

Audit Agenda



Thursday 31 May 2018 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 McLean

Councillor Silwal
Councillor Taylor (Chair)
Councillor Tindall

Substitute Members:

Councillors G Adshead, Anderson, England, Pringle and Ransley

For further information, please contact jim.doyle@dacorum.gov.uk.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

2. DECLARATIONS OF INTEREST

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

- (ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct For Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

3. MINUTES AND ACTIONS (Pages 4 - 7)

To confirm the minutes of the previous meeting and consider the actions

4. PUBLIC PARTICIPATION

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation

5. QUARTER 4 - STRATEGIC RISK REGISTER (Pages 8 - 25)

To provide the Quarter 4 update on the Strategic Risk Register for 2017/18.

6. PROVISIONAL OUTTURN (Pages 26 - 44)

Provisional outturn.

To consider a high level provisional outturn report.

App A	General fund position,
App B	HRA position,
App C	Capital programme outturn position,
App D	Statement of earmarked reserves.

7. **EXTERNAL AUDIT GRANT THORNTON - INTERIM AUDIT UPDATE.** (Pages 45 - 55)
8. **INTERNAL AUDIT PROGRESS REPORT** (Pages 56 - 68)
9. **INTERNAL AUDIT - SERVICE REPORTS 2017/18** (Pages 69 - 100)

Internal Audit – Service Reports 2017/18

- Budgetary Control
- Benefits/Savings Realisation
- Community Infrastructure Levy

10. **AUDIT COMMITTEE ANNUAL WORK PLAN** (Pages 101 - 103)

To consider the following:

AUDIT COMMITTEE: Work Programme 2017-18

AUDIT COMMITTEE: DRAFT Work Programme 2018-19

Agenda Item 3

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

28 MARCH 2018

Present:

Councillors: Taylor (Chairman) McLean
Douris Tindall

Councillor Elliot, Portfolio Holder for Finance & Resources.

Officers: N Howcutt Assistant Director – Finance & Resources
N Beresford Strategic Housing Group Manager
T Vause Strategic Housing Team Leader (Property)
J Doyle Group Manager - Democratic Services

Others:

M Towler	Mazars
S Ironmonger	Grant Thornton
A Conlan	Grant Thornton

The meeting began at 7.30 pm

38. APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Brown, W Wyatt-Lowe, and S Knowles (Mazars).

39. DECLARATIONS OF INTEREST

There were no declarations of interest.

40. MINUTES AND ACTIONS (Agenda Item 3)

The minutes of the meeting held on 7 February 2018 were agreed by the members present and signed by the Chairman.

41. PUBLIC PARTICIPATION (Agenda Item 4)

None.

42. DACORUM AUDIT COMMITTEE PROGRESS REPORT AND SECTOR UPDATE (Agenda Item 5)

A Conlan of Grant Thornton introduced the item, informing the committee that the early interim investigations and early audit tests had been carried out in accordance with the Audit Plan. He was pleased to report that so far no issues had been identified. At the moment months 1 to 9 are being tested.

He then moved on to the Value For Money Risk Assessment that has been carried out and some risk identified around Medium Term Financial Planning, mainly arising out of the challenges surrounding the Efficiency Savings Gap. Finally he took the committee through the sector update section of the report.

Cllr Tindall drew attention to the general local authorities' figures set out in the report and asked if there is a set of figures specific to Dacorum. N Howcutt responded that the MTFFS and budget report contain stats relevant to Dacorum and that we have a reasonably good idea of where we come in relation to other authorities, and in particular other district authorities. In general Dacorum has a high income proportional to other DA's and low level of need so in financial terms we may be hit harder in comparison to other authorities, by future changes. Cllr Tindall went on to suggest that to meet our savings targets would require £1.25m over the next two years. N Howcutt stressed that the savings position is under control and the auditor's report should not be seen as a specific warning to Dacorum. Cllr Douris observed that we appear to have a 4 year budget Gap and we have a phased resilience budget which should address the issue. He went on to say we are coming to the last year of the government four year plan and asked if anything has been received to suggest that there is another 4 year plan in the offing. N Howcutt responded that nothing has been received though DBC is utilising a list of indicators to try and predict future funding levels..

Cllr Douris then asked the auditors if there had been any evidence of the council's work provision/position deteriorating and was informed that to date there is no evidence and the council is 'holding steady'. In this council's case holding steady is adequate. Cllr Douris asked if the auditors knew of any small step that might be taken to bring improvement. N Howcutt was of the opinion that this council has set quite a high bar but will always continue to seek ways to improve.

Cllr Tindall then raised the issue of business rates and the council's current terms and conditions perhaps affecting the take up of premises and local businesses. N Howcutt stated rates are set nationally and we are awaiting the government suggesting a national scheme. Cllr Taylor summed up by saying we know the possible pitfalls ahead; the VFM issue must be addressed; and DBC will seek ways to continue improvement.

Outcome:

The update presented by the External Auditor was noted and they were thanked for the service they provide.

43. DBC DRAFT INTERNAL AUDIT PLAN 18/19 (Agenda Item 6)

M Towler of Mazars introduced the plan saying it would usually have been through the DBC Management Team at this point but has been a little delayed this year. It will however be on the agenda for the next meeting of the Management Team.

He gave a short summary of the main elements of the plan, concentration on key financials, and the areas of focus for next year. The key financials will be cross referenced against possible risks and the Risk Register to enable members to monitor progress and areas of concern in the audits spread across the year.

Outcome:

The elements of the draft plan were agreed by the Committee and the Internal Auditor.

44. INTERNAL AUDIT PROGRESS REPORT (Agenda Item 7)

The committee considered the report from the Internal Auditor, Mazars - MT updating them that 94% of audits have been carried out and responded to by the managers. There is still one audit to be completed. There are no issues on the Management responses and follow ups and the one outstanding, 'partially implemented' one will be actioned soon.

45 INTERNAL AUDIT SERVICE REPORTS (Agenda Item 8)

The committee first considered the Mazars report on the audit of **Capital Programme 2017/18**

(Evaluation assurance: **Full**. Testing assurance: **Substantial**)

The report resulted in two Priority 3 recommendations on Policies and Procedures-Training; and Financial updates from Project Management Boards.

Cllr Tindall was concerned for the fourth budget manager who did not appear to be content with the level of support they were receiving. M Towler explained that there is no lack of support and that everyone's needs are different some being more receptive and some requiring additional levels of training. Cllr Douris asked if the manager had now received the requested training. M Howcutt explained that a new training scheme had been introduced to accommodate the manager.

The committee next considered the Mazars report on the audit of **Core Financial Systems**.

(Evaluation assurance: **Full**. Testing assurance: **Substantial**)

The audit identified one priority 2 recommendation regarding the implementation of the approval of credit notes. This recommendation has been responded to and the recommendation implemented.

Cllr Tindall asked for an update on the partially implemented recommendation from the 2016/17 audit. He was informed that in implementing Recommendation 1 for the current audit the team had addressed the original recommendation.

Finally the committee next considered the Mazars report on the audit of **Empty Properties**.

(Evaluation assurance: **Full**. Testing assurance: **Substantial**)

The audit identified one Priority 2 recommendation which the manager, N Beresford assured the committee was being addressed as part of the review currently being undertaken and expected to be complete by June 2018.

Resolved:

That the reports and the opinions/recommendations of Internal Audit are noted.

46. AUDIT COMMITTEE WORK PROGRAMME (Agenda Item 9)

The committee considered the work programme for 2017/18.

The outstanding reports on CIL, Hsg Benefits, and Benefits realisation should roll over to the next agenda.

The members were advised that the 25 July meeting would be for 'signing off' the Accounts.

Resolved:

1. That a revised work programme for 2018/19 be produced for the May meeting of the committee.
2. That the outstanding reports on CIL, Hsg Benefits, and Benefits realisation should roll over to the next agenda

The meeting ended at 20.28 pm

Agenda Item 5



AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	31 May 2018
PART:	1
If Part II, reason:	

Title of report:	Strategic Risk Register Quarter 4 , 2017/18
Contact:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources James Deane, Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the Quarter 4 update on the Strategic Risk Register for 2017/18.
Recommendations	That the content of this report is noted and that Committee seek further assurance where required.
Corporate objectives:	Dacorum Delivers – Risk management is an essential part of ensuring that the Council meets all of its objectives
Implications:	<u>Financial</u> Incorporated within the report.
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report these minimum balances are secured. Budget exercises for 2017/18 have ensured that the minimum balance requirements will also be met for the next financial year.
Risk Implications	Effective risk management is an important factor in all policymaking, planning and decision making.

	Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments
Equalities Implications	Equality Impact Assessment reviewed/carried out* Not applicable
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	Cabinet, October 2014, Agenda Item 10

BACKGROUND

1. The revised Strategic Risk register showing the position at the end of Q4 2017/18 is attached at Appendix A.
2. For this quarter the changes have been made to the following risk scores:

Risk F6 – Changes to legislation could negatively affect the medium to long term viability of the HRA Business Plan – the risk score has been reduced from 12 to 9. This is as a result of the recent confirmation from government of the rent regime from 2020 onwards.
3. For the remainder the risk scores have remained unchanged, however the narrative has been reviewed and amended as appropriate to reflect the present position.
4. This iteration of the risk register, i.e. as at Quarter 4, will be reported to Cabinet on 26 June 2018, and will include comments and suggestions as requested by the Audit Committee.

STRATEGIC RISK REGISTER

March 2018



C5 - The Council fails to comply with the regulatory framework within which it must operate.

Category: Legal & Regulatory	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	3 Likely	2 Medium	6 Amber
Consequences		Current Controls		Assurance	
<p>As a public sector organisation, there a number of regulatory frameworks which govern the way in which the Council must operate both on a day-to-day basis and in the discharging of one-off duties or actions.</p> <p>Generally, compliance with these frameworks is considered an operational risk and is monitored and managed through a combination of the Operational Risk Register and Performance Indicators which are reported to the relevant Overview and Scrutiny Committees.</p> <p>However, there is a risk that in some circumstances failure to comply with regulations could result in a number of consequences for the Council that are sufficiently negative and high profile in nature to become, for a short time, strategic in nature.</p> <p>For example, failure to follow the correct protocols prescribed under the data protection legislation could result in the following consequences for the Council:</p>		<p>The Council has a number of strategies and policies in place which aim to provide clarity in the way Council Members and staff should operate.</p> <p>These documents are reviewed and updated periodically by Officers who are experts in the field and are frequently the subject of Internal Audit reviews in order to provide Members with independent, third-party assurance.</p> <p>These processes mitigate the likelihood of this risk crystallising and have resulted in my reducing the inherent risk score from '4', Very Likely, to '2', Unlikely.</p> <p>Data Protection policy & procedures Health & Safety policy & procedures Risk Management framework Safeguarding policy & procedures Financial Regulations Procurement Standing Orders Constitution</p>		<p>The Financial Regulations (Main Accounting) and Emergency Plan were audited by Mazars, the Council's Internal Auditors in 2014/15 and achieved a FULL level of assurance.</p> <p>The Risk Management framework and Procurement Standing Orders were audited in 2014/15 and achieved a SUBSTANTIAL level of assurance.</p>	

STRATEGIC RISK REGISTER

March 2018



1. Disclosure of personal information causing harm to a resident
2. High profile negative publicity regarding the way the Council operates
3. Significant financial penalty imposed by the Information Commissioner

This risk has been included on the Strategic Risk Register to ensure that there is scope to escalate an operational risk for Cabinet consideration and Audit Committee scrutiny should there be a period of intensified risk in a specific regulatory area.

Emergency Plan
Human Resources terms & conditions

Sign Off and Comments

Sign Off Complete

The General Data Protection Regulation (GDPR), an EU law relating to data protection, comes into force from 25 May 2018. GDPR has implications for the way in which councils manage the data they hold, and increases the penalties they face for breaching those regulations.

DBC employs an Information Security Team Leader within the Legal Governance Team who has been leading on the GDPR implementation project.

An Internal Audit of the new processes is scheduled to take place over the next few weeks, which will focus on the Council's compliance with the new requirements. The Audit Report will be reported to The Audit Committee at its meeting in July 2018.

STRATEGIC RISK REGISTER

March 2018



C6 - The Council does not attract and retain the skill sets within its workforce that will enable it to maximise opportunities for delivering its services more efficiently through increased partnership working.

Category: People/Employees		Corporate Priority: Dacorum Delivers		Risk Owner: Sally Marshall	Portfolio Holder: Neil Harden	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score	
4 Very Likely	4 Severe	16 Red	2 Unlikely	4 Severe	8 Amber	
Consequences		Current Controls		Assurance		
<p>The quality of service delivery is likely to be adversely affected due to a lack of resources and/or skills to effectively deliver services through increased partnership working.</p> <ul style="list-style-type: none"> • There is likely to be a reduction in efficiency savings due to inability to create more effective partnerships. • There is also likely to be a negative impact on any proposals for devolved powers. • A failure to create more examples of effective partnership working will result in a higher likelihood of back office and front line services being reduced as the financial constraints on the Council's budget continue to tighten. 		<ul style="list-style-type: none"> - Leading in Dacorum continues to be delivered (all courses stated in risk register) - People strategy has been implemented which will cover issues including graduate scheme, apprenticeship scheme, succession planning, reviewing T&Cs etc. - Continuation 		<ul style="list-style-type: none"> • The projected annual turnover rate (as calculated in Q2) is 14%. While this has increased slightly, it is comparable to the wider business average of 15% and only just above the local government average (12%). • Opportunities for collaboration and shared services are being actively considered across Hertfordshire in relation to Legal, HR, Information Management, Insurance and Payroll Services. • Recruitment for leadership posts is generally competitive with a good number of applications being received from suitably qualified candidates for vacant posts. 		
Sign Off and Comments						
Sign Off Complete						

STRATEGIC RISK REGISTER

March 2018



We have a well-established and effective approach to recruiting staff, although there are some areas in which it is more difficult to attract candidates.

We use a range of media to advertise and operate up-to-date recruitment policies and practices. However, following a review we have begun to implement changes, which will make the Council more attractive to prospective recruits. This includes a new recruitment website, easier forms and using the power of LinkedIn and other social media sites to better target suitable candidates.

We have also implemented proposals to modernise our terms and conditions, which includes car salary sacrifice, holiday trading and a new staff recognition scheme, which will form part of the overall recruitment package.

A project to review our approach to training and development is underway which will ensure our corporate training fulfils the workforce needs and that the service training budgets are consistently split across the teams.

We are also continuing to provide a dedicated management-training programme (Leading in Dacorum) that focuses on service planning, innovation, efficiencies and workforce planning, as well as a comprehensive mandatory training programme to ensure staff have the right skills to carry out their roles.

C7- Controls do not develop at a sufficient pace to keep track with the continually emerging data protection risks

Category: Corporate	Corporate Priority: Dacorum Delivers	Risk Owner: Sally Marshall	Portfolio Holder: Neil Harden	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
Cause of Risk - The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services. It is also required by the Data Protection Act and Government's Public Sector Network (PSN) Code of Connection (CoCo) to maintain confidentiality, integrity,		Information Security Officer appointed responsibilities include: <ul style="list-style-type: none"> the Council's Corporate Information Assurance specialist the custodian, owner and updater of ICT Security and Information Governance strategy, policy and procedure ensuring that the Council complies with the latest legislation in terms of ICT Security standards and 		<ul style="list-style-type: none"> Information Security Officer appointed Various ICT policies and procedures in place Compulsory training for staff on Data Security PSN Compliance 	

STRATEGIC RISK REGISTER

March 2018



availability and appropriately authorised use of the data.

With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information storage sources, controls on data management and security have become complex and important.

Consequences of Risk –

1. Poor decision making due to ineffective use of or insufficient availability of data and information sharing.
2. Loss, misrepresentation or unauthorised disclosure of sensitive data, DBC has the potential to be susceptible to cyber-attacks or sabotage.
3. Under performance. Breach of Data Protection Act leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs.
4. Significant interruption of vital services leading to failure to meet duties and to protect people, finances and assets.
5. Potential damage to DBC's reputation.

compliance.

- To ensure that the Council's policies and procedures regarding ICT Security and Information governance are adhered to across all the Council's services.
 - To keep informed of relevant technical innovation and changes to technological, infrastructure, telecom and software systems in relation to Information Security.
 - To be the custodian and owner of Information Security and Governance Standards.
 - To manage Information Security and Governance strategies and to support the Council in the future development of Information Security, Governance and Business Continuity.
 - To train Council Staff, Members on Information Security, Data Protection Act and Freedom of Information Acts.
- Compulsory training for staff on Data Security
- PSN Compliance
- Audit of data protection approach

Sign Off and Comments

Sign Off Complete

STRATEGIC RISK REGISTER

March 2018



We have a robust approach to managing data security and protection. This includes a range of technical security measures such as anti-virus software, automated software patching, corporate firewalls and various multiple factor authentication processes.

New staff also have to review and sign a number of Information Security / Management Policies (Including data protection) and all suppliers working with our data are required to complete an 'accreditation form'.

Overall systems availability in Q4 was above target at 99.7% and our PSN reaccreditation was renewed in January following extensive third party scrutiny and testing. We have also implemented the findings from a successful independent cyber security audit.

We are in the process of refreshing both desktop and data centre hardware and software, further strengthening our resilience, and we are continuing to work with BT to progress delivery of resilient lines.

Quarterly training courses and refreshers on the Data Protection Act have now been merged with an extensive GDPR (mandatory) training schedule. A GDPR 12 point action plan was presented to CMT and is being implemented.

F6 - Changes to legislation could negatively affect the medium to long term viability of the HRA Business Plan.

Category: Financial	Corporate Priority: Affordable Housing	Risk Owner: Mark Gaynor	Portfolio Holder: Margaret Patricia Griffiths	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
Consequences		Current Controls		Assurance	
Since the 'once and for all' settlement with government on the self financing of the HRA there have been major legislative and policy changes which, overall, have impacted detrimentally on the HRA Business Plan: • The re-invigoration of the RTB which has increased		Elements of the changes are yet to apply (the rent changes start from April 2016) and the current controls – proper business planning, the disciplines of the MTFs, project and programme management arrangements, effective contract management, annual efficiency		A remodelling of the HRA Business Plan has been made to take account of the impact of the changes which will be considered by Cabinet (initially in November 2015 and periodically thereafter). This has demonstrated that the current new build programme can be completed.	

STRATEGIC RISK REGISTER

March 2018



sales from around 15-20 per year to well over 100

- The parallel introduction of the RTB 'one for one' replacement scheme where the Council can use receipts to build new homes but only to pay for 30% of costs (leaving the other 70% to be sourced)
- A change to national rent policy which moved from RPI + 0.5% to CPI + 1% and ending the process of reaching target rents (leaving 60% of DBC properties below target)

The government now propose two further changes which, if enacted, will further constrain the capacity of the HRA Business Plan viability:

- A rent reduction of 1% per year for four years and a complete inability to make any progress towards convergence to target rents (a reduction of income of £30M over the first four years and over £500M over the lifetime of the HRA Business Plan)
- Enforced sales of 'high value' council homes as they become vacant to fund Housing Association RTB

The first of these changes is already in draft legislation and the assumption must be that it will happen. The consequences are very significant, and even with mitigation will continue to be so:

The financial viability of the HRA to meet its current business plan objectives in full cannot be made due to loss of income and economies of scale as stock numbers diminish.

Services to tenants will have to reduce, including proposed investment in the existing stock, to deal with the scale of resource reduction.

programmes and so on – reflect on the existing position and could provide sufficient mitigation to the long term business plan. The controls proposed for the new changes – if the proposed legislation is enacted – will only mitigate the impact to an extent as the scale of change, compounded with previous changes, are so significant. The controls are as follows:

A complete review of the HRA Business Plan to spread the impacts over activities and over time. Initially, in order to deliver the current new build programme, this will be focused on a slowing down of the investment into current stock.

Reducing the costs of running the service through efficiency and service redesign (in partnership with tenants and leaseholders).

Improved procurement of services and renegotiation of existing contracts (though these have been procured within the last year or so and will restrict potential). This would include seeking shared services with other partners and models of operation which reduce the overheads of the HRA.

Maximising the income to the HRA by altering use of parts of the stock (increased use of HRA stock for temporary accommodation and provision of low level care as part of a tenancy where rent controls do not apply).

Altering the tenure mix of the current new build programme to include shared ownership and market sale in order to cross subsidise new rented provision. This could incorporate an element of affordable rent to

The ability to extend this further will depend on the success of the mitigations above.

STRATEGIC RISK REGISTER

March 2018



The new build programme at its proposed scale will have to reduce, and possibly cease, in order to provide services to tenants and balance the books. That resources provided through RTB one for one replacement will be unused and lost to the Borough as it is returned to the Treasury as a result of the Council's inability to provide the 70% match funding and as Housing Associations reduce their supply of new affordable homes (as a result of the same legislative changes impacting on the Council). The Council's housing stock will progressively reduce through RTB, enforced sales and reduction in new build which will reduce its ability to meet the housing needs in the Borough and achieving the strategic objective of increasing the supply of affordable homes.

increase revenue.
Development of a partnership approach to use of RTB one for one replacement funding with local Housing Associations in order to minimise losses of resource to the Borough and to increase supply of new homes. Fully exploring the potential of a Local Housing Company to improve the cost of delivery of new homes alongside the benefits to the General Fund.
Lobbying of government regarding the disproportionately severe impacts of the changes, though historical reasons, on DBC seeking some local amelioration.
Ensuring that our intelligence on the changing position and on developments within the sector are fully up to date through membership of ARCH, liaison with CIH and other key bodies.
The following controls are in place already with regard to the financial and strategic management of the HRA Business Plan:

- An annual refresh of the HRA Business Plan reported both to CMT and to Cabinet
- Monthly meeting between budget holders and accountants monitoring progress against original timeframes and costs
- Regular meetings of the Corporate New Build Group considering performance and new schemes
- CMT receive a fortnightly update on the new build programme
- Performance Board comprising Chief Officers and cabinet members receive a report on progress before

STRATEGIC RISK REGISTER

March 2018



	<p>each cabinet meeting</p> <ul style="list-style-type: none"> • Reports on HRA performance go the Overview and Scrutiny every quarter • The HRA is reported as part of the overall corporate financial reporting process 	
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Sign Off and Comments

Sign Off Complete

Whilst there remains significant risk the confirmation of the rent regime from 2020 onwards allows the probability of the risk to be reduced. This will have to be reviewed again once it is clearer about the government's proposals on the enforced sale of 'higher value' council homes to fund the right to buy for housing associations which could push this back into a red risk

F7 - Funding and income is not sufficient to deliver the Council's corporate objectives

Category: Financial	Corporate Priority: Dacorum Delivers	Risk Owner: James Deane	Portfolio Holder: Graeme Elliot	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
Consequences		Current Controls		Assurance	
<p>The government's austerity programme has led to reduced Local Authority funding over the last seven years, resulting in the Council's need to find savings of £7m since 2010/11. Further funding reductions in excess of £3m are forecast over the next four years, which increases the risk of the Council being unable to deliver its vision for the borough, as detailed in the Corporate Plan. (http://www.dacorum.gov.uk/docs/default-</p>		<p>The Council's Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment, which allows for more effective forward planning. These controls are detailed below, and have resulted in my reducing the inherent risk score from '4', Very Likely, to '3', Likely.</p>		<p>In May 2018, the Council was audited by Mazars on 'Budgetary Control', focusing on the control processes in place to both set and manage the Council's annual budgets, and secured a 'FULL' level of assurance.</p> <p>Also in May 2018, the Council's medium-term financial monitoring and savings control programme was audited by Mazars under the umbrella of 'Benefits and Savings Realisation'. This audit also received a 'FULL' level of</p>	

STRATEGIC RISK REGISTER

March 2018



source/council-democracy/dacorum_corporateplan_web.pdf?sfvrsn=2)

Sustained funding reductions of this magnitude are not only a risk to the Council's capacity to grow and enhance the community, but more fundamentally they are a risk to the continued provision of high quality frontline services to residents.

If the Council is unable to deliver its vision or to protect its frontline service provision, it risks the following consequences:

Increased community hardship as the services provided to the most vulnerable residents in the borough are impacted, leading to delays in their accessing financial and residential help.

The impact of reducing standards of environmental services across the borough could lead to a less attractive environment and a loss of community identity and civic pride for residents.

Reputational damage as residents become dissatisfied with their experience of interacting with the Council. This risk is exacerbated by the growth of social media and the ability of residents to share their experiences with large numbers of people instantaneously.

The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link:

<http://www.dacorum.gov.uk/docs/default-source/council-democracy/mtfs-july-cabinet-2015.pdf?sfvrsn=0>

The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.

The Council's reviewing of its Corporate Plan together with its Communications Strategy mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently by managing aspiration and expectation (detail below). On this basis, I have reduced the Impact score from '4', Severe, to '3', High.

assurance.

The external auditors, Grant Thornton, gave the following 'value for money' opinion within the 2016/17 year end audit of the Council: 'based on the work we performed to address the significant risk, we concluded that [the Council] had proper arrangements in place in all significant respects to ensure it delivered value for money in its use of resources.'

These audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives.

STRATEGIC RISK REGISTER

March 2018



	<p>The Council reviews its Corporate Plan periodically to ensure that the vision for the borough remains relevant and realistic within the financial constraints outlined within the MTFS and the HRA plan. The aspirations of the Council and the community are managed through the Council's Communications Strategy both through social media, the local press and Digest.</p>	
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Sign Off and Comments

<p>Sign Off Complete</p>
<p>The General Fund position on the Council's Provisional Outturn for 2017/18 shows an overall underspend of £90k, which equates to 0.4% variance on an annual budget of £22.4m.</p>
<p>Although subject to further work throughout the completion of the year-end accounting position, a £90k year-end variance is significantly less than in previous years, and indicates that continued government funding reductions are posing an ever-increasing risk to the Council's ability to deliver its services within the available financial envelope.</p>
<p>The Council's primary financial planning document is the MTFS, of which an updated version will be reported to Cabinet in July 2018. The recent audits referred to in the 'Assurance' section of this risk provide assurance that the Council's approach to financial planning is robust. However, the draft MTFS position is likely to show a significant savings requirement over the medium term, largely due to continued uncertainty around government funding for local authorities, which will bring increased political risk for the Council as Members face ever-more challenging political decisions around the prioritisation and funding of the services it provides.</p>

I3 - The Borough does not secure sufficient investment in infrastructure to ensure that housing delivery and economic and community growth is sustainable in the longer term.

<p>Category: Infrastructure</p>	<p>Corporate Priority: Affordable Housing</p>	<p>Risk Owner: Mark Gaynor</p>	<p>Portfolio Holder: Graham Sutton</p>	<p>Tolerance: Treating</p>
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STRATEGIC RISK REGISTER

March 2018



Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	4 Very Likely	3 High	12 Red
Consequences		Current Controls		Assurance	
<p>The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. Failure to provide this infrastructure will have a number of damaging consequences:</p> <ul style="list-style-type: none"> A reduction in the quality of life and opportunities for people in the Borough A serious constraint to economic growth with the impact on the contribution to service provision through Business Rates growth Increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council 		<p>Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.</p> <p>The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:</p> <p>Ensuring that the Local Plan (and its component elements such as the Core Strategy, site allocations, supporting policies and so on on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. Use of masterplanning supports what is required to be delivered to produce sustainability on larger sites.</p> <p>The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of</p>		<p>The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure.</p> <p>Regular reports are made as set out above in controls.</p>	

STRATEGIC RISK REGISTER

March 2018



Page 22

contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision local people want.

Operating a 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.

Stimulating required growth through the Council's own regeneration activity, including Hemel Evolution, Gade Zone and Heart of Maylands resulting in inward investment being more likely.

Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.

Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.

Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)

STRATEGIC RISK REGISTER

March 2018



Page 23	<p>Working to create key partnerships to bring forward development capable of funding major infrastructure (such as Gorhambury)</p> <p>These controls are exercised within the following:</p> <ul style="list-style-type: none"> • Monthly reporting to Hemel Evolution Board and Corporate Regeneration Group • Fortnightly reporting on key projects to CMT • Reporting to Performance Board before each Cabinet Meeting • A clear programme for the Local Development Framework and CIL • Quarterly reporting to Overview and Scrutiny • Regular reporting to Cabinet • Adherence to the agreed performance and project management processes 	
	Sign Off and Comments	

Sign Off Complete
No significant change

R5 - The Council does not embrace the increased use of social media as a tool for social engagement and increased community engagement.

Category: Reputational	Corporate Priority: Dacorum Delivers	Risk Owner: Sally Marshall	Portfolio Holder: Neil Harden	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
The risk of not using social media		In order to mitigate these risks we have put in place a		o Corporate Information Security Management Policy	

STRATEGIC RISK REGISTER

March 2018



<p>- This will mean that our approach to engagement (i.e. letters, workshops, printed magazines) is likely to exclude key demographic groups including younger residents and those who are more technologically minded.</p> <p>- We will not be able to respond to negative posts or views which could cause significant reputational damage or risk.</p> <p>- We will have less opportunity to influence Government and media through the use of targeted campaigns and communications.</p> <p>- The organisation may not be viewed as 'technologically forward thinking' which could lead to reputational risks. This includes more difficulty in attracting hi-tech investment or exclusion from innovation pilots.</p> <p>Managing the risk of social media</p> <p>- Members of the public can use DBC's profile to raise negative or incorrect statements that damage the reputation of DBC.</p> <p>- Employees may breach data security rules regarding the management of private or confidential information.</p> <p>- Inappropriate or unacceptable content posted by</p>	<p>number of controls:</p> <p>The risk of not using social media</p> <p>- Our social media strategy sets out how we will proactively engage with residents through Twitter, Facebook, Linked In, Instagram and using online videos.</p> <p>- We have 18 social media accounts covering corporate and operational services including from the CSU.</p> <p>- We regularly use social media to actively promote campaigns, events and messages.</p> <p>- We interact with partners and other third parties (eg HCC) to promote joint initiatives via social media</p> <p>- We generate reports and analysis on scale and content of Facebook and Twitter posts.</p> <p>Managing the risk of social media</p> <p>- We employ the Crowd Control system to enable the Communications team to manage and authorise services posts and tweets.</p> <p>- The Crowd Control system also enables the Communications team to monitor and respond to any negative posts.</p>	<ul style="list-style-type: none"> o Corporate Information Technology Security Policy o Data Protection Act Policy o Freedom of Information Policy o PSN/Government Connect (GSx) Acceptable Usage Policy o Information Security Incident Procedure o Social Media Strategy o Facebook and Twitter accounts o Social Media Management System o Dedicated communications specialists
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STRATEGIC RISK REGISTER

March 2018



<p>employees</p> <ul style="list-style-type: none"> - Our social media accounts are 'identity jacked' which occurs when fake accounts are set up to look like those of DBC. This is a risk because the fake accounts can post incorrect or inappropriate information which is then associated with DBC. - Weak authentication in the use of social media accounts can lead to them being hacked. The hacked accounts are then used to post inappropriate, derogatory or libellous comments. - The use of social media can make it easier for 'pressure groups' to generate support behind negative campaigns. 	<ul style="list-style-type: none"> - Our system provides automatic moderation of abusive messages. - We provide in-house training for all staff posting on DBC social media accounts. - We use a subscription service that manages and secures accounts. - All staff are required to read and sign-up to a range of policies including: <ul style="list-style-type: none"> Corporate Information Security Management Policy Corporate Information Technology Security Policy Data Protection Act Policy Freedom of Information Policy PSN/Government Connect (GSx) Acceptable Usage Policy Information Security Incident Procedure 	
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Sign Off and Comments

Sign Off Complete

R5 - We continue to operate a proactive and engaged social media programme, which is managed by a Communications Team with significant social media experience. In Q4 we posted over 1000 outbound messages across our 15 social media accounts, received over 500 direct messages which were responded to in accordance with our social media policy and guidance,. The success of our social media work is reflected in the local government ranking which regularly places Dacorum Borough Council as one of the highest ranked (of the 10 borough councils in Hertfordshire). Our online Digital Digest now has over 14,000 subscribers and continues to grow.



AGENDA ITEM: SUMMARY

Report for:	Audit
Date of meeting:	31 May 2018
PART:	Part I
If Part II, reason:	n/a

Title of report:	Provisional Outturn 2017/18
Contact:	<p>Cllr Graeme Elliot, Portfolio Holder for Finance and Resources</p> <p>Authors: Nigel Howcutt, Assistant Director (Finance & Resources) Fiona Jump, Group Manager (Financial Services)</p> <p>Contact: James Deane, Corporate Director (Finance & Operations)</p>
Purpose of report:	<p>To provide details of the provisional outturn position for the:</p> <ul style="list-style-type: none"> · General Fund · Housing Revenue Account · Capital Programme <p>To provide details of the proposed transfers to and from earmarked reserves.</p>
Recommendations	<p>It is recommended that Cabinet consider the Provisional Outturn Report and:</p> <ol style="list-style-type: none"> 1. Recommend the carry forward of unspent reserve funded budgets from 2017/18 to 2018/19 (see Appendix D, £315k slippage into 2018/19) 2. Recommend use of the Housing Revenue Account surplus to fund an increased Revenue Contribution to Capital

Corporate objectives:	Delivering an efficient and modern council
Implications:	Financial and Value for Money implications are included within the body of the report.
Risk Implications	Risk implications are included within the body of the report.
Equalities Implications	There are no equality implications.
Health And Safety Implications	There are no health and safety implications.
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer</p> <p>No further comments to add.</p> <p>S.151 Officer</p> <p>This is a S.151 Officer report.</p>
Consultees:	Cabinet CMT Budget Managers
Glossary of acronyms and any other abbreviations used in this report:	GF – General Fund HRA – Housing Revenue Account MTFS – Medium Term Financial Strategy

1. Executive Summary

- 1.1 The year end financial outturn is a surplus on the general fund budget of **£89k**, as detailed in paragraph 2.5. This is a much reduced surplus compared to previous years, (2016/17 £1.1m; 2015/16 £400k). This demonstrates that the Council's budget has been accurately set and that savings previously identified have now been correctly captured in the base budgets, and delivered in year.
- 1.2 This year's surplus has been analysed as part of the normal year end process, to ensure that one off items have been challenged and any new savings have been identified and will be captured in the base budget going forward.
- 1.3 The HRA has seen an operating underspend of £988k, which reduces to **£282k** after technical adjustments for increased depreciation and interest charges.

- 1.4 The underspend is as a result of increased income in Dwelling Rents and Leaseholder service charges, underspends in premises expenditure and vacancies across various services, (see Section 8).
- 1.5 General Fund Capital budgets have seen slippage of 34%, which can be attributed to a relatively low number of high value schemes.
- 1.6 The HRA Capital programme is consistent with previous reports with the main item being slippage on Planned Fixed expenditure of £3.8m. £2.6m of this has been re-allocated across future years within the HRA 5 year programme in order to provide a more consistent workload over the period. The remaining £1.2m has been deliberately retained in order to fund fire safety upgrade work which will take place once the necessary risk assessments have been completed.

2. Introduction

- 1.1 The purpose of this report is to outline the Provisional Outturn for 2017/18, prior to the closure of the accounts. Outturn is reported for the following:
 - General Fund
 - Housing Revenue Account (HRA)
 - Capital Programme
- 1.2 From financial year 2017/18, the Accounts and Audit Regulations require local authorities to have prepared their annual Statement of Accounts, complete with certification from the Section 151 Officer, by 30 May, one month earlier than in previous years. The Statement of Accounts must be published by 31 July, 2 months earlier than in previous years, following an audit to be undertaken by Grant Thornton.
- 2.3 The Council's outturn position is a primary source of information for the production of the Statement of Accounts. The provisional outturn position detailed in this report may be subject to further amendment as work continues on the preparation of the Accounts. The final outturn position, along with movements in reserves, will be reported to Audit Committee for sign off at its meeting of 25 July 2018.

3. General Fund Revenue Account

- 3.1 The General Fund revenue account records the income and expenditure associated with all Council functions except management of the Council's own housing stock, which is accounted for within the Housing Revenue Account (HRA) (see Section 8).
- 3.2 The revised budget is the original budget approved by Cabinet in February 2017, plus the following approved amendments:

Amendments	Budget	Amendments
2017/18 Original budget - cost of services	20,968	£'000s
Funding to support creation of Development Company		200
Legal costs Regulatory Services		95
Brownfield Register employees costs		60
Increased budget recharged to HRA		44
Parking new CPZs		39
Health and Safety compliance		75
2017/18 Revised Budget - cost of services	21,481	

3.3 Appendix A provides an overview of the General Fund provisional outturn position, and the table below provides an overview by Scrutiny area.

	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Finance & Resources	11,476	11,287	(189)	-1.6%
Strategic Planning & Environment	8,261	8,186	(75)	-0.9%
Housing & Community	1,744	1,605	(139)	-8.0%
Total Cost of Services	21,481	21,078	(403)	-1.9%
Investment Property	(3,736)	(3,778)	(42)	1.1%
Corporate items	(16,651)	(16,702)	(51)	0.3%
Earmarked Reserve movements	(1,095)	(687)	408	-37.3%
Contribution (to)/from General Fund Working Balance	(1)	(89)	(88)	

3.4 The following sections provide an analysis of the provisional outturn and major budget variances shown by Scrutiny area.

4. Finance and Resources

Finance & Resources	Revised	Provisional	Variance	
	Budget	Outturn	£000	%
	£000	£000	£000	%
Employees	10,035	10,021	(14)	-0.1%
Premises	2,041	2,061	20	1.0%
Transport	215	219	4	1.9%
Supplies & Services	4,031	3,965	(66)	-1.6%
Third-Parties	533	497	(36)	-6.8%
Transfer Payments	47,144	47,144	0	0.0%
Income	(4,939)	(5,033)	(94)	1.9%
Other Income	(47,584)	(47,587)	(3)	0.0%
	11,476	11,287	(189)	-1.6%

3.5 Employees £14k under budget

A pressure of £80k has arisen in the Revenues and Benefits service. Vacancies in the service are being offset by offsite processing costs to maintain performance. This pressure is being offset by increased new burdens funding as detailed in paragraph 7.

In Financial Services a pressure of £85k has arisen due to a short term requirement for external professional services to support the production of the Statement of Accounts following the departure of two key members of staff.

These pressures are being offset by vacancies during the year in the ICT, Corporate Administration and Legal services that are being reviewed as part of the outturn review.

3.6 Income £94k over-achievement of income

There is an over-achievement of income of £170k in car parking income due to an increased volume of customers using the Council owned car parks and the relatively good weather with limited disruption from snow.

An under-achievement of income of £70k has been experienced in the Revenues service due to a reduction in court summons fees recovered. This is because fewer summonses have been raised as more cases have been resolved without recourse to legal action.

5. Strategic Planning and Environment

Strategic Planning and Environment	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	9,366	9,402	36	0.4%
Premises	962	1,042	80	8.3%
Transport	1,288	1,288	0	0.0%
Supplies & Services	2,066	2,136	70	3.4%
Third-Parties	80	83	3	3.8%
Income	(5,501)	(5,765)	(264)	-4.8%
	8,261	8,186	(75)	-0.9%

4.1 Employees - £36k over budget

A pressure of £150k has been experienced in Building and Development Control due to an ongoing requirement for temporary resource. A shortage of professional skills across the sector has led to continuing recruitment and retention issues. A review of the delivery of this service is underway with a view to improving processes and making efficiencies going forward.

This is offset by savings of £120k in the Clean, Safe and Green service where performance has been maintained despite recruitment difficulties.

4.2 Income - £264k over-achievement of budget

Planning income has generated an additional £240k of income due to a high volume of planning applications and the national price review implemented in January 2018. This has been incorporated into the base budget for 2018/19.

In Waste Services an additional £190k of income has been generated as a result of an incentive payment from Hertfordshire County Council (HCC) known as the Alternative Financial Model (AFM). This payment rewards Dacorum for improvements in the rate of recycling as a result of the co-mingled waste service.

An income reduction of £125k has been experienced in the Commercial Waste service due to an ongoing loss of customers. This is a trend that has been seen over the last 2 financial years. An external review of all elements of the Waste Service, and opportunities for increased income, is currently underway and will be considered as part of future years' budget setting once complete.

An under-achievement of £90k has been experienced in Building Control due to a reduction in the volume of work being dealt with by the council.

6. Housing and Community

Housing & Community	Revised Budget £000	Provisional Outturn £000	Variance	
			£000	%
Employees	3,214	3,155	(59)	-1.8%
Premises	789	809	20	2.5%
Transport	17	11	(6)	-35.3%
Supplies & Services	1,870	1,929	59	3.2%
Third Parties	245	232	(13)	-5.3%
Income	(4,391)	(4,531)	(140)	3.2%
	1,744	1,605	(139)	-8.0%

4.3 Income - £140k overachievement of income

Additional income of £135k has been generated from Temporary Accommodation as a result of the high demand in the borough. The Council's own properties are being used to house tenants on a temporary basis rather than more expensive bed and breakfast accommodation. This income has been built into the base budget for 2018/19.

7. Corporate Items

3.7 Appendix A includes the provisional outturn for corporate items. These are largely year-end accounting adjustments. There will be further adjustments as work on the Statement of Accounts continues, but major variances arising to date are detailed below:

A surplus of £211k is reported for grant income due to additional new burdens grants. Included in these is £75k of funding towards the cost of meeting welfare reforms and benefit cap changes. The work involved with these reforms has been carried out by the Revenues and Benefits service. £51k of this grant funding has been transferred to reserves to fund future expenditure in the Homelessness service.

A deficit of £101k is reported on Interest Receipts due to low levels of interest rates over a sustained period since the Bank of England's reduction in base rate in 2016/17.

8. Housing Revenue Account (HRA)

3.8 The HRA is a ring-fenced account relating to the Council's Landlord functions. A guiding principle of the HRA is that revenue raised from rents and service charges must be sufficient to fund expenditure incurred. The forecast outturn position for the HRA is shown at Appendix B.

3.9 The following sections provide an analysis of the projected provisional outturn and major budget variances shown by HRA grouping as set out in Appendix B.

4.4 Dwelling Rents - £355k over-achievement of income

A surplus in Dwelling Rent income has been achieved due to a 40% reduction in Right to Buy sales from the previous year (down to 55 from 93 the previous year). In addition, a surplus has been generated due to a number of new tenancies beginning at target rent.

4.5 Non-Dwelling Rents - £152k over-achievement of income

New leases on telecommunications aerials around the borough have generated an additional £152k of income.

4.6 Tenants' Charges - £136k under-achievement of income

Income from the de-pooling of rent and service charges has not been as high as projected. Additional review of these income projections is being carried out as part of year end analysis and 2018/19 budget setting.

4.7 Contribution towards Expenditure - £285k over-achievement of income

The planned repairs work in 2017/18 included a larger proportion of works that are chargeable to leaseholders. This increased proportion of chargeable works resulted in an over-achievement of income. In 2018/19 an improved monitoring process is being implemented.

There is a surplus on the budget for minor capital receipts of £100k for work carried out by the Estates and Legal teams, such as deed of variation and lifting of restrictive covenants on Right to Buy properties.

4.8 Repairs and Maintenance - £92k under budget

Although the budget for repairs and maintenance is reporting a small underspend of £92k overall, there are various factors within this, which are as follows:

Osborne's Planned Work – there is an underspend in this area of £400k, which was a deliberate underspend in order to manage the pressure in responsive work, which by its nature is volatile.

Osborne's Responsive Work – these budgets have seen an overspend of £280k, due to a combination of factors including severe winter pressures in the final quarter of the year, additional requirements for asbestos surveys and removals following a corporate review of health and safety policies, and pressure to carry out Aids and Adaptations work, which is a demand led service with referrals from external Occupational Therapists. Significant improvements have been seen in the management of voids costs, which has kept these costs under control.

Osborne Overheads – an overspend of £425k has been seen due to an increase in the Osborne pension liability for staff that transferred to Osborne under TUPE. The increased charge is as a result of changes to pension regulations to consolidate bonus payments into pensionable pay.

Other Repairs – an underspend of £375k has been seen in non-Osborne budgets. The gas monitoring contract delivered a saving in the region of £200k due to increased efficiencies in the operation of the contract and the prioritisation of the ongoing fire risk assessment works resulted in an underspend. Additional specialist contractors have been procured to ensure all outstanding work is completed. This work remains a high priority and is fully budgeted for in 2018/19.

4.9 Supervision & Management - £329k under budget

Underspends have arisen in the following areas:

There is an underspend of £170k on premises expenditure in Supported Housing, relating to building maintenance and utilities. This is an ongoing saving which has been captured in the base budget for 2018/19.

£180k underspend in the Tenants and Leaseholders section, across the Policy and Management service and the Supporting People service from vacancies over the course of the financial year. This will be examined as part of the 2019/20 budget setting process to identify if the savings can be delivered on an ongoing basis.

The HRA Recharge is £90k underspent in 2017/18 as a result of decreases in the costs of uninsured losses and an increase in the fair proportion of centrally allocated HRA support costs.

These have been partially offset by pressures in the following areas:

£90k overspend in Tenants and Leaseholders service from increased legal costs due to an increase in the volume of legal cases as a direct result of the council's more stringent approach to damages to council housing stock. There has also been an increase in bank charges arising from the change in charging policy of Capita, from a flat fee to a percentage fee of the transaction.

£90k additional costs from feasibility work to establish viable new build sites. This is a key priority for the Council going forward, and growth has been factored into the budget for 2018/19 to facilitate this vital work.

4.10 Depreciation - £642k over budget

This increased charge is due to housing stock having increased in value and as a result, capital charges have also seen an increase.

4.11 Revenue Contribution to Capital - £282k over budget

An increase revenue contribution to capital is proposed to transfer the remaining surplus on the HRA to fund capital expenditure.

9. Capital Programme

9.1 Appendix C shows the projected capital outturn in detail by scheme.

The table below summarises the overall capital outturn position by Scrutiny area.

The current budget is the original budget approved by Cabinet in February 2017, plus approved amendments, including re-phasing of the slippage identified at Quarter 1 into 2018/19.

The 'Slippage' column refers to projects where expenditure is still expected to be incurred, but it will now be in 2018/19 rather than 2017/18.

The 'Variance' column refers to projects which are now complete, but have come in under or over budget and projects which are no longer required.

	Current Budget £000	Slippage £000	Revised Budget £000	Provisional Outturn £000	Variance	
					£000	%
Finance & Resources	5,065	(2,749)	2,316	2,464	148	2.9%
Strategic Planning & Environment	3,545	(1,226)	2,319	2,208	(111)	-3.1%
Housing & Community	6,595	(1,173)	5,422	4,324	(1,098)	-16.6%
G F Total	15,205	(5,148)	10,057	8,996	(1,061)	-7.0%
HRA Total	34,028	(9,438)	24,590	24,590	0	0.0%
Grand Total	49,233	(14,586)	34,647	33,586	(1,061)	-2.2%

9.2 General Fund Major Variances

The net underspend of £1,061k includes:

- £185k expenditure on the Forum, due to additional works carried out in 2017/18, such as access controls, fixtures and fittings and internal modifications. This represents less than 1% on the total Forum budget of £20.4m.
- Underspend of £1.11m on Affordable Housing Development Fund. This budget is for the grant of Right to Buy receipts known as 1-4-1 receipts to Housing Associations. The full budget was not required in year, and there are plans to grant the remainder in 2018/19.

The slippage to future years is detailed in Appendix C. This includes:

- Slippage of £1.04m on the Demolition of the Civic Centre. Further to award of the tender for demolition of the Civic Centre in September 2017, work has been delayed due to:
 - The initial asbestos survey identifying the need to safely remove a large amount of asbestos from the site prior to demolition.
 - A requirement to comply with UK Power Networks and Affinity Water requirements for them to survey the two substations and the water plant on site prior to commencing demolition.

- Slippage of £485k on Berkhamsted Multi-Storey Car Park. Due to the complexities in the procurement, additional liaison with construction bidders was required in order for compliant bids to be submitted for this project. This led to an unavoidable delay in the awarding of the contract for the construction of the car park.
- Slippage of £217k on Future Vision of CRM. Following an unsuccessful attempt to employ a temporary developer to project manage the implementation of this project, a decision has been made to undertake the preparatory work in house and then to employ a developer for the programming element. This has had the effect of delaying the bulk of the expenditure into 2018/19.
- Slippage of £1.125m on Affordable Housing Development fund. Grant of 1-4-1 receipts which was expected in 2017/18 will now take place in 2018/19.
- Slippage of £455k on the planned refurbishment of Tring Swimming Pool. The implementation of this project has been delayed by ongoing discussions with Tring School regarding the future management arrangements for the leisure site. These discussions have now progressed and an agreement is expected to be completed shortly, with the refurbishment work expected to begin in early 2018/19.

There is an additional £1.8m of slippage across various projects as detailed in Appendix C.

9.3 There is slippage on the HRA capital programme of £9.4m.

Slippage of £3.8m on Planned Fixed Expenditure (DBC Commissioned Capital Works). This is due to the re-profiling of budget priorities in 2017/18 to have a more consistent capital workload in the medium term and to ensure a deliverable programme of works. In addition budgets have been re-prioritised in year to safeguard ongoing compliance works following the Grenfell Tower tragedy.

- Slippage of £4m on New Build General Expenditure budget which is allocated for the purchase of land in order to respond to market opportunities. This will now be required in 2018/19.
- Accelerated spend of £1.27m on Kylna Court (previously known as Wood House). As part of the re-phasing of the budget which took place at Q1, £2.38m was re-profiled into 2018/19. Due to the good progress made on site, £1.27m will in fact be required in 2017/18.
- Slippage of £2.19m on Stationers Place. Although budget of £2.7m was re-profiled into 2018/19 at Q1, a further £2.19m is now expected to be incurred later than expected. This is due to ongoing issues which are being worked through, concerning existing utilities, bore holes, culvert repairs, aquifer layers, foul drainage connections and rights of way.

10. Balances and Reserves

- 10.1 The Reserves Summary at Appendix D reflects the movements approved by Council in February 2018 and updated for the reserve movements as set out below.
- 10.2 In cases where reserves were to be drawn down in 2017/18 to fund budgeted expenditure which was not spent in full, only the amount required to fund actual expenditure was drawn down. Where the balance is now required in 2018/19, the carry forward of unspent reserve budgets is recommended.
- 10.3 Variances over £50k on recommended reserve movements compared to the original budget and additional movements approved in year are as follows:
- Capital Development Reserve - £165k reduced drawdown. A drawdown of £200k was budgeted to fund the costs associated with setting up a Development Company. This will be drawn down in 2018/19 with £100k already committed.
 - Dacorum Development Reserve - £50k reduced drawdown. A drawdown of £54k was budgeted to fund the cost of the Dacorum Ambassadors scheme in 2017/18. In total a contribution of £120k was approved over a 3 year period to fund the scheme as it works towards being self-funding. The budgeted contribution for 2017/18 was not fully required due to income from the scheme offsetting the majority of costs.
 - Dacorum Development Reserve – increased drawdown of £50k. A drawdown of £50k was approved as part of the 2018/19 budget setting process towards health and safety and improvement works at Leys Road homeless hostel. Due to the urgent nature of the works, this was spent in 2017/18 rather than in 2018/19 as originally intended. This will be offset in 2018/19 by a reduced draw down.
 - Earmarked Grants Reserve - £51k contribution to reserve. A grant of £51k was received during 2017/18 for the purposes of preventing homelessness in relation to the new Homelessness Reduction Act. This grant has been set aside to be spent in 2018/19.
- 10.4 Appendix A shows that after the above reserve movements are made there is a surplus on the 17/18 general fund outturn of £89k. As part of the production of the final 2017/18 financial statements a recommendation of the treatment of these funds will be made.



Dacorum Borough Council
General Fund Provisional Outturn 2017/18 (Cost of Services Analysis By Scrutiny Committee)

	<i>Year-to-Date</i>			<i>Full Year</i>		
	Budget £000	Actuals £000	Variance £000	Budget £000	Forecast Outturn £000	Variance £000
Cost of Services						
Finance and Resources	11,476	11,149	(327)	11,476	11,147	(329)
Housing and Community	1,744	1,606	(138)	1,744	1,605	(139)
Strategic Planning and Environment	8,261	8,333	72	8,261	8,326	65
Net Cost of Services	21,481	21,088	(393)	21,481	21,078	(403)
Other Items						
Investment Property	(3,736)	(3,754)	(18)	(3,736)	(3,778)	(42)
Investment Income	(236)	(395)	(159)	(236)	(135)	101
Interest Payments and MRP	956	580	(376)	956	956	0
Parish Precept Payments	739	739	0	739	739	0
Government Grants	(3,330)	(4,456)	(1,126)	(3,330)	(3,541)	(211)
Revenue Contribution to Capital	3,124	0	(3,124)	3,124	3,124	0
Taxation (Council Tax and Business Rates)	(13,937)	(10,759)	3,178	(13,937)	(13,937)	0
Surplus / Deficit on Provision of Services	(16,420)	(18,045)	(1,625)	(16,420)	(16,572)	(152)
Transfers between Reserves / Funds						
Net Recharge to the HRA	(3,967)	(1,510)	2,457	(3,967)	(3,908)	59
Contribution To / (From) Earmarked Reserves	(1,095)	(476)	619	(1,095)	(687)	408
Net Movement on General Fund Working Balance	(1)	1,057	1,058	(1)	(89)	(88)



Housing Revenue Account

Provisional Outturn Revenue Budget Monitoring Report

	Adjusted Budget £000	Provisional Outturn £000	Forecast Variance £000	%
Income:				
Dwelling Rents	(53,299)	(53,654)	(355)	0.7%
Non-Dwelling Rents	(82)	(234)	(152)	185.4%
Tenants Charges	(1,628)	(1,492)	136	-8.4%
Leaseholder Charges	(487)	(495)	(8)	1.6%
Interest and Investment Income	(206)	(122)	84	-40.8%
Contribution towards Expenditure	(655)	(940)	(285)	43.5%
Total Income	(56,357)	(56,937)	(580)	1.0%
Expenditure:				
Repairs and Maintenance	11,724	11,632	(92)	-0.8%
Supervision & Management	11,803	11,474	(329)	-2.8%
Rent, Rates, Taxes & Other Charges	14	45	31	221.4%
Interest Payable	11,643	11,603	(40)	-0.3%
Provision for Bad Debts	300	299	(1)	-0.3%
Depreciation	11,640	12,282	642	5.5%
HRA Democratic Recharges	240	327	87	36.3%
Revenue Contribution to Capital	8,993	9,274	282	3.1%
Total Expenditure	56,357	56,937	580	1.0%
Transfer to / from Housing Reserves	0	0	0	0.0%
HRA Deficit / (Surplus)	0	0	0	0.0%
Housing Revenue Account Balance:				
Opening Balance at 1 April 2017	(2,892)	(2,892)	0	
Deficit / (Surplus) for year	0	0	0	0.0%
Proposed Contributions to Reserves	0	0	0	
Closing Balance at 31 March 2018	(2,892)	(2,892)	0	

Scheme	Budget Holder	Current Budget	Slippage	Revised Budget	Provisional Outturn	Projected Over / (Under)
General Fund						
Finance and Resources						
Commercial Assets and Property Development						
42 Strategic Acquisitions	Richard Rice	0	0	0	0	0
43 Service Lease Domestic Properties	Richard Rice	30,000	0	30,000	30,214	214
44 Demolition of Health Centre/Market Square	Richard Rice	45,000	0	45,000	49,221	4,221
45 Old Town Hall - Cafe Roof and stonework renewal	Richard Rice	45,000	0	45,000	45,156	156
46 Demolition of Civic Centre	Richard Rice	1,479,934	(1,040,712)	439,222	439,222	(0)
47 Renew CCTV to Victoria Hall	Richard Rice	13,000	0	13,000	10,760	(2,240)
48 Old Town Public Convenience Refurbishment	Richard Rice	30,000	(12,908)	17,092	17,092	0
49 Bennetts End Community Centre - Replace Roof	Richard Rice	35,000	(35,000)	0	0	0
50 Highfield Community Centre - Resurface Car Park	Richard Rice	0	0	0	0	0
51 Adeyfield Community Centre - replace roof	Richard Rice	44,230	(44,230)	0	0	0
52 Tring Community Centre - new play area for Children's Nursery	Richard Rice	13,110	(13,110)	0	0	0
53 Bennetts End Community Centre Toilet Provision	Richard Rice	18,000	0	18,000	23,520	5,520
54 Rossgate Shopping Centre - Structural Works	Richard Rice	0	0	0	0	0
55 Leys Road - Roof	Richard Rice	55,000	(55,000)	0	0	0
56 High Street, Tring - Replace External Cladding & Roof	Richard Rice	59,274	0	59,274	111,592	52,318
57 The Denes Shopping Centre - Renew Walkway & Canopy Covering	Richard Rice	50,000	(50,000)	0	0	0
58 Commercial Properties - Renew Obsolete Door Entry Controls	Richard Rice	20,000	0	20,000	16,280	(3,720)
59 Silk Mill - Renew asphalt tanking to stairs	Richard Rice	16,000	(8,200)	7,800	7,800	0
60 Queen's Square Bin Store Provision	Richard Rice	13,000	0	13,000	13,209	209
61 58 High St (Old Town), Hemel - Remove and Rebuild Wall	Richard Rice	42,000	(42,000)	0	0	0
62 100 High St (Old Town), Hemel - Window Replacement	Richard Rice	14,000	(14,000)	0	0	0
63 Half Moon Yard - Replace soffit/facia & external facade	Richard Rice	18,000	(18,000)	0	0	0
64 Dacorum Athletics Track	Richard Rice	50,000	(50,000)	0	0	0
65 Kingshill Cemetery - Toilet Provision	Richard Rice	149,111	(147,124)	1,987	1,988	1
66 Heath Lane Chapel - Replace roof	Richard Rice	14,000	(14,000)	0	0	0
67 Kingshill Cemetery Infrastructure (New Burial Area)	Richard Rice	40,000	(40,000)	0	0	0
68 Bunkers Farm	Richard Rice	52,580	9,672	62,252	62,252	(0)
69 Woodwells Cemetery - Improvements to Burial Areas	Richard Rice	4,619	0	4,619	2,196	(2,423)
		2,350,858	(1,574,612)	776,246	830,502	54,256
Commissioning, Procurement and Compliance						
73 Car Park Refurbishment	Ben Hosier	195,000	(191,788)	3,212	3,212	0
74 Water Gardens Car Park - Re-Lining (Asphalt) Top Floor	Ben Hosier	0	0	0	9,059	9,059
75 Multi Storey Car Park Berkhamsted	Ben Hosier	551,106	(484,724)	66,382	66,382	0
76 Multi Functional Devices	Ben Hosier	13,565	0	13,565	0	(13,565)
		759,671	(676,512)	83,159	78,653	(4,506)
Democratic Services						
80 Election Management System Replacement	Jim Doyle	0	0	0	0	0
81 Civic Car Purchase	Jim Doyle	30,000	0	30,000	0	(30,000)
		30,000	0	30,000	0	(30,000)

Scheme	Budget Holder	Current Budget	Slippage	Revised Budget	Provisional Outturn	Projected Over / (Under)
Finance and Resources (Continued)						
Development Management and Planning						
85 Planning Software Replacement	Andrew Horner	29,964	(29,964)	0	0	0
		29,964	(29,964)	0	0	0
Housing & Regeneration Management						
89 The Forum (Public Service Quarter)	Mark Gaynor	184,674	0	184,674	369,725	185,051
90 Gade Zone	Mark Gaynor	73,261	(24,938)	48,323	48,323	(0)
		257,935	(24,938)	232,997	418,047	185,050
Information, Communication and Technology						
94 Rolling Programme - Hardware	Ben Trueman	471,366	(100,000)	371,366	365,005	(6,361)
95 Software Licences - Right of Use	Ben Trueman	50,000	0	50,000	23,695	(26,305)
96 Website Development	Ben Trueman	43,478	(41,478)	2,000	1,704	(296)
97 Future vision of CRM	Ben Trueman	237,000	(217,000)	20,000	19,667	(333)
		801,844	(358,478)	443,366	410,072	(33,294)
People						
101 EIS Replacement	Matt Rawdon	70,000	(70,000)	0	0	0
102 Telephony upgrade & virtualisation	Matt Rawdon	4,600	0	4,600	0	(4,600)
103 Self Service Kiosks	Matt Rawdon	19,067	0	19,067	0	(19,067)
		93,667	(70,000)	23,667	0	(23,667)
Property and Place						
Disabled Facilities Grants	Fiona Williamson	741,000	(14,043)	726,957	726,957	(0)
		741,000	(14,043)	726,957	726,957	(0)
Totals: Finance and Resources						
		5,064,939	(2,748,547)	2,316,392	2,464,231	147,838
Housing and Community						
Commissioning, Procurement and Compliance						
115 Rolling Programme - CCTV Cameras	Ben Hosier	25,000	0	25,000	24,602	(398)
		25,000	0	25,000	24,602	(398)
People						
119 Lift Replacement to Theatre - Old Town Hall	Matt Rawdon	40,000	0	40,000	52,038	12,038
120 Verge Hardening Programme	Matt Rawdon	458,397	(34,128)	424,269	424,269	0
121 Storage Facility at Grovehill Adventure Playground	Matt Rawdon	25,000	(25,000)	0	0	0
122 Capital Grants - Community Groups	Matt Rawdon	20,000	0	20,000	20,000	0
		543,397	(59,128)	484,269	496,308	12,039
Strategic Housing						
126 Affordable Housing Development Fund	David Barrett	5,947,674	(1,125,000)	4,822,674	3,712,674	(1,110,000)
127 Westerdale (Garage Development)	David Barrett	39,161	5,385	44,546	41,520	(3,026)
128 Northend (Garage Development)	David Barrett	40,006	5,385	45,391	48,417	3,026
129 Wood House - Office Space Fit Out	David Barrett	0	0	0	0	0
		6,026,841	(1,114,230)	4,912,611	3,802,612	(1,109,999)
Totals: Housing and Community						
		6,595,238	(1,173,358)	5,421,880	4,323,521	(1,098,359)

Scheme	Budget Holder	Current Budget	Slippage	Revised Budget	Provisional Outturn	Projected Over / (Under)
Strategic Planning and Environment						
Commercial Assets and Property Development						
137 Hemel Sports Centre - renew heat and power system	Richard Rice	179,928	0	179,928	176,075	(3,853)
138 Berkhamsted Sports Centre - heating system upgrade	Richard Rice	15,000	0	15,000	0	(15,000)
139 Hemel Sports Centre - renew hot water & heating plant	Richard Rice	0	105,000	105,000	125,637	20,637
140 Tring Swimming Pool	Richard Rice	488,000	(454,725)	33,275	33,275	(0)
141 Demolish Gadebridge Park Green-Keeper's Shed	Richard Rice	20,000	(20,000)	0	0	0
142 Purchase of Allotments/Caravan Park Booking Software	Richard Rice	20,000	0	20,000	0	(20,000)
		722,928	(369,725)	353,203	334,987	(18,216)
Environmental Services						
146 Wheeled Bins & Boxes for New Properties	Craig Thorpe	20,000	0	20,000	10,907	(9,093)
147 Play Area Refurbishment Programme	Craig Thorpe	343,854	(278,722)	65,132	65,132	0
148 Litter Bin Upgrade	Craig Thorpe	20,239	0	20,239	20,239	0
149 Waste & Recycling Service Improvements	Craig Thorpe	75,000	(75,000)	0	0	0
150 Play Areas & Open Spaces - replace equipment	Craig Thorpe	11,081	0	11,081	2,515	(8,566)
151 Commercial Waste Collection System	Craig Thorpe	25,000	(25,000)	0	0	0
152 Air Conditioning Units at Cupid Depot	Craig Thorpe	45,000	0	45,000	34,855	(10,145)
153 Gadebridge Park - Splash Park	Craig Thorpe	900,376	(40,192)	860,184	860,184	(0)
154 Gadebridge Park - Infrastructure Improvements	Craig Thorpe	150,000	(121,783)	28,217	28,217	0
155 Fleet Replacement Programme	Craig Thorpe	288,986	(151,653)	137,333	137,333	(0)
156 Vehicle Wash Replacement	Craig Thorpe	65,000	0	65,000	64,475	(525)
		1,944,536	(692,350)	1,252,186	1,223,856	(28,330)
Strategic Planning and Regeneration						
160 Maylands Phase 1 Improvements	Chris Taylor	50,000	0	50,000	14,478	(35,522)
161 Urban Park/Education Centre (Durrants Lakes)	Chris Taylor	54,015	(54,015)	0	0	0
162 Maylands Business Centre	Chris Taylor	377,224	0	377,224	420,899	43,675
163 Water Gardens	Chris Taylor	175,929	0	175,929	175,929	0
164 Town Centre Access Improvements	Chris Taylor	66,839	(35,159)	31,680	31,680	0
165 Hemel Street Furniture	Chris Taylor	110,576	(20,000)	90,576	18,147	(72,429)
166 The Bury - Conversion into Museum and Gallery	Chris Taylor	42,727	(55,000)	(12,273)	(12,273)	0
		877,310	(164,174)	713,136	648,860	(64,276)
Totals: Strategic Planning and Environment		3,544,774	(1,226,249)	2,318,525	2,207,703	(110,822)
Totals - Fund: General Fund		15,204,951	(5,148,154)	10,056,797	8,995,454	(1,061,343)

Page 3

Scheme	Budget Holder	Current Budget	Slippage	Revised Budget	Provisional Outturn	Projected Over / (Under)
Housing Revenue Account						
Housing and Community						
Property & Place						
178 Planned Fixed Expenditure	Fiona Williamson	12,875,187	0	12,875,187	12,487,179	(388,010)
179 Pain/Gain Share (Planned Fixed Expenditure)	Fiona Williamson	0	0	0	87,723	87,723
180 M&E Contracted Works	Fiona Williamson	650,000	0	650,000	575,633	(74,367)
181 Communal Gas & Heating	Fiona Williamson	2,975,000	0	2,975,000	2,956,916	(18,084)
182 DBC Commissioned Capital Works	Fiona Williamson	3,705,602	(3,801,757)	(96,155)	290,142	386,297
183 Special Projects	Fiona Williamson	0	6,000	6,000	6,000	0
184 Housing Asset Management System	Fiona Williamson	49,175	0	49,175	55,616	6,441
		20,254,964	(3,795,757)	16,459,207	16,459,209	0
Strategic Housing						
188 Aspen Court / London Road, Apsley	David Barrett	0	0	0	85,579	85,579
189 New Build - General Expenditure	David Barrett	4,087,487	(4,001,907)	85,580	0	(85,580)
190 Martindale	David Barrett	58,086	104,778	162,864	162,864	(0)
191 Kylna Court (Previously known as Wood House)	David Barrett	5,043,520	1,267,455	6,310,975	6,310,975	0
192 Stationers Place / Apsley Paper Mill	David Barrett	2,349,570	(2,193,761)	155,809	155,809	0
193 Able House	David Barrett	822,218	(268,769)	553,449	553,449	0
194 Swing Gate Lane	David Barrett	1,412,208	(572,921)	839,287	839,287	0
195 Swing Gate Lane Conversion	David Barrett	0	23,143	23,143	23,143	0
		13,773,089	(5,641,982)	8,131,107	8,131,107	0
		34,028,053	(9,437,739)	24,590,314	24,590,316	0
		34,028,053	(9,437,739)	24,590,314	24,590,316	0
		49,233,004	(14,585,893)	34,647,111	33,585,770	(1,061,343)

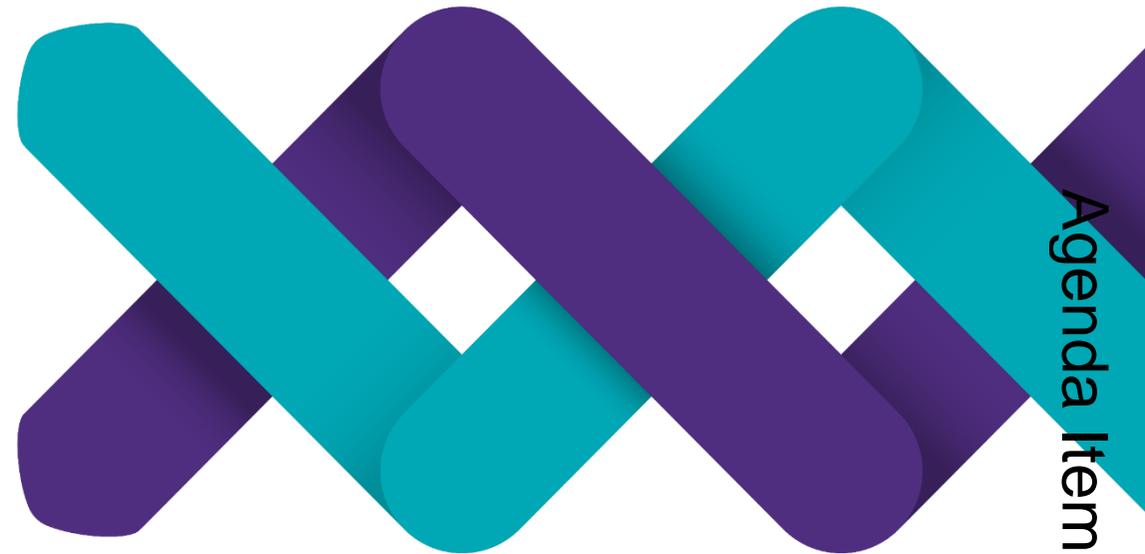
Page 43

General Fund Reserves Summary	Balance as at 31/03/17 £'000	Net Reserve Movement 2017/18 £'000	Balance as at 31/03/18 £'000	Slippage into 2018/19 £'000	Budgeted Movement 2018/19 £'000	Updated Movement 2018/19 £'000	Balance as at 31/03/19 £'000	Net Reserve Movement 2019/20 £'000	Balance as at 31/03/20 £'000	Net Reserve Movement 2020/21 £'000	Balance as at 31/03/21 £'000	Net Reserve Movement 2021/22 £'000	Balance as at 31/03/22 £'000
Civic Buildings Major Repairs Reserve	200		200				200		200		200		200
Capital Development Reserve	500	(35)	465	(165)		(165)	300		300		300		300
Earmarked Grants Reserve	202	(99)	103	(32)	(61)	(93)	10	(10)	0		0		0
Management of Change Reserve	1,750	(415)	1,335	(55)	(177)	(232)	1,103	304	1,407	350	1,757	350	2,107
Technology Reserve	56		56		200	200	256		256		256		256
Savings Efficiencies Reserve	0		0		604	604	604	377	981	244	1,225		1,225
On Street Car Parking Reserve	242	(30)	212	(35)	50	15	227		227		227		227
Local Development Framework Reserve	100	(34)	66				66		66		66		66
Dacorum Development Reserve	356	(192)	164		(110)	(110)	54		54		54		54
Planning Enforcement & Appeals Reserve	75	(21)	54				54		54		54		54
Planning & Regeneration Project Reserve	158	(17)	141	(28)	(42)	(70)	71		71		71		71
Litigation Reserve	148	53	201				201		201		201		201
Vehicle Replacement Reserve	700	350	1,050		350	350	1,400	350	1,750	350	2,100	(1,750)	350
Invest to Save	248		248				248		248		248		248
Tring Swimming Pool Repairs Reserve	0	8	8		8	8	16	8	24	8	32	8	40
Youth Provision Reserve	101	(40)	61		(40)	(40)	21		21		21		21
Election Reserve	60	30	90		30	30	120	(90)	30	30	60	30	90
Uninsured Loss Reserve	586		586				586		586		586		586
Training & Development Reserve	88	(32)	56		(22)	(22)	34	(23)	11		11		11
Housing Conditions Survey Reserve	81	15	96		15	15	111	(111)	0	15	15	15	30
Dacorum Partnership Reserve	58	(19)	39				39		39		39		39
Dacorum Rent Aid - Guarantee Scheme	15	0	15				15		15		15		15
Rent Guarantee Scheme Reserve	15	0	15				15		15		15		15
Funding Equalisation Reserve	2,214	(209)	2,005				2,005		2,005		2,005		2,005
Pensions Reserve	1,773	0	1,773		200	200	1,973	200	2,173	(1,300)	873	200	1,073
Maylands Plus Reserve	46	0	46		23	23	69	23	92	23	115	23	138
Total Earmarked Reserves	9,772	(687)	9,085	(315)	1,028	713	9,798	1,028	10,826	(280)	10,546	(1,124)	9,422
Working Balance	2,502		2,502		5		2,508	0	2,508	0	2,508	0	2,508
Total General Fund Reserves	12,274		11,587		1,033		12,306	1,028	13,334	(280)	13,054	(1,124)	11,930

Audit Progress Report and Sector Update

Dacorum Borough Council
Year ending 31 March 2018

Page 45
5 May 2018



Contents

Section	Page
Introduction	3
Progress at May 2018	4
Audit Deliverables	5
Results of Interim Audit	6-7
Sector Update	8-9
Links	10

Introduction



Sarah L Ironmonger

Engagement Lead

T 01293 554072

E Sarah.L.Ironmonger@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Page 47



Andy N Conlan

Engagement Manager

T 02077 282492

E Andy.N.Conlan@uk.gt.com

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at May 2018

Financial Statements Audit

We have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

Our interim fieldwork is complete and includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are summarised at page 6-7.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. The final accounts audit is due to begin in June 2018 with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in February 2018 and reported this to you in our Audit Progress Report and Sector Update in March 2018.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018. Note that during March and April we have started some interim testing on your Housing Benefits system towards this certification.

The results of the certification work are reported to you in our certification letter.

Meetings

We meet regularly with your Finance Officers and continue to be in discussions with finance staff regarding emerging developments, strategic priorities and plans and to ensure the audit process is smooth and effective particularly in ensuring that both teams are prepared to meet the 31 July 2018 accounts sign off deadline..

Publications

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	February 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March and May 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Our ongoing interim field work since our March update has included a continuing review of internal audit work and issued reports to date has not identified any weaknesses which impact on our audit approach.</p> <p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our ongoing interim field work since our March update has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Page 50

Results of Interim Audit Work (continued)

	Work performed	Conclusions and recommendations
Review of information technology controls	<p>In the prior year, our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding. During our late March/early April visit we will confirm that the systems in place have not changed significantly and follow up any improvement points from the prior year.</p>	<p>Our ongoing interim field work since our March update has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our this was completed prior to our March update and there are no further findings to report.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have selected an early sample of the month 1-10 journals by extracting 'unusual' entries for further review and we have completed detailed testing on these journals during our interim visit at the March/early April. No significant issues have been identified that we wish to highlight for your attention.</p>	<p>We will complete our substantive testing of journals in months 10-12 at our final fieldwork visit and we will report back any findings for your attention at the July 2018 Audit Committee meeting.</p>
Early substantive testing	<p>During our interim visit at the March/early April we completed the following key items of interim audit work:</p> <ul style="list-style-type: none"> - setting up our substantive analytical review and trend analysis for payroll expenditure and bringing in the related payroll data for months 1-10 ready to complete this analysis at the final fieldwork; - setting up our analytical review and testing schedules around the collection fund; - early substantive testing of a month 1-10 sample of other revenues and material grant income; - early substantive testing of a month 1-10 sample of property plant and equipment additions and disposals <p>We have also progressed testing early substantive testing of a month 1-10 sample of operating expenditure with a small number of outstanding items to complete through discussion with the finance team.</p> <p>No issues have been identified so far that we wish to highlight for your attention.</p>	<p>We will complete our substantive testing of these areas months 10-12 at our final fieldwork visit and we will report back any findings for your attention at the July 2018 Audit Committee meeting.</p>

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

Agenda Item 8



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – May 30 2018

This report and the work connected therewith are subject to the Terms and Conditions of the contract dated 1st April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. The report is produced solely for the use of Dacorum Borough Council. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Mazars Public Sector Internal Audit Limited will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

CONTENTS

Introduction	1
Background.....	1
Progress to Date	1
Follow-up of Recommendations.....	2
Priority 1 Recommendations	4
Appendix 1 – Status of Audit Work 2017/18.....	5
Appendix 2 – Follow-up of Recommendations.....	9
Appendix 3 - Statement of Responsibility.....	11

Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2017 to May 17th 2018 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2017/18 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 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 2017/18 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	16	
Number of audits finalised	14	88%
Number of audits issued at draft		
Number of audits currently in progress	1	6%
Number of audits with planned start dates	-	-
Number of audits carried forward into 2018/19	1	6%
Total	16	100%

We have issued the following Final reports since the last Audit Committee meeting:

- Budgetary Control (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Benefits/Savings Realisation (Evaluation assurance: **Full**. Testing assurance: **Full**)
- Community Infrastructure Levy (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**)

Follow-up of Recommendations

2016/17 and 2017/18

The table below details the recommendations raised in the audit reports for 2016/17 and final reports issued for 2017/18. The summary of the outcome of our follow up work to the 28th February 2018 is shown in the table below:

Year	Total Recommendations	Implemented / no longer relevant	%	Implemented / partly implemented / no longer relevant	%
2016/17	45	45	100%	45	100%
2017/18	18	13	72%	13	72%
Total	63	58	92%	58	92%

Appendix 2 provides a summary of the status of all recommendations where the proposed implementation date was before 30th April 2018.

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

No Priority 1 recommendations have been raised in the final reports issued since the last Audit Committee meeting.

Appendix 1 – Status of Audit Work 2017/18

Page 62

	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 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 2017/18, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	15	15	Q3	Final Issued	Full	Substantial	-	1	-	
	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.	7	7	Q4	Final Issued	Full	Full	-	-	-	
	Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8	8	Q3	Final Issued	Full	Full	-	-	1	
	NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	6	6	Q3	Final Issued	Full	Full	-	-	-	
	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	10	Q3	Final Issued	Full	Substantial	-	1	-	
Core Financial Systems Total			46	46								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
Operational Risks	Empty Homes	Covering adequacy and effectiveness of controls over management of the empty homes process, including statutory checks.	10	10	Q3	Final Issued	Full	Substantial	-	1	-	
	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes.	10	10	Q4	Final Issued	Substantial	Substantial	-	2	-	
	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	-	1	1	
	Off-Payroll Engagement	Specific audit of the authority's arrangements to review and record the intermediary status of existing and future personal service companies (PSC).	5	5	Q1	Final Issued	Full	Substantial	-	-	1	
Operational Risks Total			35	35								
Strategic Risks	Information Governance	Covering adequacy and effectiveness of controls over compliance with the Freedom of Information Act and Transparency.	10	10	Q2	Final Issued	Full	Substantial	-	1	1	
	Community Contracts	Partnership / contract management assurance in respect of new Community Contracts. A sample of projects in the programme will be selected.	15	15	Q2	Final Issued	Full	Substantial	-	1	-	

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
	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.	14	14	Q3	Final Issued	Full	Substantial	-	-	2	
	General Data Protection Regulation	Covering adequacy and effectiveness of controls over the preparations for General Data Protection Regulation.	5	0								Carried forward into 2018/19
Strategic Risks Total			44	39								
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	10	All		N/A					
	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	0	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	0	Q4							
	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	10	Q4	Final Issued	Full	Full				
Governance, Fraud & other Assurance Methods			42	20								

	Area	Scope	Plan Days	Days Delivered	Start of Fieldwork	Status	Opinion		Recommendations			Comments
							Evaluation	Testing	1	2	3	
ICT	ICT Cyber Security (Cyber Essentials)	The specific scope will be agreed with management but would look to provide assurance over policies and procedures, access controls and incident management.	15	15	Q1	Final Issued	Full	Substantial	-	1	3	
	Social Media	The review will focus on governance, policies, procedures, training and awareness functions related to social media	15	13	Q4	Fieldwork Completed						
ICT total			30	28								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	10								
	Management		22	22								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources).	30	-								
Other total			62	32								
TOTAL			259	200								

Appendix 2 – Follow-up of Recommendations

A follow-up audit has been undertaken in accordance with the 2017/18 audit plan. The objective was to confirm the extent to which the recommendations made in 2016/17 and 2017/18 internal audit final reports have been implemented.

The tables below provides a summary of the status of all 2016/17 and 2017/18 recommendations raised in final reports issued.

2016/17

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	5	5	-	-	-	31 Oct 2016	-	-	Katie Kiely
Commercial Asset Management	5	5	-	-	-	31 Oct 2016	-	-	Nick Brown
Homelessness	3	3	-	-	-	31 Dec 2016	-	-	Natasha Brathwaite
Housing Maintenance	8	8	-	-	-	31 Jan 2017	-	-	Fiona Williamson
Community Infrastructure Levy	6	6	-	-	-	31 Mar 2017	30 Jun 2017	-	Chris Taylor
Contract Management	3	3	-	-	-	31 Mar 2017	30 Sep 2017	-	Ben Hosier
NNDR	1	1	-	-	-	30 Jun 2017	-	-	Stuart Potton
Council Tax	1	-	-	-	1	31 Dec 2017	-	-	Chris Baker
Core Financial Systems	2	2	-	-	-	31 July 2017	-	-	Richard Baker
Benefits Realisation	1	1	-	-	-	28 Feb 2018	-	-	Fiona Jump
Housing Benefit and Council Tax Support	3	3	-	-	-	30 June 2017	-	-	Chris Baker
Housing Register and Housing Allocations	3	3	-	-	-	30 Sept 2017	31 Mar 2018	-	Natasha Beresford

Human Resources	1	1	-	-	-	30 Sep 2017	-	-	Anne Stunell
Customer Relationship Management	2	2	-	-	-	31 Jan 2018	-	-	Robert Smyth
Delivery of Digital Dacorum Strategy and Associated Projects and Activities	1	1	-	-	-	28 Feb 2017	-	-	Robert Smyth
Total	45	44	-	-	1	-	-	-	

2017/18

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	Not yet due	Resp. Officer
Housing Rents	2	2	-	-	-	30 Sept 2017	31 Dec 2017	-	Katie Kiely
Off Payroll Engagement	1	1	-	-	-	31 Dec 2017	-	-	Sally Nunn
ICT Cyber Security	4	4	-	-	-	30 Sep 2017	31 Jan 2018	-	Ben Trueman
Information Governance	2	2	-	-	-	31 Mar 2018	-	-	John Worts
Council Tax	1	-	-	-	-	30 June 2018	-	1	Chris Baker
Community Contracts	1	1	-	-	-	31 Jan 2018	-	-	Alex Care
Capital Programme	2	-	-	-	-	31 Jul 2018	-	2	Fiona Jump
Core Financial Systems	1	1	-	-	-	28 Feb 2018	-	-	Fiona Jump
Empty Properties	1	-	-	-	-	30 Jun 2018	-	1	Natasha Beresford
Housing Benefit and Council Tax Support	1	1	-	-	-	31 Jan 2018	-	-	Matthew Kelly
Community Infrastructure Levy	2	1	-	-	-	31 Jul 2018	-	1	Chris Taylor
Total	18	13	-	-	-			5	

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

May 2018

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Dacorum Borough Council Final Internal Audit Report Budgetary Control

May 2018

This report has been prepared on the basis of the limitations set out on page 8.

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Distribution List:

Nigel Howcutt – Assistant Director (Finance and Resources)
Fiona Jump – Group Manager (Financial Services)
Caroline Souto – Financial Planning & Analysis Team Leader
James Deane – Corporate Director (Finance and Operations)
(Final Report Only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: February 2018
Date of draft report: March 2018
Receipt of responses: March 2018
Date of final report: May 2018

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Contents

1

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	4
4. Observations and Recommendations	5
Appendix A - Reporting Definitions	6
Appendix B - Staff Interviewed.....	7
Statement of Responsibility.....	8

1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2017/18, we have undertaken an audit of the Council's systems of internal control in respect of Budgetary Control.

The Section 151 Officer is responsible for determining the format of the revenue budgets and ensuring that they are prepared on an annual basis for consideration by the Cabinet, before submission to the Council in the fourth quarter of the financial year.

Corporate Directors, and their delegated representatives, are responsible for ensuring that budget estimates reflect agreed service plans and comply with the budget guidance issued by the S151 Officer which will take account of the Council's approved Medium Term Financial Strategy.

The submitted budgets will be scrutinised and endorsed by appropriate Members, including Portfolio Holders. These will be collated by the S151 Officer for submission to a combined meeting of the Overview and Scrutiny Committees to scrutinise the draft budget, prior to submission to Cabinet.

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: Policies, Procedures and Legislation; Budget Setting; Budget Upload; Budget Monitoring and Management Information; and Budget Adjustments and Virements.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the Budgetary Control found that there is a sound system of internal control designed to achieve the system objectives. The controls are being consistently applied.

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

Evaluation Assessment	Testing Assessment
Full	Full

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. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Budgetary Control is shown in Section 3.

1.4. **Key Findings**

We identified no areas where we believe there is scope for improvement within the control environment.

1.5. **Management Response**

We did not raise any recommendations to which management response was required.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Budgetary Control, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

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;
- 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.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation

All members of staff act consistently in compliance with the legislative and management requirements and the budget management functions are conducted in an economic, efficient and effective manner. Responsibility for managing budgets is clearly established and is delegated to appropriately qualified, trained and competent staff.

Budget Setting

Budgets are set and funds allocated so as to achieve the organisation's strategic and operational objectives.

Budget Upload

Budgets are appropriately approved and are completely and accurately loaded onto the financial management system in a timely manner.

Budgets are communicated to all the relevant parties to allow effective monitoring by budget holders.

Budget Monitoring and Management Information

Robust procedures are in place for the monitoring of budgets. Any variances identified are investigated and remedial actions taken, where appropriate, so as to minimise the risk of budget over/underspends.

Timely and accurate financial information is produced on a regular basis and is reported to the appropriate forum to facilitate effective monitoring and decision making.

Budget Adjustments and Virements

Budget adjustments, including virements, are completely, accurately, and validly processed in a timely manner and supporting documentation is retained to support the actions taken.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures & Legislation			
Budget Setting			
Budget Upload			
Budget Monitoring and Management Information			
Budget Adjustments and Virements			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

No recommendations have been raised as part of this audit.

Appendix A - Reporting Definitions

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.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Caroline Souto - Financial Planning & Analysis Team Leader

We would like to thank the staff involved for their co-operation during the audit.

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

May 2018

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Dacorum Borough Council

Final Internal Audit Report

Benefits and Savings Realisation

May 2018

This report has been prepared on the basis of the limitations set out on page 8.

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Distribution List:

Nigel Howcutt – Assistant Director (Finance and Resources)
Fiona Jump - Group Manager (Financial Services)
Caroline Souto – Financial Planning and Analysis Team Leader
James Deane – Corporate Director (Finance and Operations)
(Final Report Only)
Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: March/April 2018
Date of draft report: May 2018
Receipt of responses: May 2018
Date of final report: May 2018

This report and the work connected therewith are subject to the Terms and Conditions of the Contract dated 1 April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. This report is confidential and has been prepared for the sole use of Dacorum Borough Council. This report must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law, we accept no responsibility or liability to any third party who purports to use or rely, for any reason whatsoever, on this report, its contents or conclusions.

Contents

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	4
4. Observations and Recommendations	5
Appendix A - Reporting Definitions	6
Appendix B - Staff Interviewed.....	7
Statement of Responsibility.....	8

1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2017/18, we have undertaken an audit of the Council's systems of internal control in respect of Benefits and Savings Realisation.

As part of the annual budget setting, budget holders are required to submit savings and growth targets. Within these targets the risks and benefits of the projects are included and the benefits and savings are reviewed as part of monthly budget monitoring completed by budget holders and accountants. The Corporate Management Team and Council also review savings and growth targets on a periodic basis.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over the management of the savings and growth targets (benefits and savings realisation) process and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Governance Arrangements, Three Year Savings/Growth Target, and Monitoring and Management Reporting.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the management of savings and growth targets (Benefits and Savings Realisation) found that there is a sound system of internal control designed to achieve the system objectives and that the controls are being consistently applied.

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

Evaluation Assessment	Testing Assessment
Full	Full

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. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Benefits Realisation are shown in Section 3.

1.4. **Key Findings**

We have identified no areas where we believe there is scope for improvement within the control environment.

1.5. **Management Response**

We did not raise any recommendations to which management response was required.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of benefits and savings realisation, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

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;
- 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.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Governance Arrangements

There is a clear accountability and adequate structure is in place to facilitate an efficient, effective and transparent delivery of the benefit/savings targets.

Three Year Savings/Growth Target

Savings/growth targets support the delivery of the DBC's financial strategy whilst also ensuring that they are realistic and achievable.

Key risks threatening the achievement of savings/growth targets and any potential adverse impacts arising from the proposed targets are identified correctly and preventative measures or response plans are put in place to manage these risks.

Monitoring and Management Reporting

Progress against the achievement of the proposed targets is monitored regularly and preventative measures are put in place, where possible, to avoid overspend or underachievement of the growth targets and corrective actions are taken as appropriate.

Impacts materialising as a result of changes introduced to achieve the proposed targets are monitored regularly and remedial actions are taken where appropriate.

Evaluation of success for each proposal takes account of any impacts suffered as a result of changes to ensure that the overall benefit achieved from each proposal is correctly assessed.

Information need of management is clarified and complete, accurate and relevant performance information is provided to facilitate effective and efficient management oversight and decision making.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Governance Arrangements			
Three Year Savings/Growth Target			
Monitoring and Management Reporting			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

No recommendations have been raised as a result of our testing.

Appendix A - Reporting Definitions

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.
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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.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Caroline Souto - Financial Planning and Analysis Team Leader

We would like to thank the staff involved for their co-operation during the audit.

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

May 2018

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Dacorum Borough Council

Final Internal Audit Report

Community Infrastructure Levy

May 2018

This report has been prepared on the basis of the limitations set out on page 10.

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Distribution List:

Chris Taylor – Group Manager (Strategic Planning and Regeneration)

James Doe – Assistant Director (Planning, Development and Regeneration)

Nigel Howcutt – Assistant Director (Finance and Resources)

Mark Gaynor – Corporate Director (Housing and Regeneration) (Final Report only)

James Deane – Corporate Director (Finance and Operations) (Final Report only)

Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork:	March/April 2018
Date of draft report:	May 2018
Receipt of responses:	May 2018
Date of final report:	May 2018

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Contents

1. Executive Summary	1
2. Scope of Assignment	3
3. Assessment of Control Environment.....	5
4. Observations and Recommendations	6
Recommendation 1: Recovery of overdue CIL payments (Priority 2)	6
Recommendation 2: Performance Monitoring Framework (Priority 2)	7
Appendix A - Reporting Definitions	8
Appendix B - Staff Interviewed.....	9
Statement of Responsibility.....	10

1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2017/18, we have undertaken an audit of the Council's systems of internal control in respect of the Community Infrastructure Levy (CIL).

The CIL is a standardised non-negotiable levy that is charged to new development for the purpose of raising funds to deliver infrastructure that is required to support new development. The CIL charging schedule is intended to enable the delivery of infrastructure required to support development planned through the Core Strategy.

1.2. Audit Objective and Scope

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

In summary, the scope covered the following areas: Policies, Procedures and Setting of the Levy, Collection of the Levy and Governance Arrangements, Spending of the Levy, Budget Monitoring, and Monitoring of Performance.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the CIL found that 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 also evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk

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

Evaluation Assessment	Testing Assessment
Substantial	Substantial

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. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over the Community Infrastructure Levy are shown in Section 3.

1.4. Key Findings

We have raised two Priority 2 recommendations where we believe there is scope for improvement within the control environment. The recommendations raised are in respect of the following:

- Recovery of overdue CIL payments (Priority 2)
- Performance Monitoring Framework (Priority 2)

Since the last audit, the CIL Team have implemented procedural guidance for Exacom. The Exacom Manual outlines the procedures on logging into the system, adding liable parties, adding forms, calculating a CIL liability charge and generating a commencement report.

As of March 2018, no CIL funding had been used in the commissioning of infrastructure projects. The outgoings from the CIL funding have been 15% to the Parishes/Wards of the Borough. This is where the Parish/Ward receives payments twice a year for specific use within their area. As of April 2017, a total of £498,673 had been raised through CIL fees for the 2016/17 financial year. Of this some £24,933.67 was set aside to cover the costs relating to the administration of the CIL charge. This amounts to some 5% of all CIL receipts over the period.

Currently, the bulk of the CIL revenue has not been spent, although 5% of the CIL revenue is used to fund administrative expenditure. Monthly budget monitoring reports are produced by the Finance team on the administrative expenditure of the CIL Team.

A monthly reconciliation of the Agresso and Exacom systems is also carried out by the Finance team in respect of income collected. Review of the most recent reconciliation for Period 10 did not identify any significant variations between the two systems.

The Council's website includes reference to CIL, including details of the collection and spending of the levy. The website includes links to the Dacorum Infrastructure Development Plan.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management response in a timely manner and this has been included in the main body of the report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Community Infrastructure Levy, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

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;
- 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.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation

The Council has in place a Strategy and guidance which details the rationale for the Council's approach to the management of the Community Infrastructure Levy. These documents should be readily available, and should be reviewed and updated on a regular basis.

Setting of the Levy

An overview of the procedures are in place to ensure that the CIL levy has been set in accordance with legislative requirements. A charging schedule has been prepared and has been subject to the appropriate consultation with stakeholders. The charging schedule has been subject to independent review, appropriate approval and is readily available to all the relevant parties.

Collection of the Levy and Governance Arrangements

The CIL levy should be applied to all proposed development projects that have received planning permission, that provide infrastructure to support growth with Dacorum. Procedures should be in place to ensure that the levy is paid within 60 days of the commencement of the development. The application of discretionary relief is carried out in a transparent manner in accordance with Council policy and legislative requirements. All income received from the application of the levy is accounted for in a complete and accurate manner. The draft governance arrangements in place ensure that all decisions are made in a transparent and timely manner for the guidance and approval of spending.

Spending of the Levy

The Council should have in place a list of those infrastructure projects that may benefit from CIL funding. The list should be reviewed and updated at least annually. Infrastructure projects should be in line with the Council's objectives. CIL funding is applied to appropriate infrastructure projects in accordance with Council policy and legislative requirements.

Budget Monitoring

Robust procedures should be in place for monitoring the financial performance of the service. Roles and responsibilities should be clearly defined to help ensure accountability. Significant

variances should be identified and investigated. The performance should be reported on a regular basis to the appropriate forum.

Monitoring of Performance

There should be a performance monitoring framework against which the performance of the service can be monitored. Timely and accurate management information should be produced and reported to the appropriate forum on a regular basis. Information regarding the spending of the lev should be displayed on the Council's website.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Setting the Levy			
Collection of the Levy and Governance			Recommendation 1
Spending the Levy			
Budget Monitoring			
Monitoring Performance			Recommendation 2

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Recovery of overdue CIL payments (Priority 2)

<p>Recommendation</p> <p>The Council should ensure that all overdue developers' payments are pursued in a timely manner.</p>
<p>Observation</p> <p>The Council should regularly review payments received from developers. Where payments are overdue, developers should be chased up and this should be reflected accurately on the Exacom System.</p> <p>A sample of 10 payments were chosen from a report on Exacom of all projects that have commenced since March 2017. From a sample of 10 payments tested:</p> <ul style="list-style-type: none"> • Five payments were overdue (81 days, 94 days, 102 days, 47 days and 307 days overdue); • One payment was late (9 days late); • In two instances, the payment was not owed due to relief being either granted or in the process of being granted; and • In two instances, the payment was made on time. <p>Where payments are not monitored and overdue payments chased up, there is a risk that the Council is not maximising receipts from the CIL. This can result in funding not being used on key infrastructure projects.</p>
<p>Responsibility</p> <p>Strategic Planning and Regeneration Officer</p>
<p>Management response / deadline</p> <ul style="list-style-type: none"> • CIL becomes chargeable on commencement on site. Currently the officer completes a drive around circuit of sites on a monthly basis. This could be more effective if done more often however capacity within the service makes this impossible. • Once DBC is aware that the site has commenced and invoice is raised through the Exacom/Agrosso systems. At this point the financial procedures for chasing payment begin. It has now been agreed that the CIL officer and finance department will meet on a six weekly basis to consider late payments. • Contact details for the developers are not often included in the planning application – rather the Architect or Planning consultant is included. It is being investigated whether it is possible to add the developer/CIL liable party to the application at PP stage to ensure that DBC has this contact going forwards. • Should the site be sold on prior to the debt being settled the CIL debt is included on the land registry records automatically within the current procedures. <p>31 July 2018</p>

Recommendation 2: Performance Monitoring Framework (Priority 2)

<p>Recommendation</p> <p>The Council should ensure that monitoring is undertaken against the key performance indicators (KPIs), which have been put in place.</p>	
<p>Observation</p> <p>Since the last audit, the CIL team have introduced KPIs to measure the success of administering CIL projects. However, evidence of regular monitoring of these KPIs was not provided.</p> <p>We were provided with a copy of the Community Infrastructure Levy KPIs. The document sets out which KPIs would be monitored. Examples of KPIs set out in this document include - 95% of relief claims processed within 10 working days of receipt and 95% of Payment Acknowledgements sent within 10 working days. However, the Strategic Planning and Regeneration Officer stated that the document had only recently been produced and, at the time of the audit, the process of monitoring the KPI's had yet to be started.</p> <p>Where the performance is not monitored on a regular basis, there is a risk of poor performance not being rectified and / or managed in a timely manner.</p>	
<p>Responsibility</p> <p>Strategic Planning and Regeneration Officer</p>	
<p>Management response / deadline</p> <ul style="list-style-type: none"> A new system has now been put into place to carry out monitoring of processes. This will be overseen by the Assistant team Leader moving forwards. (see KPIs below) – implemented. The quarterly income is recorded on the Councils Rocket system quarterly but this is for information only. 	
KPIs	Monitoring process
Liability Notice issued or Initial contact to be made with liable and interested parties within 10 working days of Decision Notice in 95% of cases.	Date of Decision and date of Notice
95% of Liability Notices pending Commencement Notices followed up by Commencement Reminder Notice at least every 6 months	Date of Liability Notice and date of Commencement Notice reminder
Site visit undertaken for 95% of Liability Notices pending Commencement Notices over 1 year	Date of Liability Notice and date of site visit (activity)
95% of relief claims processed within 10 working days of receipt	Date of receipt of relief form and date of Notification of Relief.
95% of Commencement Notices followed up with a Demand Notice and invoice within 5 working days.	Date of Commencement Notice and date of Demand Notice
95% of Payment Acknowledgements sent within 10 working days	Date of Payment and Payment Acknowledgement date.

Appendix A - Reporting Definitions

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.
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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.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Shalini Jayasinghe – Assistant Team Leader
- Emma Cooper - Strategic Planning and Regeneration Officer
- Keshika Naidoo – Group Accountant

We would like to thank the staff involved for their co-operation during the audit.

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

May 2018

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Agenda Item 10

May 2018

AUDIT COMMITTEE: Work Programme 2017-18

AUDIT COMMITTEE: DRAFT Work Programme 2018-19

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
28/3/18		19/3/18	External Audit Progress Report	Grant Thornton
			Progress Report <ul style="list-style-type: none"> • Housing Benefit and Council Tax Benefit • Budgetary Control • CIL • Governance and Risk Management • Benefits Realisation 	Internal Audit (Mazars)
			Internal Audit Progress Report	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance
2018 -19				
30/5/18		21/05/18	Draft Audit Committee Work Programme	DBC
			External Audit Progress Report	Grant Thornton
			Draft Internal Audit Plan	Internal Audit (Mazars)
			Outstanding 2017/18 Reports <ul style="list-style-type: none"> • Budgetary Control • CIL • Benefits Realisation 	Internal Audit (Mazars)
			Internal Audit Progress Report	Internal Audit (Mazars)

			Completed Service Reports <ul style="list-style-type: none"> Budgetary Control CIL Benefits Realisation 	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance
25/07/18		16/07/18	DBC Annual Accounts (Sign-off)	Grant Thornton
			External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Completed Service Reports <ul style="list-style-type: none"> Housing Rents GDPR Counter Fraud 	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance
12/09/18		03/9/18	External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Completed Service Reports <ul style="list-style-type: none"> Commercial Asset Management 	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance
21/11/18		12/11/18	External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Completed Service Reports <ul style="list-style-type: none"> ICT Council Tax NNDR Benefits 	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance

06/02/19		28/1/19	External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Completed Service Reports <ul style="list-style-type: none"> • Core Financials • Business Continuity • Procurement • Benefits/Savings Realisation 	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance
27/03/19		18/03/19	External Audit Progress Report	Grant Thornton
			Internal Audit Progress Report	Internal Audit (Mazars)
			Progress Report <ul style="list-style-type: none"> • Budgetary Control • Governance and Risk Management • Planning 	Internal Audit (Mazars)
			Strategic Risk Register	DBC - Finance