

Audit Agenda



Wednesday 26 July 2023 at 7.30 pm

Conference Room 2 - The Forum

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

Membership

Councillor Birnie
Councillor Douris
Councillor Elliot

Councillor S Hobson
Councillor Reynolds (Vice-Chair)
Councillor Stewart (Chair)

For further information, please contact Corporate and Democratic Support on 01442 228209

AGENDA

12. PRE MEETING QUESTIONS (Pages 2 - 13)

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QUESTIONS TABLE – WEDNESDAY 26 JULY

Document Title: Appendix A Strategic Risk Register Update Q4 2022-23

| Page and Paragraph Number | Question | Responsible Officer | Response |
|--------------------------------|---|----------------------------|---|
| General | What happens to the internal and external audit risks identified in the reports? | Head of Financial Services | These risks are identified for committee to understand the risks within the control environment. The work undertaken by internal and external audit tests the organisation's response to their risks. An assessment is given via internal audit service reports, the internal audit annual report, the auditor's opinion on the account and the external audit value for money opinion. |
| Page 18 row 3 Page 2 | Failure to do something is not a risk. Good risk descriptions contain 3 parts: cause, event, effects. Without a clear risk description, it is not possible to assess the adequacy of the evidence that the risk is being managed. | Head of Financial Services | I suggest this feedback is incorporated as part of the next refresh of the Council's strategic risks which will follow the update of the Council's corporate plan. Timescale tbc by the current administration. The current strategic risks were developed by the Council's Strategic Leadership and the previous administration and approved in February 2023. Cause and event can be highlighted in future reports; effects are captured under the consequences/ impacts section on the current register. |
| Page 18 first row rows 8,9,10 | I cannot see which mitigating actions relate to the target likelihood and consequence values. How do we know that our mitigating actions will have the desired effect? | Head of Financial Services | Outcome of mitigating actions is captured under the section 'evidence the risk is being managed'. Mitigating actions aim to address both likelihood and consequence; this can be highlighted in future reports. |
| Page 18 first row, rows 8,9,10 | Commercial organisations implement contract compliance trackers to ensure they meet their contractual obligations. Has the council established a legal obligations/compliance tracker? | Head of Financial Services | A corporate legal compliance tracker is being developed by Legal Services in the current year. Current statutory compliance is monitored locally at individual service level and reported within the organisation as considered appropriate. |
| Page 18 row 10 | Audits do not deliver compliance. Apart from making sure that statutory deadlines are being met what actions are being taken to ensure compliance with statutory and legislative requirements? For example, what people, process and technology solutions have been | Head of Financial Services | Agreed- audits test compliance. Arrangements will vary dependent on service and process predicated on having employees with the correct knowledge and expertise in post and access to appropriate systems to deliver. As an example, an appropriately qualified lead technical accountant to deliver the organisation's statutory accounts, |

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| | setup to make sure this happens? | | supported by a fit for purpose financial system and appropriate line management arrangements. |
| Page 19 Delivery of safe and good quality homes, row 3 | The inability to manage and deliver is not a risk. Is there a danger to life and limb? Is there a risk of health and safety breaches? Without a clear risk description, it is not possible to assess the adequacy of the evidence that the risk is being managed. | Head of Financial Services | I suggest this feedback is incorporated as part of the next refresh of the Council's strategic risks which will follow the update of the Council's corporate plan. Timescale tbc by the current administration. The current strategic risks were developed by the Council's Strategic Leadership and the previous administration and approved in February 2023. Cause and event can be highlighted in future reports; effects are captured under the consequences/ impacts section on the current register. There is potential risk to human health and to health and safety obligations associated with this risk. |
| Page 20 Risk Name | What does CEE stand for? | Head of Financial Services | Climate and Ecological Emergency. |
| Page 21 Financial Resilience, row 3 | "Weakening of" is not a risk. Is there a risk that we will not be able to adequately fund our HRA account as a result of increasing demand for repairs and maintenance as a result of economic pressures and the backlog of dilapidations? | Head of Financial Services | I suggest this feedback is incorporated as part of the next refresh of the Council's strategic risks which will follow the update of the Council's corporate plan. Timescale tbc by the current administration. The current strategic risks were developed by the Council's Strategic Leadership and the previous administration and approved in February 2023. Rising costs and demand both represent a financial risk to the HRA. |
| Page 24 Place Shaping & Regeneration, row 3 | Failure to deliver is not a risk. What are the ambitions? What is the risk to these ambitions? | Head of Financial Services | I suggest this feedback is incorporated as part of the next refresh of the Council's strategic risks which will follow the update of the Council's corporate plan. Timescale tbc by the current administration. The current strategic risks were developed by the Council's Strategic Leadership and the previous administration and approved in February 2023. These ambitions are set out in related documents e.g. Hemel Town Centre Visions, July 2023 Cabinet. |
| Page 24 Place Shaping & Regeneration, row 7 | There are many components within the comments. Suggest that the items are ranked in order of importance and the key ones are risk assessed. For example, the Local Plan underpins the whole agenda. What is the risk to the Local Plan? | Head of Financial Services | This feedback will be incorporated. |

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| Page 27 Working with Strategic Partners, row 3 | Failure to work with Strategic Partners is not a risk. What is the risk? For example, Partners do not deliver their agreed commitments. What are the risks to service quality, value for money, late strategic projects? | Head of Financial Services | The full risk is ' failure to work with strategic partners to deliver corporate priorities'. All the risks identified in the question here apply. |
| Page 30 Title | Why are they called "Impacts" here and "consequences" in the summary table? | Head of Financial Services | We can amend this going forward. |

Document Title: Appendix B Q4 update Cyber security and risk of data breach PART II, item 5.

| Page and Paragraph Number | Question | Responsible Officer | Response |
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| Page 19 Cyber- attack/data breach | Question will be asked in Part 2 of meeting | | |



Document Title: Appendix A Dacorum Borough Council-SICA-Q1, item 6.

| Page and Paragraph Number | Question | Responsible Officer | Response |
|---------------------------|---|----------------------------------|---|
| Page 37 table | What is the purpose of a separate category of OEM recommendations? | Head of Financial Services | These are recommendations considered worthy of note and consideration by management but not considered as significant as recommendations with priority 1-3, as identified in the management action plan. |
| Page 41 | How many 'Adopted', 'General Needs' and 'Sheltered' properties are there? What happened to the remaining 93 properties that were not re-let? | Head of Housing Operations | This query has been passed to the relevant officer to respond. They will be in attendance at committee on the 26 th . |
| Page 41 | What is the average re-letting time and what is the KPI target? What is the length of the delays? | Head of Asset Management | This query has been passed to the relevant officer to respond. They will be in attendance at committee on the 26 th . Target data: General Needs is 30 working days Sheltered is 43 working days |

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| | | | Adapted is 151 working days |
| Page 44 | How many Teckal companies does the council operate? | Head of Commercial Development | The Council is part of Herts Building Control. Broste Rivers is the holding company for Herts Building control. |
| Page 5 | Is there a process for ensuring LATC's are within the Teckal parameters? | Head of Commercial Development | <p>Yes a process exists when the Council is looking to engage with LATCs. The Head of Commercial Development will attend the meeting on the 26th and can give further comments. The Council's procurement activities must comply with the Public Contract Regulation 2015 (PCR 2015), in addition the Council's Procurement Standing Orders require all procurement activities above a set threshold (£75k) to be carried out by the Council's corporate procurement team.</p> <p>This team are all professionally qualified and ensure that all tendering is undertaken in compliance with the PCR 2015, the team are fully aware of the rules around Teckal exemptions and that any LATCO must comply with the 'control' and 'functional' tests to fall within the Teckal exemption.</p> <p>From a 'control' perspective, a local authority must control all of the shares (or be part of a group of LA's that control all of the shares) in the LATCO and must also exercise effective day-to-day control over its affairs; in other words, the same as the relationship between the council and one of its internal directorates.</p> <p>From a 'functional' perspective, the LATCO must be "inwardly and not outwardly focused". The directive requires that at least 80% of the activity of the Teckal company (over 80% of its turnover) must be for its public sector owners.</p> |
| Page 46 | Is there a process for handing over contracts into operations (service management)? | Head of Commercial Development | Service management work alongside procurement as part of contract specification and award. Post award, service management will lead on contract management arrangements, supported by procurement. The Council has a Commercial Board, an officer –led group maintaining oversight of key Council contracts and associated procurement processes. The Head of Commercial Development will attend the meeting on the 26 th and can |

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| | | | <p>give further comments. The corporate procurement team and the internal client work together through the commissioning and tendering process. Both parties jointly work through the commissioning process to draft the outcome specification, contract terms, performance indicators and evaluation criteria and then through the tendering process to complete the tender evaluation and the contract award.</p> <p>Upon contract award, the corporate procurement team draft the contract and arrange for the documentation to be signed and then hands the contract over to the internal client for contract management.</p> <p>The Council's Procurement Standing Orders provides contract management guidance for officers to follow.</p> |
| Page 46 Page 6 | Does the council operate a change management process for introducing changes into operations (service management)? | Head of Commercial Development | <p>The Council has a Transformation service and Head of Transformation. This service supports services with major operational changes occurring in the organisation. It is assumed that this question relates to changes to a contract. Each contract will have a contract variation schedule that must be followed when making any changes to a contract. The Council's Procurement Standing Orders clearly states that Procurement must be consulted on any proposed changes to an existing contract.</p> |
| Page 46 | Who will define the performance requirements and associated indicators? (Operations/Service Management?) | Head of Commercial Development | <p>Service management, supported by procurement and the Council's performance management office. As indicated above, the corporate procurement team and the internal client work together through the commissioning and tendering process. Both parties jointly work through the commissioning process to draft the outcome specification, contract terms, performance indicators and evaluation criteria.</p> <p>Each procurement presents a report to Commercial Board at the end of the commissioning stage setting out what has been undertaken and seeks approval to progress to the tender stage. Commercial Board reviews the commissioning work carried out to ensure amongst other things that performance and risk have been appropriately addressed.</p> |
| Page 46 | Doesn't the proposed draft paper need to also go to | Head of | It is expected that following presentation at Commercial |

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| | the heads of operations? | Commercial Development | Board, this paper would be shared with the Council's Corporate Leadership Team, which includes heads of service/ operations. Any changes to the Council's Procurement Standing Orders must first be discussed at Commercial Board to seek agreement to any changes. The Commercial Board is made up from a number of senior officers at the Council including Heads of Service. Any agreed changes are incorporated into the Council's Procurement Standing Orders and are communicated to Council officers. |
| Page 48 | What statistics/KPIs are reported in relation to rent arrears? (% of households in arrears as a percentage of the total. Target time for arrears payment and performance against target) | Head of Housing Operations | Current rent arrears as a % of monthly debit (amount due). Rent collected as a % of rent owed for the period. Percentage of tenancy sustainment cases where rent arrears were reduced. |
| Page 48 Page 7 | Is Root Cause Analysis performed routinely on accounts that are not compliant? | Head of Housing Operations | <ul style="list-style-type: none"> - Yes. Non-compliant accounts are reviewed to understand the underlying causes of non-compliance. The service have been asked to provide further comment. Yes, Lead officers regularly check accounts ensuring that officers are following the rent arrears procedure and action is taken in a timely manner - With the use of the Income Analytics system, officers and Lead officers are able to use specific filters which highlights accounts that may need further action or moving along in the process - Our officer will try as far as possible to engage with tenants in rent arrears to understand the reason for non-payment, and taking into account environmental and social factors such as cost of living crisis, vulnerabilities, illnesses & disabilities etc |
| Page 48 | Are lessons learnt captured and used to inform process improvement initiatives? | Head of Housing Operations | <ul style="list-style-type: none"> - Yes. The service have been asked to provide further comment. We managed nearly 10,000 rent accounts via the use of Orchard housing management system and Income Analytics System - We are currently reviewing our rent arrears procedure to ensure a consistent and timely approach to arrears collection, while still maintaining |

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| | | | <p>a supportive approach with our tenants. This review will be presented to SLT in August.</p> <ul style="list-style-type: none"> - We are also trialling a new process when a tenant has been taken to court, this tenant will now be supported/monitored by the court officers for a period of 12 months rather than being monitored by the rent officer for that patch. |
| Page 49 | How much debt is written off? What percentage of total income is this? | Head of Financial Services | 22/23- 1.3% or £770k of £58m due. |
| Page 51 | What years do the quarters relate to? (We are in quarter 3 of 2023, unless the quarters start in May) | Head of Financial Services | The local authority financial year starts 1 April. So Q1 is the period Apr-June, as an example. |
| Page 53 | What is the revised implementation timetable date? | Assistant Director, Place Communities and Enterprise | The service has been asked to comment- to follow. |
| Page 53 | What thresholds and controls are in place for managing project budgets? | Head of Financial Services | The Council has a monthly financial monitoring cycle, with monthly reports to the Strategic Leadership Team and quarterly reports to Scrutiny and Cabinet. |
| Page 54 | Does this action apply to future procurements or to all existing contracts? Why has this taken so long to implement? | Head of Commercial Housing Contracts/ Head of Commercial Development | The recommendation relates to inclusion of safeguarding contractual terms. These are now implemented for the all Council contracts (including Housing- updated provided 26/07 by relevant Head of Service). Delays related to the application of this clause to Housing contracts. Implementation on housing was delayed due to the complexity of affected contracts. There is a major review of housing contracts underway at present. This review has been a major piece of work for the Council for the last 12 months, with safeguarding clause updates just one aspect of revisions to contractual arrangements. |
| Page 55 | Why has this taken over a year to update a risk register? | Head of Financial Services | A system access issue. It is recognised that this should have been identified and resolved more quickly. This is now resolved. |

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Document Title: Appendix B Dacorum Borough Council-Annual Strategy and Annual Plan 2023-24

| Page and Paragraph Number | Question | Responsible Officer | Response |
|---------------------------|---|----------------------------|---|
| Page 57 | The key emerging themes are also strategic risks. Have they been considered for inclusion in the Strategic Risk Register? | Head of Financial Services | I suggest this feedback is incorporated as part of the next refresh of the Council's strategic risks which will follow the update of the Council's corporate plan. Timescale tbc by the current administration. The current strategic risks were developed by the Council's Strategic Leadership and the previous administration and approved in February 2023. |
| Page 59 | Is there an operating model for the council that includes all the services it provides? | Head of Financial Services | There is an organisation structure chart that lists this information. Happy to explore further. |
| Page 59 Page 9 | How are the review areas selected? What is the scope for changing these (for example why does ICT only include use of social media and cyber security maturity assessment?) | Head of Financial Services | Proposals are put forward by the Council's Strategic Leadership Team. These are put to audit committee to review. Amendment and then formal approval on an annual basis. The current programme was approved in February 2023. ICT has a rolling audit programme. Social media and cyber security are on the list of review areas for 23/24/ Other areas would have been reviewed in previous years. |
| Page 61 | Can we review the high level scope to make sure that it covers the strategic risks (e.g. compliance with statutory and legal requirements, arrangements for achieving the CEE statement, Place shaping and regeneration)? | Head of Financial Services | The audit programme is a rolling one and covers all key strategic risks over a 2-3 year period. Place shaping was reviewed in 22/23. Climate is on the list for 23/24. Key financial controls are reviewed on an annual basis. |
| Page 61 | Why is H&S split into 3 separate audits? | Head of Financial Services | H+S compliance is a key priority for the Council. Separate audits are considered to provide proper focus on specific areas of H+S activity and compliance. |
| Page 61 | What benchmark will we be comparing our H&S arrangements against? | Head of Financial Services | Detail to be provided to committee - to follow. |
| Page 62 | Leisure Contract - can we also look at the contract governance arrangements? (E.g. Is there a jointly managed board? Does it have terms of reference, membership, frequency of meetings, standing agenda items, etc.?) | Head of Financial Services | This can be incorporated under the scope of the audit brief. |
| Page 63 | What are the audit recommendations provided | Head of | Suggest a separate update be brought to committee on |

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| | into the HTIP? | Financial Services | this. |
| Page 65 | What is the scope for benchmarking our services against other councils? | Head of Financial Services | Benchmarking activity occurs across the Council. If Members have particular requirements in this area, please advise. |

Document Title: Appendix A Dacorum Borough Council Audit Plan 22-23

| Page and Paragraph Number | Question | Responsible Officer | Response |
|---------------------------|--|-----------------------------|---|
| Page 72, bullet 4 | Where do we find the Audit Committee updates? | Head of Financial Services. | These are given via attendance of GT at audit committee meetings. Please check audit committee minutes. |
| Page 83 | Does our financial sustainability approach provide mitigation for the financial resilience risk identified in the SRR? | Head of Financial Services | Yes that is correct. |

Page 10

Document Title: Agenda Item 8 - Report

| Page and Paragraph Number | Question | Responsible Officer | Response |
|---------------------------|--|----------------------------|--|
| Page 94 | Does this role require any form of security vetting? | Head of Financial Services | We will add Disclosure Barring Service clearance to the role requirements. |

Document Title: Appendix A Redmond Review of Local Authority Financial Reporting - Dacorum Impact and update July AC

| Page and Paragraph Number | Question | Responsible Officer | Response |
|---------------------------|--|----------------------------|---|
| Page 95 | What does "Policy in process" mean regarding the two financial reporting policies? | Head of Financial Services | Central government/ CIPFA are looking at developing this. |

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Document Title: Appendix B CIPFA's Position Statement on Audit Committee in Local Authorities and Police 2022

| Page and Paragraph Number | Question | Responsible Officer | Response |
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| | None | | |

Document Title: Appendix C Independent Committee Member Job Description and Person Specification

| Page and Paragraph Number | Question | Responsible Officer | Response |
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| General | Do we need to specify the number of days for this part-time role? | Head of Financial Services | We can. I would specify attendance at up to 6 committee meetings per year plus mandatory training (up to 4 additional days). 20 days. |
| Page 104 Para 11 | Do we want to include financial skills and experience? | Head of Financial Services | Yes we can add this in as an essential criteria. |

Document Title: Appendix D Proposed Terms of Reference

| Page and Paragraph Number | Question | Responsible Officer | Response |
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| | None | | |

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QUESTIONS TABLE – WEDNESDAY 26 JULY

| Page and Paragraph Number | Question | Responsible Officer | Response |
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| 14 / 1 | Homes England Audit is underway, Do we know timescales on when they plan to finish and report to the committee? | Head of Financial Services | Current expectations are that the findings of the report are due to be release in March 2024. These will be brought before Audit Committee as soon as the Council’s response to any audit findings/ recommendations are agreed by officers. I expect this to be June 2024 (this is the first Audit Committee meeting after the expected release date of the Homes England report). |
| Page 12 | The Target Risk Score for Financial Resilience is 9. Compared to other areas this is one of the highest target scores. Why would you want a high target score in this area? Are you factoring in this area worsening over the months ahead? | Head of Financial Services | The target risk scoring is an acknowledgement of the extremely challenging financial environment that the Council, like other local authorities, is currently operating in. The consequences/ impact of weakening financial resilience (should it occur) will always be significant in terms of financial and service impact. The likelihood of this risk materialising (even target risk) is heightened due to current economic conditions (rising costs) and the continued uncertainty around local government funding arrangements. |
| 41 / 2 | Osbornes ongoing poor performance and lack of contractors available to complete work required by OSPL, Is this the reason behind asking to increase H&S auditing time to 10 days, so that you can focus more attention on Osbourne? and who are OSPL? | Head of Financial Services | The request to expand the scope of the audit is to expand cover improvements to arrangements for the monitoring of contractors responsible for health and safety related work within the Council’s housing stock. This includes that relating to Osborne but will cover other key contractors too. OSPL- Osborne Property Services Ltd. Used interchangeably with Osborne. |
| 54 / 1 | 21/22 - Safeguarding & Prevention, actions due 08/22, revised to 01/23, now expected 08/23. Why the ongoing delays in implementing actions? | Head of Financial Services | The first recommendation relates to inclusion of safeguarding contractual terms. These are implemented for the majority of relevant Council contracts. Implementation on housing contracts is ongoing, with delays due to the complexity of affected contracts. There is a major review of housing contracts underway at present. Safeguarding clauses are being updated as part of the review of these contracts. This review has been a major piece of work for |

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| | | | <p>the Council for the last 12 months, with safeguarding clause updates just one aspect of revisions to contractual arrangements.</p> <p>The second recommendation relates to the update of the Council's safeguarding policy. Delay in implementation due to service capacity. This policy has now been drafted and is being reviewed by the Council's new Head of Safe Communities (one month in post).</p> |
| 55 / 1 | 21/22 – Planning Enforcement, actions due 05/22, revised to 02/23, now expected Q1/24. Why the delays? and why did this area not make it onto the Strategic Risk Register presented today to committee? | Head of Financial Services | <p>The risk identified is an operational risk, rather than a strategic risk. This is why this risk is not covered by agenda item 5 (Strategic Risk Register). Operational risks across the organisation are currently being updated on the Council's risk management system in time for September reporting following the Council's service planning process. Delays on implementation were originally due to system access – now resolved.</p> |
| Page 13 | Assuming outstanding recommendations that require primary legislation are implemented. Do we know rough timescales here? And is there any deadline for implementation of reports recommendations or is it a "nice to do" at the moment? | Head of Financial Services | <p>No firm deadlines given in the report. Implementation of outstanding recommendations is dependent upon central government. External audit will attend committee on Thursday and may be able to give a view.</p> |
| 96 | The estimated increase in cost of 150% - is this mainly Grant Thornton costs? Does this include the costs of appointing an independent person/s to the committee, (is this part time, full time, Salaried or allowance based?) | Head of Financial Services | <p>This is 100% costs for external auditors due to the argued increased in complexity of audits across the local authority sector. This excludes the costs of any audit committee arrangements which are entirely separate. The independent person would not be salaried. They would be entitled to claim reasonable expenses only in relation to committee attendance/ work.</p> |