



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – November 30 2016

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2016 to October 31st 2016 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2016/17 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 Public Sector Internal Audit Limited 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 Director of Finance 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

Audit fieldwork on the 2016/17 Internal Audit Plan is progressing well and audit coverage has been in line with the Plan, as shown in Appendix 1.

We have issued the following Final reports:

- Homelessness (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**);
- Contract Management (Evaluation assurance: **Full**. Testing assurance: **Substantial**);
- Housing Maintenance Contract (Evaluation assurance: **Limited**. Testing assurance: **Limited**)

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

- Customer Relationship Management (CRM)

Follow-up of Recommendations

2015/16 and 2016/17

The table below details the recommendations raised in the audit reports for 2015/16 and 2016/17. The summary of the outcome of our follow up work to the 31st October 2016 is shown in the table below:





Year	Total Recommendations	Implemented / no longer relevant	%	Implemented / partly implemented / no longer relevant	%
2015/16	53	50	96%	52	98%
2016/17	16	-	-	-	-
Total	69	50	72%	52	75%

Appendix 3 provides a summary of the status of all recommendations where the proposed implementation date was before 31st October 2016.

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		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.

Priority 1 Recommendations

We have raised one Priority 1 recommendation in the final reports issued since the last Audit Committee meeting. This Priority 1 recommendation was raised in the Contract Management report, and was as follows:

Recommendation: Off-contract spend relating to Agency and Temporary Staff should be reviewed and analysed to ensure that Agency and Temporary Staff are appointed through the Council's approved agency where possible. Where the level of off-contract spend is high, the Council should determine whether a separate contract is required to fulfil the Council's needs and also whether a formal tender process is required.

Appendix 1 – Status of Audit Work 2016/17

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2016/17, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	15	0.5	Q3	Scope issued						
	Treasury Management, Cash & Bank											
	Accounts Receivable											
	Accounts Payable											

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
	Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	7		Q4							
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	5	Q3	Work in Progress						
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	6	3	Q3	Work in Progress						
	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. CRSA to be applied.	10		Q4							
	Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, auto-enrolment etc.	8	3	Q3	Work in Progress						
Core Financial Systems Total			52	11.5								

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Operational Risks	Homelessness	Covering adequacy and effectiveness of controls over homelessness, including the approach to developing the Homelessness Prevention Strategy.	10	10	Q2	Final Issued	Substantial	Substantial		3		Also raised 1 System Improvement Opportunity
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	10	10	Q2	Final Issued	Full	Substantial	1	1	1	Also raised 1 System Improvement Opportunity
	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 Issued	Full	Substantial		2	3	
	Human Resources	Covering adequacy and effectiveness of key controls over recruitment, workforce planning, sickness absence and training	10		Q4							
Operational Risks Total			40	30								
Strategic Risks	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes.	15	15	Q1	Final Issued	Substantial	Substantial		3	3	
	Delivery of Digital Dacorum Strategy and Associated Projects and Activities	Programme/Project management assurance in respect of Digital Dacorum. A sample of projects in the programme will be selected.	15	1	Q3	Work in Progress						(previously named Programme/Project Management)

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
	Commercial Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, void management and performance management.	14	14	Q1	Final Issued	Substantial	Substantial		3	2	
Strategic Risks Total			44	30								
Governance, Fraud & other Assurance Methods	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities.	10		All							
	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		All							
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management.	12		Q2-4							
	Benefits/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	10	0.5	Q3	Scope issued						
Governance, Fraud & other Assurance Methods			42	0.5								

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
				Days Delivered								
ICT	ICT Security	The specific scope will be agreed with management but would look to provide assurance over policies and procedures, access controls and incident management.	15		Q3							
	Customer Relationship Management (CRM)	The audit will provide assurance over Application Management and Governance, System Security, Interface Controls and Data Flow, Data Input, Data Output, Change Control and Support Arrangements	15	14	Q1	Draft report issued						
ICT total			30	14								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	4								
	Management (including Audit Committee Training)		25	14								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	10		Q3 Q4							
		-Housing Allocations	10									
		-The Forum	5									
	-Housing Maintenance	5	5	Q2	Final Report Issued	Limited	Limited		8			
Other total			65	23								
TOTAL			273	109								

Appendix 2 – Follow-up of Recommendations 2015/16 and 2016/17

A follow-up audit has been undertaken in accordance with the 2016/17 audit plan. The objective was to confirm the extent to which the recommendations made in 2015/16 and 2016/17 internal audit final reports have been implemented.

The table below provides a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31st October 2016.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Performance Management	1	1							Rob Smyth
Regeneration	6	6							Chris Taylor
Licensing	4	2			2				Ross Hill
Parking	3	3							Nick Brown/ Steve Barnes
Right to Buy	5	5							Richard Baker/ Andy Vincent/ Chris Baker
PCI-DSS	4	4							John Worts
Housing Repairs	4	4							Fiona Williamson
Council Tax	1	1							Chris Baker
NNDR	4	3				Sep 2016	Mar 2017	1	Chris Baker
Health & Safety	5	5							Chris Troy
Core Financial Systems	3	3							Richard Baker
Data Security	5	5							John Worts

Housing Benefit & CTS	3	3							Chris Baker
Member's Training & Expenses	5	3	2			Oct 2016			Jim Doyle
Total	53	48	2		2			1	

The table below provides a summary of the status of all 2016/17 recommendations raised in final reports issued as at 31st October 2016. No follow up work has yet been completed on 2016/17 recommendations as the earliest date for implementation was 31st October. Follow up status will be reported at the next meeting.

Title	Raised	Implem ented	Partly Impleme nted	Outsta nding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	5					31 Oct 2016		5	Andy Vincent
Commercial Asset Management	5					31 Oct 2016		5	Nick Brown
Community Infrastructure	6					31 Dec2016/ 31 Mar 2017		6	Chris Taylor
Total	16							16	

Appendix 3 - Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

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. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all 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. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

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