given)



Of the 17 audits where an assurance level has been provided in 2019/20, 'Good' assurance has been provided in eleven cases, 'Substantial' assurance has been provided in six cases.

Comparison of Recommendations by categorisation



In 2019/20, a total of 15 recommendations have been made. 11 recommendations were categorised as Priority 2 and 4 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 Council 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, however none of these was returned.

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 2019/20

The following reviews were undertaken during the 2019/20 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	Good / Good	16	15	-	-	-	-	
Accounts Payable				-	-	-	-	
Accounts Receivable				-	-	-	-	
Treasury Management, Cash & Bank				-	-	-	-	
Budgetary Control	Good / Good	8	6	-	-	-	-	
Council Tax	Good / Good	8	8	-	-	-	-	
NNDR	Good / Good	8	8	-	-	-	-	
Housing Benefit and Council Tax Support	Good / Good	8	8	-	-	-	-	
Apprenticeship Scheme and Levy	Good / Good	8	8	-	-	-	-	
Capital Programme	Good / Good	15	15	-	-	-	-	
VAT – Making Tax Digital	N/A / Good	15	15	-	-	1	1	1

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
Payroll and Pensions Administration	Good / Substantial	8	8	-	1	-	1	1
Leisure Services Contract Management	Good / Substantial	12	12	-	1	-	1	1
Housing Rents	Substantial / Substantial	10	10	-	2	1	3	3
ICT Disaster Recovery	Substantial / Substantial	15	15	-	3	2	5	5
ICT Website Accessibility	Substantial / Substantial	10	10	-	2	-	2	2
Governance Role	Substantial / Substantial	15	15	-	2	-	2	2
Totals				-	11	4	15	15
%					73%	27%	100%	

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

Assurance Level	Adequacy of System Design	Effectiveness of Operating Controls
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 basically 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.
No Assurance	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.

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 (Fundamental)	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 (Significant)	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 (Housekeeping)	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.

A2 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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