

Dacorum Borough Council



Internal Audit Report  
**Governance Role**  
March 2020

**FINAL REPORT**



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### 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

As part of the Internal Audit Plan for 2019/20, we have undertaken a review of Governance Role of new member induction and training processes and delivery. The objectives of the audit were to evaluate the adequacy of the system of internal control and its application in practice within the area under review.

We engaged with a number of staff members during the review and are grateful for their assistance during the course of the audit.

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A1, whilst further analysis of the control environment over Governance Role is shown in Appendix A2.

The report summarises the results of our internal audit work and, therefore, does not include all matters that came to our attention during the audit. Such matters have been discussed with the relevant staff.

- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

In summary, the scope covered the following areas: New Member Training and Induction, Resourcing, Selecting Committee Members, Member Support Forward Plans and Overview and Scrutiny Committees.

# 02 Background



The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Governance Role, and provide guidance on how to improve the current controls going forward.

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;

## 03 Key Findings

Our assessment in terms of the design, and compliance with, the system of internal control is set out below:

Adequacy of System Design	Effectiveness of Operating Controls
 <b>Substantial Assurance</b>	 <b>Substantial Assurance</b>

Main Findings
<p>We have raised two priority 2 recommendations where we believe there is scope for improvement within the control environment. These are detailed in Section 04 of this report.</p> <p>Our main findings were:</p> <ul style="list-style-type: none"> <li>• Non-compliance with mandatory training</li> <li>• Members have not completed the register of interest form</li> </ul>

### Examples of areas of strength

- Induction days were provided to newly elected members in May 2019 including a marketplace event where members can meet and network various departments of the Council. Information pack and induction materials were available and had been provided to new members.
- Appropriate resources have been allocated to support and provide training to members. Furthermore, member development budget was reviewed and approved by Overview and Scrutiny Committee, Cabinet and Council in February 2019. We obtained Quarter 1 to 3 budget monitoring reports and confirmed that these were reported to Member Development Steering Group.
- There has been an opportunity to declare business interests at the Committee meetings.
- Member development programme was reviewed and approved by Cabinet on 13 March 2019. Updates on training dates, attendance and feedbacks were reported to Member Development Steering Group on a quarterly basis.
- Terms of reference were available for the three Overview and Scrutiny Committee and confirmed that meetings were held every eight weeks. Furthermore, work programmes were completed and published in Council's website.

Priority	Number of recommendations
1 (Fundamental)	0
2 (Significant)	2
3 (Housekeeping)	0
<b>TOTAL</b>	<b>2</b>

## Risk Management

The key organisational risks most relevant to Governance Role are as follows:

- A reduction in the quality of life and opportunities for people in the Borough (*SR6, Strategic Risk Register December 2018*)
- Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council. (*included in SR6, Strategic Risk Register December 2018*)

A suggested risk and control matrix for Governance Role is included at Appendix A2. This matrix will help to inform senior management of the effectiveness of the existing controls in place to manage Governance Role and to illustrate where issues identified in the audit report will strengthen areas of existing controls.

## Value for Money

The Council, as a public body, is responsible for providing proper stewardship of the public funds it utilises by ensuring value for money is achieved within the delivery of its services. The Council's governance structure and reporting framework helps to ensure that budget positions and any significant risks are reviewed on a consistent basis.

## 04 Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in Appendix 1.

We identified a number of areas where there is scope for improvement in the control environment. The matters arising have been discussed with the Corporate Support Team Leader and Corporate and Democratic Support Lead Officer. The recommendations are detailed in the management action plan below.

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	<p><b>Mandatory Training Compliance</b></p> <p><i>Observation:</i> A review of councillors' mandatory training attendance records as at December 2019 found that out of 51 councillors, 38 Members have not completed their mandatory training during the year. Furthermore, charring skills sessions are required for councillors with Chair and Vice-Chair roles however, it was found that the Vice-Chair for Finance and Resources Overview and Scrutiny Committee has not completed the charring skills session along with the other training.</p> <p>It is expected that where councillors fail to attend mandatory training, they will be reported to the group leader, and continued failure to attend mandatory training will constitute a breach of the Code of Conduct for Members and will be considered through the standards complaints process. However, it was established that the last reminder email sent by the Chief Executive to the group leader was on 5<sup>th</sup> June 2019.</p> <p><i>Risk:</i> Where training is not completed in a timely manner or at all, there is a risk that Members are</p>	<p>The executive should issue a communication to all Councillors outlining the requirement that mandatory training is to be completed when due.</p> <p>The process for escalating non-completion of mandatory training and for dealing with non-compliance should be adhered to and corrective actions be taken where gaps are identified.</p>	2	<p>All Members have been offered the opportunity to attend mandatory training on at least two different dates. One further training session will be made available for councillors who have been unable to attend training and there will be close liaison with Group Leaders to ensure Members attend. If Members still fail to attend a report will be taken to the Council's Standards Committee for consideration.</p>	<p>Timescales will be reviewed in the light of Coronavirus but will be prioritised once work resumes as normal.</p> <p>Corporate Support Team Leader will be responsible for arranging a further training session for each Member and liaising with Group Leaders and Assistant Director – Corporate and Contracted Services is responsible for reporting outstanding members to the Standards Committee.</p>

	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	unable to improve performance and skills leading to an inability to carry out their duties effectively.				
4.2	<p><b>Register of Interests by Councillors</b></p> <p><i>Observation:</i> We noted during our review of the declaration of interests submitted, that there were four cases out of a total of 51 where a Register of Interests Form was not completed and published in Council's website.</p> <p><i>Risk:</i> Where interests are not declared by all councillors, there is a risk that the Council cannot effectively manage its decision-making. This could lead to inappropriate decisions being made by the Council. In addition, not having all decision-makers declaring interests contravenes statutory guidance on conflicts of interest.</p>	<p>All councillors that have not completed a declaration for the 2019/20 financial year should complete a Declaration of Interests form.</p> <p>A report of councillors that have not completed this process should be issued to the appropriate Committee and Council for review.</p>	2	All four remaining forms have now been completed and uploaded to ModGov.	Completed



# A1 Audit Information

Audit Control Schedule	
<b>Client contacts:</b>	<p>Cassy O'Neil – Corporate Support Team Leader</p> <p>Katie Mogan – Corporate &amp; Democratic Support Lead Officer</p> <p>Farida Hussain – Group Manager (Democratic Services)</p> <p>Sally Marshall – Chief Executive (Final Report only)</p>
<b>Internal Audit Team:</b>	<p>Peter Cudlip, Partner</p> <p>Sarah Knowles, Senior Audit Manager</p> <p>Mark Lunn, Audit Manager</p> <p>Carmela Alas, Auditor</p>
<b>Work commenced</b>	20 <sup>th</sup> January 2020
<b>Finish on Site \ Exit Meeting:</b>	5 <sup>th</sup> February 2020
<b>Draft report issued:</b>	9 <sup>th</sup> March 2020
<b>Management responses received:</b>	16 <sup>th</sup> March 2020
<b>Final report issued:</b>	17 <sup>th</sup> March 2020

## Scope and Objectives

The overall objective of this audit was to provide assurance that the systems of control in respect of Governance Role Support, with regards to the areas set out below are adequate and are being consistently applied.

**New Member Training & Induction:** There is an effective new member training and induction programme in place that meets the needs of the organisation.

**Resourcing:** Appropriate resources have been allocated to support and provide training to members.

**Selecting Committee Members:** The overview and scrutiny committees are made up of a chair and members who have the necessary skills and commitment, including experience, expertise, interests, ability to act impartially, ability to work as a group and capacity to serve. The committee does not include members of the executive or of a combined authority.

**Member Support Forward Plans:** There is a clear process in place to ensure the member support plans include all necessary training and information to allow the members to carry out their roles effectively. Moreover monitoring of attendance and progress against the plans is undertaken and reported back for review, oversight and lessons learnt opportunities.

**Overview and Scrutiny Committees:** Overview and scrutiny committees have a clear role, function and direction, planning their work programmes, drawing up a long-term agendas and consideration of making it flexible enough to accommodate any urgent, short-term issues that might arise. Where there are multiple overview and scrutiny committees consideration has been given to how to co-ordinate the various committees' work to make best use of the total resources available.



Definitions of Assurance Levels		
Assurance Level	Adequacy of system design	Effectiveness of operating controls
<b>Good Assurance:</b>	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.
<b>Substantial Assurance:</b>	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.
<b>Limited Assurance:</b>	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.
<b>No Assurance</b>	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.

Definitions of Recommendations	
Priority	Description
<b>Priority 1 (Fundamental)</b>	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
<b>Priority 2 (Significant)</b>	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.
<b>Priority 3 (Housekeeping)</b>	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 Risk & Control Matrix

### Area: New Member Training & Induction

				Ineffective, inefficient and / or out date working practices R01.01	Noncompliance with legislative and management requirements R01.02	Staff and Members do not know what is expected of them. R01.03	Ongoing improvements are not / cannot be made as training is not completed in R01.04	Linked Issues	I01
		Significance		H	H	H	H		?
		Current Exposure		A	A	A	A		
		Future Exposure		A	A	A	A		
A01	New Member Training & Induction								
<b>Existing Controls</b>									
C01.01	Information pack for new members is in place	E	Key		M	M	M		
C01.02	Induction Days are provided to elected new members.	E	Key		M	M	M		
C01.03	Copies of the presentations are given to members at the induction	E			M		M		
C01.04	Mandatory training is provided to new members and compliance are monitored	P	Key		M	M	M	M	4.1
C01.05	Invitations and reminders are sent for those who have not attended	P					M	M	4.1
C01.06	Completed training are available in the website	E				M		M	
C01.07	Mentoring scheme has been offered to new members	E					M	M	

# Area: Resourcing

					Member support is not effectively resourced R02.01	Resource is not sufficient to maintain the daily R02.02	Linked Issues
		Significance			H	H	
		Current Exposure			A	A	
		Future Exposure			A	A	
A02	Resourcing						
<b>Existing Controls</b>							
C02.01	Appropriate resources have been allocated to support and provide training to members	E	Key		M	M	
C02.02	Member development budget is set on an annual basis	E	Key		M	M	
C02.03	Member development budget position is monitored on a quarterly basis	E	Key		M	M	
C02.04	Annual training report is completed which includes member development budget position	E			M	M	

# Area: Selecting Committee Members

Area: Selecting Committee Members					Members lack of necessary skills and commitment		Member independence compromised due to poor		Linked Issues	No register of interest	Mandatory training compliance
					R03 .01		R03 .02				
					I01		I03				
					Significance	H	H		?	?	
					Current Exposure	A	A				
					Future Exposure	A	A				
A03	Selecting Committee Members										
Existing Controls											
C03.01	The Constitution sets out the proportion of members who sit on committees				E			M	M		
C03.02	Full Council receives nominations of Councillors to serve on each committee at the annual meeting				E			M	M		
C03.03	Overview and scrutiny committees are made up of a chair and members who have the necessary skills and commitment				P	Key		M	M		4.1
C03.04	Members complete declaration of interest form				P	Key		M	M	4.2	
C03.05	Declaration of interests is standing agenda for committee meetings				E	Key		M	M		
C03.06	Required action is taken for those who have conflict of interest				E			M			
C03.07	Any in-year changes to members sitting on committees is a standing agenda item on Full Council meetings				E			M			

# Area: Member Support Forward Plans

Area: Member Support Forward Plans					Relevant training and information to members are not delivered R04.01	Progress against the forward plans does not take place R04.02	Linked Issues	
					Significance	H	H	
					Current Exposure	A	A	
					Future Exposure	A	A	
A04	Member Support Forward Plans							
Existing Controls								
C04.01	Annual training programme for members is in place				E	Key	M	M
C04.02	Member development plan programme is completed and reported to committee				E		M	M
C04.03	Committee timetable is completed and approved by the Cabinet and Full Council.				E			M
C04.04	Attendance and feedbacks on training and development are monitored on a quarterly basis				E	Key	M	M
C04.05	Lessons learnt are discussed in MDSG meetings				E	Key		M
C04.06	Annual training report is completed by the member support team				E	Key	M	M

# Area: Overview and Scrutiny Committees

<h1>Area: Overview and Scrutiny Committees</h1>							Significance Current Exposure Future Exposure		R05.01		R05.02		Linked Issues
									Committees do not plan their work programme		Committees are unaware of their duties and therefore do not carry out expected business		
									H		H		
									A		A		
A		A											
A05	Overview and Scrutiny Committees												
Existing Controls													
C05.01	Terms of reference for Overview and Scrutiny Committees are in place							E	Key			M	
C05.02	Overview and Scrutiny Committees meetings are held every 8 weeks							E	Key		M	M	
C05.03	Work programmes are completed by the Overview and Scrutiny Committee							E	Key		M	M	
C05.04	The Overview and Scrutiny Committees report to the Full Council on annual basis							E	Key		M	M	

# Key to Codes

## Significance

H	High
L	Low
M	Medium

## Exposure

A	Acceptable
L	Limited
U	Unacceptable

## Effectiveness

E	Effective
I	Ineffective
P	Partly Effective



## 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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