

Audit Agenda



Wednesday 11 November 2020 at 6.30 pm

MS Teams

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 Silwal
Councillor Herbert Chapman (Chairman)	Councillor Symington
Councillor Mahmood	Councillor Townsend

Substitute Members:
Councillors

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

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 3 - 9)

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. EXTERNAL AUDIT PROGRESS REPORT (Pages 10 - 31)

6. INTERNAL AUDIT 2020/21 PROGRESS REPORT (Pages 32 - 79)

Service Reports:

NNDR

Council Tax

Housing Benefit

Budgetary Control

7. FUTURE WORK PROGRAMME

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 17 September 2020

ATTENDING

Councillors:

Councillor Chapman (Chairman)

Councillor Silwal

Councillor SO.Mahmood

Councillor Birnie

Councillor Elliot

Councillor Symington

Councillor Townsend

Outside Representatives:

DBC Officers:

James Deane

Nigel Howcutt

Fiona Jump

Lexi Schultz

Usman Mohammed

Cassy Oneil

Marie Sells

Grant Thornton

Amber Banister

Sarah Ironmonger

The Meeting commenced at. 18:30 via MS Teams

No.	AGENDA ITEM
1	APOLOGIES FOR ABSENCE Apologies were received from Mark Brookes, Usman Mohammed attended in his place.
2	MINUTES OF THE PREVIOUS MEETING The Minutes of the previous meeting held on 24 June 2020 were review and agreed

3	<p>DECLARATIONS OF INTEREST</p> <p>There were no Declarations of Interest.</p>
4	<p>PUBLIC PARTICIPATION</p> <p>There was no public Participation.</p>
5	<p>ANNUAL RIPA REPORT</p> <p>Presented by Usman Mohammed.</p> <p>RIPA - Regulation of Investigatory powers Act.</p> <p>Investigations under this act permit the Council to utilise covert surveillance for the purposes of preventing and detecting crime. There are 2 types of Authorisation generally used by the Council</p> <ul style="list-style-type: none"> • Use of a covert Human intelligence source • Directed surveillance <p>In order to utilise these, the Council must gain authorisation from the court and demonstrate these authorisations are necessary, proportionate and in accordance with the law.</p> <p>The authorisations themselves are regulated by the regulation of Investigatory powers Act,</p> <p>The Covert Surveillance and property interference code 2018 along with the corporate policy govern the covert surveillance use, copies of both are included in the papers for this meeting.</p> <p>In 2018 the RIPA commissioner’s office inspected the Council, they concluded that there is in place a coherent process for the management of surveillance and covert human intelligent sources supported by a comprehensive corporate policy document.</p> <p>There were some recommendation made following that report hence the reason for bring this to the Audit Committees attention, not only to highlight the recommendations but also to show how these have been addressed and seek the Committees authorisation and support.</p> <p>The brief overview of the recommendations are as follows:</p> <ul style="list-style-type: none"> • Amendments to the wording of the Corporate Policy • Where a covert Human intelligence source is used there must be both a handler and a controller in place for their welfare as well as a risk assessment which needs to be signed off by an authorised officer. • Training for relevant officers. • Reporting to the relevant Members to provide transparency. This will be in the form of an annual detailing the number of authorisations obtained and what kind of intelligence has been gather through these operations.

	<p>Between 1 April 2019 – 31 March 2020 there were no covert human intelligence sources used however 3 applications were made to the court for directed surveillance (covert cameras) all of which were granted. All of these resulted in prosecutions.</p> <p>Cllr Townsend has no concerns with the content of the report however he questions whether under the terms of reference the Audit committee are able to approve policies.</p> <p>Cllr Birnie agrees with Cllr Townsend and feels the annual report should be submitted to an OSC meeting.</p> <p>Cllr Chapman also agrees with the comments.</p> <p>N.Howcutt clarifies that this is more about the Audit Committee overseeing controls and assurances rather than approving policy. The reason this paper has been submitted to the Audit Committee is ensure they are happy with the proposals which have been put into place around those controls and assurances. In terms of the performance of RIPA Cllr Birnie is correct, it is often reported to OSC as often as the chair requires.</p> <p>Cllr Symington would like clarification regarding the use of directional surveillance and the fact it should be use with a threshed hold of 6 months in prison, she feels this is not proportional for the fly tipping convictions which have been previously mentioned.</p> <p>Cllr Symington feels the report should be brought to a wider committee or ideally full Council as she feels the Audit Committee is to narrow an audience</p> <p>The Committee agrees the recommendations:</p> <ol style="list-style-type: none"> 1. Note the outcome of the inspection by the RIPA commission. 2. Agree the recommendation set out in paragraph 3.5 in response to the chief inspectors observations 3. Agree the suggested amendment to the Councils RIPA procedural guidance to ensure it remains fit for purpose. <p>The Committee supports the report however they would like it to be circulated to a wider audience for consideration. They would like to be kept informed of the progress.</p>
6	<p>Final Outturn Report 19/20</p> <p>Fiona Jump presented</p> <p>This report is submitted to the Audit Committee as there have been several changes since the provisional outturn report was presented to Cabinet in May. These are largely technical adjustments.</p>
7	<p>Statements of Accounts 19/20 and letter of representation</p> <p>James Deane would like to bring to the Committees attention that there is one</p>

outstanding item on the accounts which is the pension evaluations, this isn't something that DBC is in control of, the valuation administration of the council pension scheme is undertaken by HCC and they are experiences some delays with their auditors EY.

Fiona Jump Presented.

The purpose of this document is to summarise the Councils financial position for the year, to provide assurance for both the strength of DBCs financial position and the way in which we operate.

The document is made up of a number of different financial statements supported by a narrative report the purpose of which is to give more information around what the financial statements are showing, plus explanatory notes which go in to much more detail about the figures presented.

The main statements:

1. Comprehensive Income and expenditure statement – to show the net cost of the councils services and how those costs have been supported by funding sources such as grants, business rates and council tax income.

Statement for 2019 shows a net gain to the Council of £128M

2. Movement in Reserve statement – to show the movement throughout the year on different reserves that are held by the council. The Balance sheet also shows DBCs financial position for the year.

This year the document shows the net worth of the council is just over £1b.

3. Cash Flow – shows the movement in the Councils cash and cash equivalent position during the year. There has been a net cash inflow of £4.9m.

The audit findings report summaries the work coming out of the audit so far, it is substantially complete.

The date from receiving accounts was pushed back this year to the end of August with the latest date for auditing pushed back to the end of November, however the finance team were able to provide the accounts at the end of June as originally planned.

The areas still to complete are around prior period adjustments, this is due to the fact GT have to go through an internal review with their technical team on those and that is still ongoing.

In terms of pensions, GT cannot sign off on the accounts until they have received the assurance letter from EY.

Due to the pandemic all work has been undertaken remotely, this has meant things have taken a little longer while everyone got use to the new way of working.

Cllr Birnie would like to know where the £2.4M overspend in the general fund has come from and if the committee should be concerned.

N.Howcutt explains this is mainly linked to the Berkhamsted Multi Story car park, this is an isolated issue related to a project that encountered significant problems.

Cllr Birnie would like to know what the dacorum development reserve is for.

N.Howcutt currently there are plans to use a portion of this fund to cover the local plan pressures and some of the building improvements required as a result of Covid which have been encountered this year, the funds will be built back up to continue to invest in the future development of Dacorum.

Cllr Townsend made reference to the General Fund and the HRA Fund, Stating that historically it wasn't kept fixed and was monitored by Councillors, however in the last 2 years there seems to be a balancing adjustment or earmarked reserves, he feels this isn't appropriate or correct and raised this point in the previous year also. He would like to know what the policy framework is around earmarked reserves which allows this to happen.

Cllr Townsend feels it is very difficult to reconcile all the reports, he would like to thank Fiona Jump for all her help clarifying the Outturn Report, He feels the 3 reports being reported presented together has been confusing.

NHowcutt apologises if reporting all 3 reports together has caused confusion, this decision was made due to the fact agenda items 6 and 7 contain recommendations which could only be approved once agenda item 8 has been discussed. Presenting them together allowed the committee to look at the overall picture. In terms of item 6 (the final outturn report) this gives a very clear and transparent overview of what has changed from the last Council reports.

The statements take months to create and have many statutory requirements, there isn't enough time and resources to produce them within the monthly reports.

Regarding PPA and process, these have been reviewed by External audit to ensure they are correct, a few minor issues were identified and these have been rectified.

FJump in relation to reserve movements, there are always some movements following provisional outturn, where those result in a reserve movement the correct process is to come before committee for approval, we do try and keep these to a minimum where possible.

Cllr Townsend clarified that he is comfortable approving the changes however it is the use of the reserves as a balancing figure that is causing him concern.

JDeane explains that what Cllr Townsend is referring to is the general fund, the purpose of this fund is to ensure there is financial support for any unforeseen risks throughout the year, good practice is to keep it between 5 and 15% of the net cost of services, and therefore this account balance should remain the same.

Cllr Symington appreciates JDeane's explanation, however she still has concerns around the ear marked reserves, she feels it is a known expenditure and sees the General fund as the health of the council rather than a buffer.

	<p>The following recommendations were approved by the committee:</p> <ul style="list-style-type: none"> • Reserve contributions and movements • Statement of accounts and letter of representation <p>Cllr Symington pointed out that on page 82 of the accounts it states that the chair and vice chair of the oversight and scrutiny committees can be selected from any of the political groups, this is actually at odds with DBCs constitution which states they should be selected from the majority group. N Howcutt will look into this further, it is an error in the annual governance statement that will be corrected.</p>
8	<p>External Audit Progress Report</p> <p>The audit findings report summaries the work coming out of the audit so far, it is substantially complete.</p> <p>The date from receiving accounts was pushed back this year to the end of August with the latest date for auditing pushed back to the end of November, however the finance team were able to provide the accounts at the end of June as originally planned.</p> <p>The areas still to complete are around prior period adjustments, this is due to the fact GT have to go through an internal review with their technical team on those and that is still ongoing.</p> <p>In terms of pensions, GT cannot sign off on the accounts until they have received the assurance letter from EY.</p> <p>Due to the pandemic all work has been undertaken remotely, this has meant things have taken a little longer while everyone got use to the new way of working.</p> <p>GT anticipate being able to conclude with an unmodified audit opinion following the resolution of the outstanding areas.</p> <p>Amber would like to thank the finance team for their quick responses, the high quality of their responses and working with GT to work remotely.</p> <p>In terms of the audit approach, the materiality levels were changes slightly from the planning stage, this was purely based of the fact the figures were slightly different to the draft accounts which meant materiality fell slightly.</p> <p>Materiality was reviewed in line with Covid to see if there was any additional risk however it was decided that was covered by the work already planned.</p> <p>The areas of focus for the audit were determined by the audit plan which was presented in February. They were as follows</p> <ul style="list-style-type: none"> • Valuation of land and building

	<ul style="list-style-type: none"> • Management override of control • Pension liability <p>The pandemic has been noted as a significant risk in the addendum which was brought to the last committee, there have been no changes since then.</p> <p>It became clear quite early on that the RICS guidance were pointing to a material uncertainty within valuations, this was expected across all sectors. It was included in their report and so it was expected that DBC would make that clear and transparent to readers in the accounts, which they did. GT have drawn attention to this in their audit findings report and their opinion. The opinion remains unmodified.</p> <p>There are some minor disclosure findings on PPE, pensions, accounting policies, judgements and estimates which are detailed in the report and have all been amended.</p> <p>Overall this was a very positive audit with no major concerns.</p>
9	<p>WORK PROGRAMME</p> <p>The work programme was reviewed and agreed</p>
	<p>There being no further business the meeting ended at 21:38</p>

Audit Progress Report and Sector Update

Dacorum Borough Council
Year ending 31 March 2020

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11 November 2020



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Introduction



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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

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 www.grantthornton.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 November 2020

Financial Statements Audit

We undertook our initial planning for the 2019/20 audit in December 2019, and interim audit in January to March 2020. We began our work on your draft financial statements in July.

In February we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We reported our work in the Audit Findings Report at the 17 September Audit Committee and aimed to provide our opinion in November.

Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan on 5 February 2020, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. On 18 May we issued an addendum to our audit plan, setting out a new significant financial statement risk in relation to Covid-19.

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

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We reported our work in the Audit Findings Report and aim to give our Value For Money Conclusion by November 2020.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation ran until 2 September 2020. The NAO will now analyse all consultation responses received and consider what changes are required to the draft guidance. Please see page 19 for more details.

Progress at November 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is due to commence in early December and we plan to be able to complete our work by the deadline of 31 January. It should be noted that, in response to the impact of the Covid-19 pandemic, the DWP has moved the reporting deadline back to 31 January 2021, originally 30 November 2020. We will report our findings to the Audit Committee in our Certification Letter in January 2021.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2019/20 claim is due to be completed in advance of the 30 November deadline.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). We have now received from MHCLG guidance for the certification work for the 2019/20 return and will aim to complete this work before the January 2021 deadline.

Meetings

We met with Finance Officers in September as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee earlier in the year, these remain with PSAA for approval.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit fee for 2019/20.</p>	April 2019	Complete
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.</p>	February 2020	Complete
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2020	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the September Audit Committee.</p>	September 2020	Complete
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	November 2020	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	December 2020	Not yet due

COVID-19 Update

Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices. Many have now re-opened, but with a significantly reduced capacity. All of our people are still working from home for the majority of the time.
- we will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of COVID-19.

Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure will be needed.
- disclosure of impact in narrative report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

Changes to reporting requirements:

- the Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 31 August 2020.
- for principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

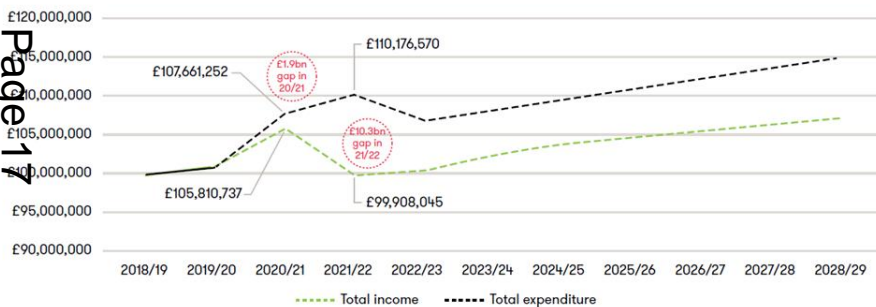
Covid-19 update – Grant Thornton

Where are we now?

Over five months into lockdown and councils have moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response.

The Government has confirmed three tranches of funding to support the impact of increase spend and reduced income directly attributed to Covid-19, and are in the process of confirming further support via the income compensation scheme.

Local Authority Income and Expenditure (England) 2018/19 to 2028/29



Source: Grant Thornton/CIPFA Financial Foresight

Financial Foresight (a Grant Thornton future look analytics platform building on our CFO Insights and Place Analytics data) forecast indicates that English local authorities have a funding gap of £1.9bn this financial year, rising to over £10bn in 2021/22. There is significant uncertainty as to whether the Government will provide further Covid-19 related funding, and what the medium-term funding for the sector will be following the Autumn's Comprehensive Spending Review. Our modelling currently assumes that government funding will remain broadly unchanged, with income being affected by ongoing reduction to Council Tax and Business Rates, both in terms of a reduction to these tax bases, alongside reduced payments as a consequence of the recession brought about by the pandemic.

The uncertainty also impacts on future spending pressures and sales fees and charges income. For example, leisure centres and swimming pools can now be opened, but must follow Government guidelines on issues such as social distancing. Not all leisure services have been able to reopen, and those that have are not able to generate levels of income originally forecast pre-covid. Social care faces uncertainty in relation to future demand, for example most councils responsible for children's services are forecasting an increase in case load when children return to schools in September. For adults, where in some cases demand has fallen during the pandemic, there is uncertainty over future levels of demand. There is also concern over provider failure in relation to social care and other services such as leisure and transport, with many councils providing financial support and loans to some providers, which will not be sustainable in the medium term.

As place leaders, councils are managing the conflict between revitalizing footfall in high streets and keeping people safe, with some leading by example and encouraging council officers to spend some of the week in council offices. Use of public transport as a key mode of travel to get to work remains a particular challenge.

Lessons learned

All organisations, including councils, have been reflecting on the lessons learned from the pandemic, and are seeking to maintain the positive experiences as well as learn from the challenges, as part of recovery planning. There is a recognition that technology has enabled many people to successfully work remotely, and that this will have a fundamental impact on working patterns well after Covid-19 has passed. Councils are reviewing their property portfolios to understand the changes required in terms of future usage patterns, including how councils interact with their communities, whether parts of the municipal estate should be disposed, and whether alternate use of space can support income generation.

There will be demographic variations between places, meaning there is no "one size fits all" to economic recovery. For example, home to work geographies will vary, with some people who previously commuted into a council area for their work may now be considering office space closer to home, leading to a rise in demand for shared office space in some areas, that will in part counterbalance the fall in demand elsewhere.

Covid-19 update (cont'd)

Lessons Learned (Cont'd)

Many councils have recognized the improvement in community engagement and partnership working with the voluntary sector and other public sector organisations during the pandemic and are seeking to build on this, with a recognition that sharing responsibility for place-based recovery plans can help sustain the improvements gained. Although a shared view of place-based recovery takes an investment of time and resource that not all partner organisations are able to provide.

Wider learning relates to central vs local response to issues such as provision of PPE, housing the homeless and rough sleepers, and provision of food and equipment to the vulnerable. This is currently playing out on test and trace and how local lockdowns should be managed, with ongoing tension between national and local government.

Many councils understand the importance of data in supporting recovery planning decision making, to effectively understand where to prioritise resources and activity in the right way and at the right time to achieve the right outcomes.

The future?

Covid-19 has only increased volatility and uncertainty for local government, and when working with councils delivering Financial Foresight we have prioritized scenario planning to support strategic financial planning. Understanding best, worst and optimum case scenarios from the impact of the pandemic are critical in strategic discussion when setting next year's budget and updating the Medium-Term Financial Plan – impacts on the place and communities, as well as on the council services and the council as an organization. Some councils are more confident than others in being able to manage their financial position during 2020/21 but all are concerned about 2021/22 and beyond. And it is not just Covid-19 scenarios that need to be understood, but other global, national and local issues that will impact over the medium term, including the impact of a no deal Brexit trade deal, and new government policies such as those expected on devolution and health and social care integration.

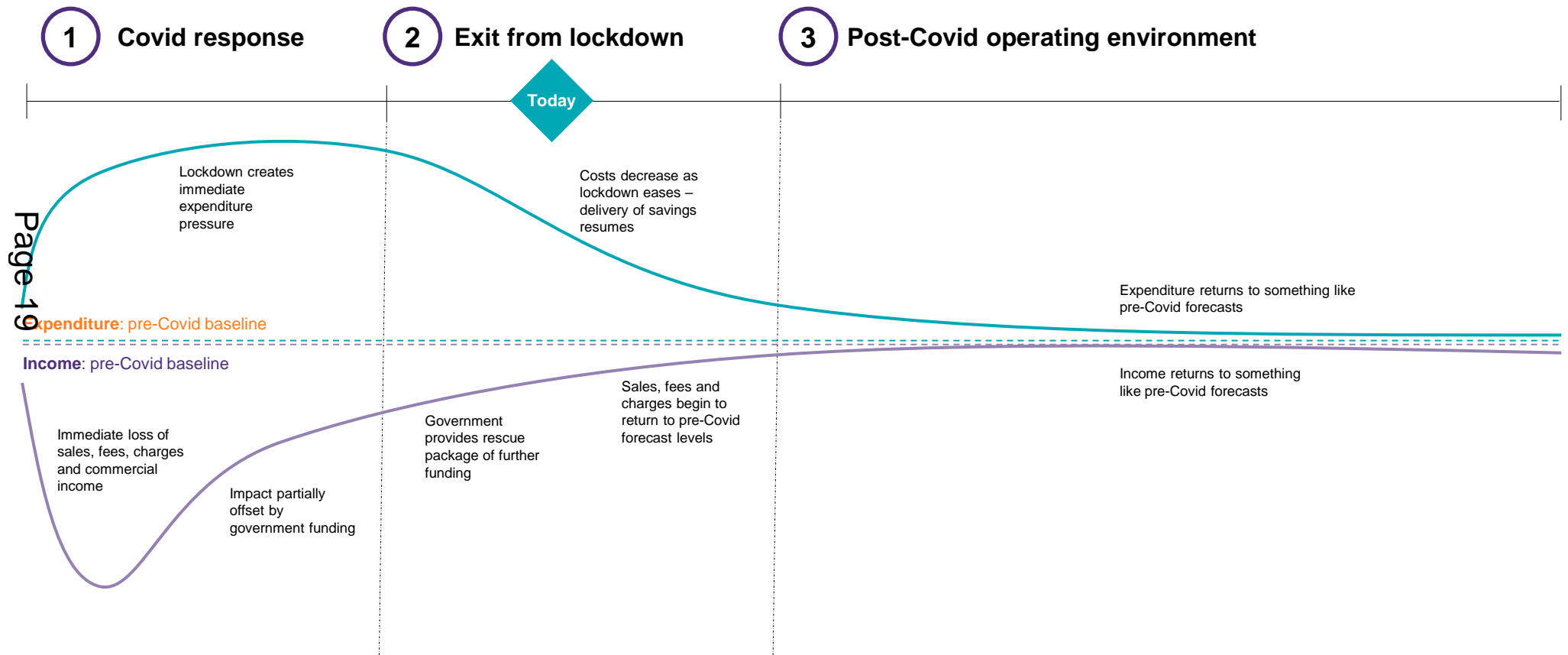
As already noted, places will vary depending on their socio-economic and demographic characteristics, but all councils are working through demand impacts arising from the ongoing pandemic and the associated recession, and ensuring their workforce continue to be supported to ensure they remain personally resilient.

Until a vaccine has been successfully produced and rolled out, the public health threat remains, and there are likely to be further local lockdowns, such as we have seen in Leicester and towns in the north west of England. There could be difficult trade offs for national and local politicians to consider to avert further waves of restrictions. For example to keep schools open after they return in September, will there be a need to increase restrictions elsewhere to ensure the cases of Covid-19 remain at a management level?

Local government has always demonstrated a remarkable resilience in managing significant challenges, including ten years of austerity, and being at the forefront of the pandemic response. And whilst much uncertainty remains, we are confident that councils will continue to demonstrate the capacity to lead places, deliver services.

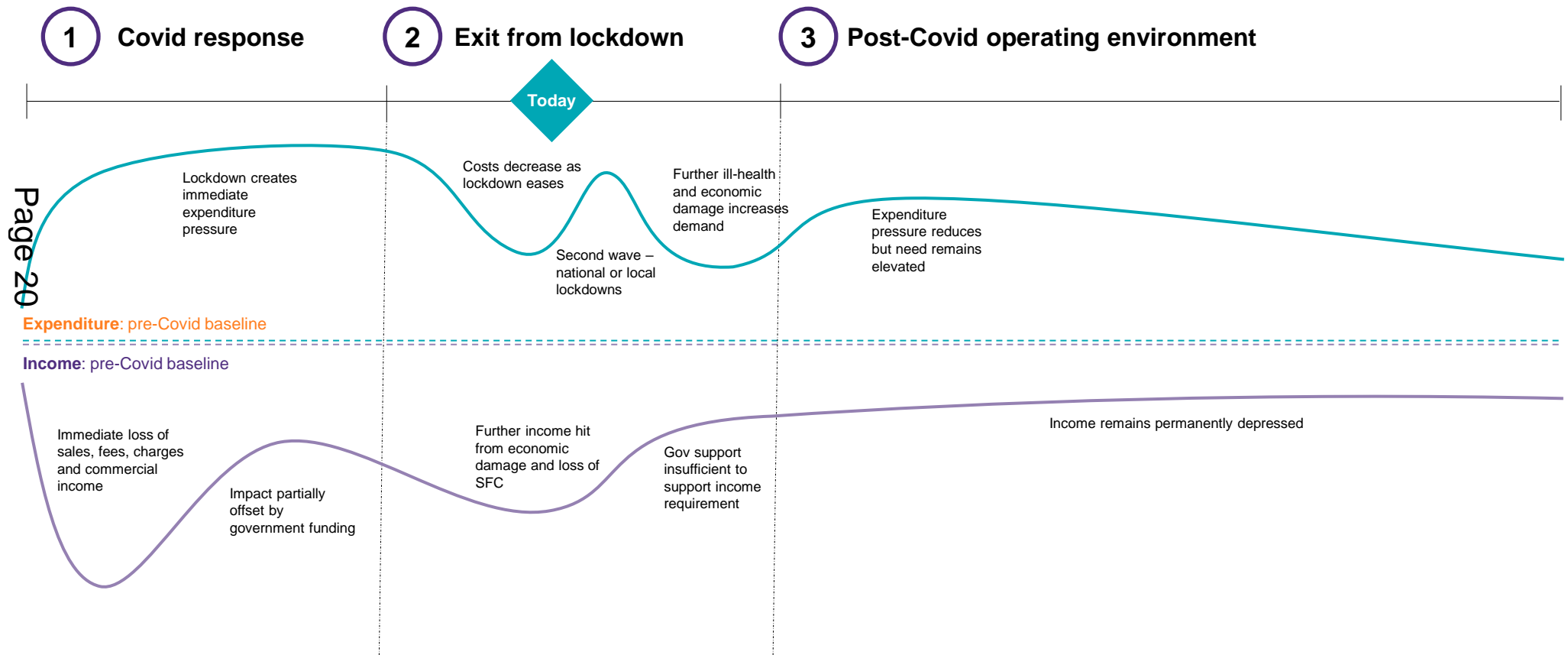
Example scenarios

Scenario 1 – swift return to normality









Example scenarios (Cont'd)

Scenario 2 – second wave and ongoing disruption



Scenarios and hypotheses

Local authority areas in 12-24 months?

Theme	Reasonable worst case	Reasonable best case
People & community 	<ul style="list-style-type: none"> Multiple lockdowns and ongoing disruption Community dependency and expectation of sustained response Turbulence and activism within the VCS Socio-economic inequality is compounded Failure of leisure and cultural services 	<ul style="list-style-type: none"> Smooth exit from lockdown to a “new normal” Community mobilisation is channelled into ongoing resilience Strengthened VCS relationships and focus Systemic response to inequality is accelerated Leisure and cultural services adapted to social distancing
Business & economy 	<ul style="list-style-type: none"> 16% reduction in GVA for 2020 based on OBR reference scenario Slow / uneven economic recovery and “long tail” on unemployment Central gov / BEIS focus investment on areas furthest behind Loss of tourist & student spend causes unmitigated damage ‘V’ shaped recovery results in 2-3 year recovery period 	<ul style="list-style-type: none"> 5-10% reduction in GVA Rapid economic recovery with employment levels close behind Central government “back winners” with investment Adaptation allows resumption of tourist and student economy Business base is weighted towards growth sectors
Health & wellbeing 	<ul style="list-style-type: none"> Increased demand and escalating need due to fallout from lockdown Newly-vulnerable cohorts place strain on the system Unit costs increase further as markets deteriorate and providers fail SEND transport unable to adapt to social distancing Imposed disruption of care system 	<ul style="list-style-type: none"> Positive lifestyle changes and attitudes to care reduce demand Needs of newly vulnerable cohorts met through new service models New investment in prevention and market-shaping manage costs New ways of working leading to stronger staff retention Locally-led reform of health and care system
Political & regulatory 	<ul style="list-style-type: none"> Local government side-lined by a centralised national recovery effort Unfunded burdens (e.g. enforcement and contact-tracing) Councils in the firing line for mismanaging recovery 	<ul style="list-style-type: none"> Local government empowered as leaders of place-based recovery Devolution and empowerment of localities Councils at the forefront of civic and democratic renewal
Environment 	<ul style="list-style-type: none"> Opportunity missed to capture and sustain environmental benefits The end of the high street / town centres Emissions and air quality worsened by avoidance of public transport Capital programmes stuck 	<ul style="list-style-type: none"> Ability to invest in transport modal shift and green infrastructure Changed working patterns rejuvenate town centres Sustained impact on emissions due to new behaviours New, shovel-ready infrastructure programmes
Organisational 	<ul style="list-style-type: none"> Inadequate funding forces fiscal constraint Working practices return to status quo – increased operating costs Imposed structural change within the place Austerity 2 Commercial portfolio becomes a liability 	<ul style="list-style-type: none"> Adequate funding enables a programme of targeted investment Learning and adaptation to new operating environment Energised system-wide collaboration and reform Fiscal reform and civic renewal Commercial portfolio reshaped for economic and social gain

What strategy is needed in response?

From response to recovery

Learn, adapt and prioritise

- Develop and test hypotheses around impact on place, services, operations, finances
- Design rapid interventions - implement, test and evaluate
- Learning from the response to lock in the good stuff – reflection on operations, services and the system
- Set priorities and principles – what is the Council's purpose in an uncertain context and where will it focus?

Mitigating the worst case

Consolidate and build resilience

- Ensure that emergency management and response structures are resilient for the long haul
- What is the minimum operating model to deliver this?
- Predict and model demand for social care and assess care market vulnerability
- Contingency plans for structural disruption
- Re-evaluate infrastructure pipeline

Steering towards the best case

Invest in renewal

- Programme of priority-based investment framed by recovery and renewal
- Focus on inequality, community resilience, targeted economic stimulus, skills and employment support and adapting public spaces
- Continued system leadership, pushing for positive reform and resilience

In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Non-domestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

In terms of key financial reporting considerations for 2019/20, consideration should be given to:

Information published with accounts

- Does the Narrative Report reflect the urgency of the situation, the changes to Council services as a result of lockdown, the partnership arrangements in place, the impact of the pandemic on income and expenditure and possible future scenarios, the impact on savings programmes, the capital programme, treasury management, medium term financial plans and the Council's communications strategy (noting this is not an exhaustive list)?
- Does the Annual Governance Statement reflect significant developments between 31 March 2020 and the finalisation of the accounts? Does the AGS describe emergency governance arrangements for decision making, the postponement of elections, the transition to virtual meetings and plans for the return to normal democratic processes?

Non-current asset valuations

- There has been a significant increase in volatility and uncertainty in markets following the outbreak of Covid-19. RICS has issued a Valuation Practice Alert following the pandemic, and we are aware a significant number of valuers are including 'material valuation uncertainty' disclosures within their reports. Has the Council assessed the impact of such comments, reflected 'material valuation uncertainty' disclosures within the financial statements and taken account of the requirement of Code paragraph 3.4.2.90 to provide appropriate disclosure in their financial statements in relation to major sources of estimation uncertainty?

Non-current asset valuations

- The Council is required to make an assessment at the end of each reporting period as to whether there is any indication that assets may be impaired. There are several types of event or change in circumstance that could indicate an impairment may have occurred, including evidence of obsolescence or physical damage or a commitment to undertake a significant reorganisation. Has the Council assessed whether the impact of the pandemic may have triggered impairments?
- Has the Council considered these matters in relation to Investment Property held? Potentially more so for 2020/21, there may be significant declines in asset carrying values, especially for investments in retail or office premises.

Impairment of receivables

- IFRS 9 *Financial Instruments* introduced an expected credit loss model for financial assets which drives earlier recognition of impairments. Has the Council assessed the impact of the pandemic on its expectation of credit losses?
- Impairment of statutory Council Tax and Non-domestic rate debtor balances is also possible. Has the Council observed a measurable decrease in estimated future cashflow, for example an increase in the number of delayed payments? Has the Council considered whether recent historical loss experience across aged debt may also need revision where current information indicates the historical experience doesn't reflect current conditions? Experience following the 2008/09 financial crisis may prove to be a useful reference point, given the ensuing recession conditions.

Events after the reporting period

- By 31 March 2020 enough was known about the pandemic for accounts preparers and market participants to reflect and, if necessary, adjust assumptions and assessments. By the end of March 2020, it would be extremely difficult to say that the pandemic was not an event that existed and therefore any accounting impact that occurred after this date is not an adjusting event.
- Has the Council distinguished between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the reporting date) and non-adjusting (i.e. those that are indicative of conditions that arose after the reporting date)? Has the Council got arrangements in place to assess events up to the date the final accounts are authorised for issue?

Sources of estimation uncertainty

Has the Council identified the assumptions required about the future and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year? Have these been appropriately disclosed in accordance with the requirements of IAS 1 paras 125-133?

2019/20 financial statements are being prepared in an environment of heightened uncertainty as a result of the pandemic and the situation is evolving and fast moving. We have drawn out some of the key considerations for local authority financial reporting here, but further details can be found in our full report available on the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>



Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

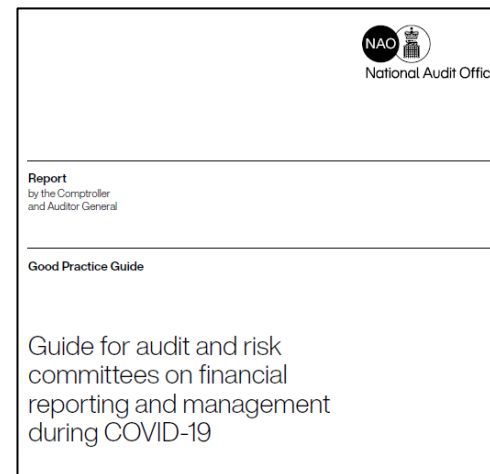
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



Sector Update

Councils continue to try 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 local government sector 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 by clicking on the logos below:

Public Sector

Local
government

The Redmond Review

The Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting – “The Redmond Review” was published on 8 September.

The review has examined the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. It also considered whether the current means of reporting the Authority’s annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

The Review received 156 responses to the Calls for Views and carried out more than 100 interviews. The Review notes “A regular occurrence in the responses to the calls for views suggests that the current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration. With 40% of audits failing to meet the required deadline for report in 2018/19, this signals a serious weakness in the ability of auditors to comply with their contractual obligations. The current deadline should be reviewed. A revised date of 30 September gathered considerable support amongst respondents who expressed concern about this current problem. This only in part addresses the quality problem. The underlying feature of the existing framework is the absence of a body to coordinate all stages of the audit process.”

Key recommendations in the report include:

- A new regulator - the Office of Local Audit and Regulation (OLAR) to replace the Financial Reporting Council’s (FRC) role and that of Public Sector Auditor Appointments (PSAA)
- Scope to revise fees - the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- Move back to a September deadline for Local Authorities - the deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year
- Accounts simplification - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts.

The OLAR would manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
- producing annual reports summarising the state of local audit;
- management of local audit contracts;
- monitoring and review of local audit performance;
- determining the code of local audit practice; and
- regulating the local audit sector.

The current roles and responsibilities relating to local audit discharged by the Public Sector Audit Appointments (PSAA); Institute of Chartered Accountants in England and Wales (ICAEW); FRC; and The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.

How you can respond to the Review

One of the recommendations was for local authorities to implement:

The governance arrangements within local authorities be reviewed by local councils with the purpose of:

- an annual report being submitted to Full Council by the external auditor;
- consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
- formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

Whilst Redmond requires legislation, in practice the second and third bullets are things which authorities could start doing now.

The full report can be obtained from the gov.uk website:

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

Code of Audit Practice and revised approach to Value for Money audit work - National Audit Office

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money.

Value for Money - Key changes

Page 28 There are three main changes arising from the NAO's new approach:

A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness

- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The new approach to VfM re-focuses the work of local auditors to:

- Promote more timely reporting of significant issues to local bodies
- Provide more meaningful and more accessible annual reporting on VfM arrangements issues in key areas
- Provide a sharper focus on reporting in the key areas of financial sustainability, governance, and improving economy, efficiency and effectiveness
- Provide clearer recommendations to help local bodies improve their arrangements.

Implications of the changes

Grant Thornton very much welcomes the changes, which will support auditors in undertaking and reporting on work which is more meaningful, and makes impact with audited bodies and the public. We agree with the move away from a binary conclusion, and with the replacement of the Annual Audit Letter with the new Annual Auditor's Report. The changes will help pave the way for a new relationship between auditors and audited bodies which is based around constructive challenge and a drive for improvement.

The following are the main implications in terms of audit delivery:

- The Auditor's Annual Report will need to be published at the same time as the Auditor's Report on the Financial Statements.
- Where auditors identify weaknesses in Value for Money arrangements, there will be increased reporting requirements on the audit team. We envisage that across the country, auditors will be identifying more significant weaknesses and consequently making an increased number of recommendations (in place of what was a qualified Value for Money conclusion). We will be working closely with the NAO and the other audit firms to ensure consistency of application of the new guidance.
- The new approach will also potentially be more challenging, as well as rewarding, for audited bodies involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

The Code can be accessed here:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf

Local government reorganisation in two-tier shire counties – District Councils’ Network

The District Councils’ Network (DCN) a report ahead of the publication of the government’s ‘devolution and local recovery’ white paper.

The report comments “Devolution should back the success of districts in delivery. It should not distract from the local recovery effort or reduce delivery capacity through forcing reorganisation into a less local, less agile, less responsive local government pushed by interests wanting county unitary councils everywhere. Local governance is a local matter, places must be free to decide how to organise services and to progress any kind of reform only where there is significant local agreement.”

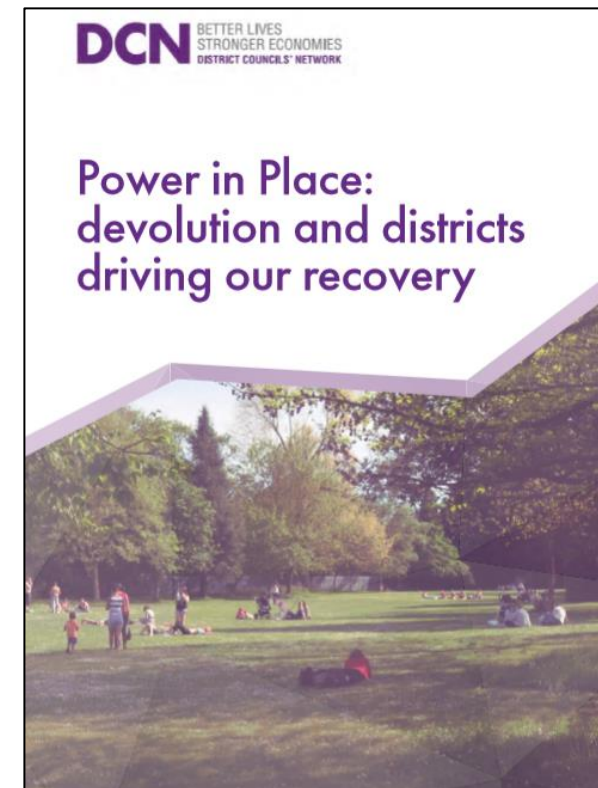
The report calls for the Devolution and Local Recovery White Paper to:

- 1) Deliver genuine devolution that moves quickly to drive local growth
- 2) Retain and build on the local capacity to deliver
- 3) Empower real-world economies
- 4) Continue to anchor local government in local communities
- 5) Reject false arguments that bigger local government is better or cheaper local government
- 6) Support strategic leadership across wider functional economic areas
- 7) Introduce an upper limit for the size of new unitary councils, in line with the principle of electoral equality

The report includes a number of case studies in each of these areas.

The full report can be obtained from the District Councils’ Network website:

<https://districtcouncils.info/wp-content/uploads/2020/08/DCN-Report-Sept-1.pdf>



CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

Dacorum Borough Council

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Summary Internal Controls Assurance (SICA) Report

2020/21

October 2020

Summary Internal Controls Assurance

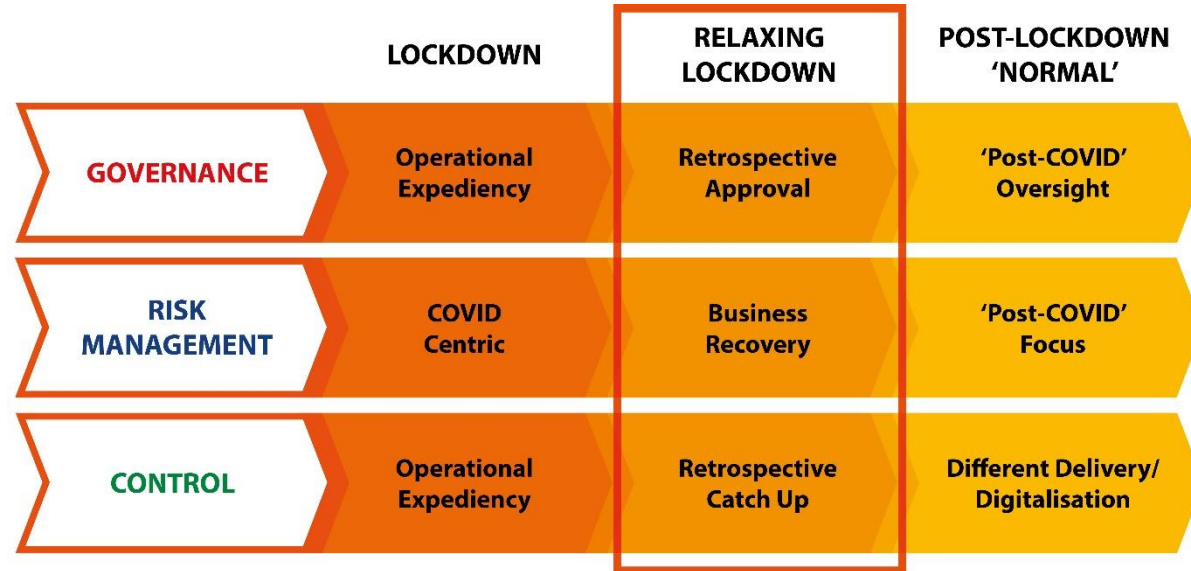
Introduction

1. This summary internal controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Dacorum Borough Council as at 29th October 2020. The period covered by this summary controls assurance report was significantly impacted by the COVID 19 pandemic.

Emerging Governance, Risk and Internal Control Related Issues

2. COVID 19 is the most significant recent event to impact both strategically and operationally upon modern day Governance, Risk and Internal Control arrangements. There will be a number of phases in relation to the move through the pandemic and each phase has different implications for the Governance, Risk and Internal Control arrangements. Based upon the information garnered from our work at number of clients some of the potential strategic impacts for 2020/21 are summarised below. A key consideration is that there is unlikely to be a precise timeline when the organisation moves from one phase to the next and also there will be a consequential timelag as the organisation adapts and adopts new ways of operating. The box in the table below signifies the assessment of the current stage, which has gradually eased from Lockdown during the period covered by this SICA.

Impact on COVID 19 on strategic focus during business interruption



3. There are a range of operational matters arising from the COVID 19 pandemic which impact upon the Governance, Risk and Internal Control arrangements. During the COVID 19 period it would be prudent for Dacorum Borough Council to compare the policies, procedures and internal control processes in effect during the pandemic against the policies, procedures and internal control processes in effect prior to the onset of the pandemic. The matters identified should be risk assessed so as to gain awareness about where the undetected vulnerabilities that may exist so that an informed decision can be made around acceptance of such risks.

Internal Control Framework

Audits completed since the last SICA report to the Audit Committee

4. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

Audits completed since previous SICA report

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Budgetary Control	Substantial	09/09/20	09/09/20	10/09/20 30/10/20 (revised)	-	-	-	-
Council Tax	Substantial	14/09/20	22/09/20	22/09/20	-	-	-	-
NNDR	Substantial	14/09/20	22/09/20	22/09/20	-	1	1	-
Housing Benefit	Substantial	30/10/20	02/11/20	02/11/20	-	-	-	-

Copies of the finalised reports are presented separately to this Audit Committee. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress in actioning priority 1 & 2 recommendations

We have made no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. The table below summarises the extent to which confirmation has been received that management actions have been taken that the risk exposure identified has been effectively mitigated. More information is provided in Appendix C.

Mitigating risk exposures identified by internal audit reviews

Review	Date	Priority 1			Priority 2		
Budgetary Control		0	0	0	0	0	0
Council Tax		0	0	0	0	0	0
NNDR		0	0	0	0	1	0
Housing Benefit		0	0	0	0	0	0

Root Cause Indicators

7. The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel.

RCI – Direction of Travel Assessment

Root Cause Indicator	Qtr 1 (2020/21)	Qtr 2 (2020/21)	Qtr 3 (2020/21)	Qtr 4 (2020/21)	Medium term Direction of Travel	Audit Observation
Directed						
Governance Framework	N/A	0	0	0	TBC	
Risk Mitigation	N/A	0	0	0	TBC	
Control Compliance	N/A	0	2	0	TBC	One low and one medium priority
Delivery						
Performance Monitoring	N/A	0	0	0	TBC	
Financial Constraint	N/A	0	0	0	TBC	
Resilience	N/A	0	0	0	TBC	

Progress against the 2020/21 Annual Plan

8. **COVID 19:** The progress against the planned work for Q1 and 2 has been disrupted by the COVID pandemic. In mid-March, when the potential scale and impact of COVID 19 was becoming evident it was agreed that the delivery of the internal audit service would be both delayed and then undertaken remotely thereby minimising the need to physically access offices/premises and to hold face to face meetings.
9. Our progress against the Annual Plan for 2020/21 is set out in Appendix B.

Changes to the Annual Plan 2020/21

10. At the time of reporting there are no changes to the agreed Internal Audit Plan.

Frauds/Irregularities

11. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

Other Matters

12. Updates have been provided in relation to follow up and these have been incorporated within the tracker which resides within the client portal. The follow up of these recommendations has commenced. Access to the client portal has been provided to management.
13. Risk management Training has been provided to the Audit Committee by TIAA and it is proposed that this be provided in an ongoing fashion.

14. We have reviewed recent guidance issued by the Internal Audit Standards Advisory Board (IASAB) in relation to internal auditing during the COVID-19 pandemic. The guidance aims to support heads of internal audit and individual internal auditors in continuing to meet their personal and professional responsibilities for conforming the UK Public Sector Internal Audit Standards (PSIAS). We can confirm continued conformance with the professional standards during this period.

Responsibility/Disclaimer

15. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are presented separately.

Review	Evaluation
<p>Budgetary Control</p> <p>The Council has appropriate arrangements to support pandemic specific and ongoing financial resilience. In particular, there are appropriate governance arrangements over the financial position. Finance reports and updates are presented at the 'Budget Review Group' which scrutinises the annual budget proposals submitted by the budget holders, and is chaired by the section 151 officer. The annual budget is presented to Cabinet for review and to the Full Council for approval and adoption. The Finance & Resources Overview Scrutiny Committee and Cabinet receive quarterly management accounts. The Council's Strategic Risk Register is presented to the Audit Committee on a quarterly basis.</p>	<p>Substantial</p>
<p>Council Tax</p> <p>There is a suite of Council Tax procedures maintained by the Revenues sections, which could not be reviewed due to file size and security issues on accessing the information remotely.</p> <p>Due to Covid-19:</p> <ul style="list-style-type: none"> • the 2020/21 Council Tax collection rate KPI has fallen in comparison to last year; and, • the regular review of Council Tax discounts/ exemptions is currently on hold. <p>Regular reviews of the Single Persons Discount, is undertaken by Capacity Grid, who have recently issued the 2019/20 report to the Council. The Opening Debit reconciliation is performed at year end and not during the annual billing, in line with year-end accounts.</p>	<p>Substantial</p>
<p>NNDR</p> <p>There is a suite of NNDR procedures maintained by the Revenues sections, which could not be reviewed due to file size and security issues on accessing the information remotely.</p> <p>Due to Covid-19, the 2020/21 NNDR collection rate KPI has fallen in comparison to last year.</p> <p>The Opening Debit reconciliation is performed at year end and not during the annual billing, to aid Finance with year-end accounts.</p> <p>NNDR reliefs and exemptions awarded to Business' are not subject to regular review.</p>	<p>Substantial</p>
<p>Housing Benefits</p> <p>There are comprehensive Housing Benefits procedures which coupled with the systems and staff provide an adequate control environment. Testing indicated that the controls were effective in practice and while some observations were made appropriate and detailed explanations were provided in every case.</p> <p>Testing included analytical review of both the sample and the cohort of data for outliers in terms of excessive length of processing and a sense check of the data and again appropriate explanations ere forthcoming in every case.</p>	<p>Substantial</p>

Assurance Review of NNDR

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Regular review of NNDR reliefs/ exemptions awarded to Businesses is not undertaken by the Revenues section.	The Revenues section must conduct regular reviews for reliefs/ exemptions awarded to Businesses and in doing so adopt the methodology applied to Council Tax discounts/ exemptions. Thereby maintaining consistency in approach for both services which fall under Revenues.	2	<i>The Revenues team accepts that there is presently no comprehensive risk assessment of the various property reliefs/exemptions, and so it cannot demonstrate that reviews are being carried out to an appropriate degree. We will develop a risk-based schedule for reviewing BR accounts.</i>	<i>Schedule to be completed by 31/12/20.</i>	<i>Revenues Team Leader</i>
2	Directed	Revenues staff upon commencement of their employment will complete a 'Declaration Form', listing any family or friends who live in the Borough. The Systems team will process this information and bar the individual from accessing these accounts on Northgate. It was noted that an annual exercise is not conducted and that the onus is on staff to inform the Revenues section of any changes.	It is good practice to complete the declaration forms on an annual basis, preferably at the start of each financial year.	3	<i>All Council officers receive regular training on data protection and so are aware of their personal obligations in respect of not accessing accounts of family/friends. The team acknowledges that a regular review of blocked accounts will add a further level of control within this area, and so will develop a process for ensuring that all users' declarations are reviewed annually. However, this is not a task which will be done early in the financial year, as that is a period of time during which the support team need to focus their resources on more important processes linked to the closure of accounts and completion of Government returns.</i>	<i>Process to be determined and reviews commence by 31/12/20.</i>	<i>Revenues & Benefits Support Team Leader</i>

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Key Financial Controls (Main Accounting/ Treasury Management/Cash and Bank Accounts Receivable/Accounts Payable)	Q2	First part completed	
Budgetary Control	Q2	Final report	Final report issued 30 th October
Council Tax	Q2	Final Report	Final Report issued 14 th September
NNDR	Q2	Final Report	Final Report issued 22 nd September
Housing Benefit	Q3	Final Report	Final Report issued 2 nd November
Community Safety Partnerships	Q3	Planning meetings occurred, requested to be delayed..	N/A
Business Continuity – Including Pandemic	Q3	Deffered to Q4 (at request of JD)	N/A
Planning	Q3	Q4 – APM agreed (deffered at request of client (SW))	N/A
Housing Rents	Q3	In progress	N/A
Empty Homes	Q4		N/A
Commercial asset Management	Q3/Q4	In progress	N/A
GDPR	Q4	In progress	N/A
Corporate Health and Safety	Q4	Apm agreed	N/A
Cyber Security	Q3	Apm agreed	N/A
Governance and Risk management	All	Ongoing work workshop. (mostly for Q4)	N/A
Benefits and Savings Realisation	Q3	APM agreed (scheduled for December)	N/A
Ad Hoc/Contingency	N/A	N/A	N/A

KEY:

To be commenced

Site work commenced

Draft report issued

Final report issued

Priority 1 & 2 & 3 Recommendations - Progress update

Follow Up Analysis Table

Priority	Recs Outstanding as at 9/09		Aged Analysis for Overdue Recommendations				
	Past the Implementation Date	Before Imp Date	Greater than 1 year	Greater than 6 months	Greater than 3 Months	Less than 3 months	Less than 1 month
Priority 1	0	0	0	0	0	0	0
Priority 2	0	0	0	0	0	1	0
Priority 3	0	0	0	0	0	1	0

Note: Eight recommendations have been confirmed as having been implemented in the year to date.

List of overdue Priority 1 and 2 Recommendations

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	<p>Inspection of documentation and enquiry of management noted that the Service Level ICT Business Continuity Plan (BCP) does not determine the Recovery Time Objectives (RTO) or Recovery Point Objectives (RPO) of systems based on business impact. It was however noted that the HLDR Schedule does include RTO's and RPOs but that this document had not been updated/reviewed since 2014. All of the required information is contained within the HLDR Schedule; therefore, it may be efficient to use the same information for the IT BCP and to link both documents together.</p>	<p>The ICT Business Continuity Plan should link with an updated version of the ICT High Level Disaster Recovery (HLDR) Schedule in order for Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) to be included and identified.</p>	2	<p>The BC plan is due for a review in August 2020. This recommendation will form part of the document review.</p> <p>Management Update</p> <p>August 20 review delayed to incorporate any learning from IMT. Debrief form sent to all IMT members (8). This recommendation will form part of the document review.</p>	<p>30/08/2020</p> <p>Proposed revised due date</p> <p>29/01/2021</p>	<p>Group Manager – Technology & Digital Transformation</p> <p>Team Leader Corporate Health, Safety and Resilience</p>



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Dacorum Borough Council

Assurance Review of NNDR
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2020/21

September 2020

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objective

SCOPE

Assessed the adequacy and effectiveness of the internal controls in place at the Council for managing business rates.

KEY STRATEGIC FINDINGS



There is a suite of NNDR procedures maintained by the Revenues sections, which could not be reviewed due to file size and security issues on accessing the information remotely.



Due to Covid-19, the 2020/21 NNDR collection rate KPI has fallen in comparison to last year.



The Opening Debit reconciliation is performed at year end and not during the annual billing, to aid Finance with year-end accounts.



NNDR reliefs and exemptions awarded to Business' are not subject to regular review.

GOOD PRACTICE IDENTIFIED



The annual billing is underpinned by a timetable which is monitored by both the Systems and Revenues Team

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Regular review of NNDR reliefs/ exemptions awarded to Businesses is not undertaken by the Revenues section.	The Revenues section must conduct regular reviews for reliefs/ exemptions awarded to Businesses and in doing so adopt the methodology applied to Council Tax discounts/ exemptions. Thereby maintaining consistency in approach for both services which fall under Revenues.	2	<i>The Revenues team accepts that there is presently no comprehensive risk assessment of the various property reliefs/exemptions, and so it cannot demonstrate that reviews are being carried out to an appropriate degree. We will develop a risk-based schedule for reviewing BR accounts.</i>	<i>Schedule to be completed by 31/12/20.</i>	<i>Revenues Team Leader</i>
2	Directed	Revenues staff upon commencement of their employment will complete a 'Declaration Form', listing any family or friends who live in the Borough. The Systems team will process this information and bar the individual from accessing these accounts on Northgate. It was noted that an annual exercise is not conducted and that the onus is on staff to inform the Revenues section of any changes.	It is good practice to complete the declaration forms on an annual basis, preferably at the start of each financial year.	3	<i>All Council officers receive regular training on data protection and so are aware of their personal obligations in respect of not accessing accounts of family/friends. The team acknowledges that a regular review of blocked accounts will add a further level of control within this area, and so will develop a process for ensuring that all users' declarations are reviewed annually. However, this is not a task which will be done early in the financial year, as that is a period of time during which the support team need to focus their resources on more important processes linked to the closure of accounts and completion of Government returns.</i>	<i>Process to be determined and reviews commence by 31/12/20.</i>	<i>Revenues & Benefits Support Team Leader</i>

PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were raised during the audit.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.


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Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In Place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In Place	-	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in Place	1, & 2	-


Other Findings


- The Revenues section has a suite of procedures for NNDR which staff can access via the server. The Financial Regulations makes reference to NNDR in by way of collection and debt responsibilities assigned to the Assistant Director.
- The Group Manager (Revenues, Benefits and Fraud) has overall responsibility of Revenues. Day to day management falls to the Revenues Team Leader, who is supported by the Systems Development & Finance Officer Lead along with the Fraud team.
- Each member of the Revenues Team has access to the Northgate Revenues and Benefits system, they are allocated a unique username and password, the system prompts the user to change their password every 90 days.
- The Strategic Risk Register lists '**SR1- Funding and income is not sufficient to deliver the Council's Corporate Objectives**', which encompasses all income streams including Council Tax and NNDR.


Other Findings


- 


Weekly reconciliations between the Valuation Office Agency (VoA) listing and Northgate Revenues and Benefits system is undertaken and evidence of review is noted by way of name and date on the spreadsheet. Review and testing of a sample of weekly reconciliations identified that the reconciliations were performed on a weekly basis and contained evidence of review.
- 


The annual billing exercise is underpinned by a timetable which captures dates as to when each tasks should be completed by and the responsible officer assigned to the task.
- 


The Systems team uploads the annual parameters on to the Northgate Revenues and Benefits system and performs checks to ensure the NNDR calculations are correct for billing. In addition to this, 'dummy runs' of a sample of annual bills are sent to the Print Room, which are reconciled to the Print Room reports. To ensure there is no discrepancy between bills raised and printed.
- 


The Opening Debit Reconciliation is not performed at the time of the annual billing but at year end, in line with the requirements of the Finance Team. The Systems Development & Finance Officer Lead advised that the annual billing report can be produced at any point during the year, if required.
- 

Information for new properties or changes to properties is provided by various sources, such as the Revenues Inspector, Planning, VoA. As well as receiving information from VoA on property changes, Revenues will also inform the Agency of any changes. Review and testing of a sample of new/ changes to properties identified that the information had been processed in a timely manner and agreed to the source information.
- 

Businesses can apply for NNDR reliefs/exemptions, for example, Small Business Rates Relief, Charitable Relief, Discretionary Relief, Void Properties. Review and testing of a sample of reliefs/exemptions identified that the appropriate documents/ supporting evidence had been provided by the Businesses, was accurately captured on the Northgate Revenues and Benefits system and the amended bill reflected the relief/ exemption applied to the Business account.
- 

Review and testing of a sample of NNDR refunds identified that in all cases a 'Refund form' had been completed, and the refund was processed and authorised within Northgate Revenues & Benefits by relevant officers in accordance with the Council's Scheme of Delegation. Where the refund is over £40,000 additional documents are provided to the Finance team as part of the checks on outgoing payments in Unit 4.
- 

Review and testing of a sample of NNDR arrears, identified that in all cases the correct debt recovery process had been applied to the Business' account which was captured and noted on Northgate Revenues and Benefits
- 

Weekly cash receipting reconciliations are performed between Unit 4, the Council's financial ledger, and the Northgate Revenues and Benefits system. Review and testing of a sample of weekly cash reconciliations identified that in all cases the reconciliation had been performed in a timely manner and contained evidence of review by way of name and date.
- 

As at July 2020, the NNDR suspense account contained a nil balance. The Systems Development & Finance Officer Lead advised, that due to the relatively small volume of business properties (circa 4500) in comparison to resident properties (circa 65000), the suspense account entries are resolved quickly and thereby cleared.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In Place	-	-
FC	Financial Constraint The process operates within the agreed financial budget for the year.	N/a	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	N/a	-	-

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Other Findings



The NNDR annual collection rate KPI target for 2020/21 is 98.4% and is monitored and reported by the Systems team to the Revenues Team Leader and Group Manager. As at July 2020, the KPI stood at 32.5%, which was slightly down from the same period last year, 36%, a result of Covid-19.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	16 th July 2020	16 th July 2020
Draft Report:	14 th September 2020	16 th September 2020
Revised Draft Report:	18 th September 2020	
Final Report:	22 nd September 2020	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	NNDR		
Type of Review:	Assurance	Audit Lead:	Yasmeen Mehmood & Maisie Allen

Outline scope (per Annual Plan):	Rationale This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.		
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Detailed scope will consider:	Directed	Delivery
	Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.
	Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Financial constraint: The process operates with the agreed financial budget for the year.
	Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.

Requested additions to scope:	(if required then please provide brief detail)		
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Exclusions from scope:			
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Planned Start Date:	07/07/2020	Exit Meeting Date:	3rd Sept 2020	Exit Meeting to be held with:	Revenues Team Leader and Group Manager
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N

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Dacorum Borough Council

Assurance Review of Council Tax

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Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objective

SCOPE

The aim of the review was to assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.

KEY STRATEGIC FINDINGS



There is a suite of Council Tax procedures maintained by the Revenues sections, which could not be reviewed due to file size and security issues on accessing the information remotely.

Due to Covid-19:



- the 2020/21 Council Tax collection rate KPI has fallen in comparison to last year; and,
- the regular review of Council Tax discounts/ exemptions is currently on hold.



Regular reviews of the Single Persons Discount, is undertaken by Capacity Grid, who have recently issued the 2019/20 report to the Council.



The Opening Debit reconciliation is performed at year end and not during the annual billing, in line with year-end accounts.

GOOD PRACTICE IDENTIFIED



The annual billing is underpinned by a timetable which is monitored by both the Systems and Revenues Team.



Regular reviews are undertaken of Council Tax discounts and exemptions, which is based on an in-house risk assessment.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>Revenues staff upon commencement of their employment, complete a 'Declaration Form', listing any family or friends who live in the Borough.</p> <p>The Systems team process this information and bar the individual from accessing these accounts on the Northgate Revenues & Benefits system.</p> <p>It was noted that an annual exercise is not conducted and that the onus is on staff to inform the Revenues section of any changes.</p>	It is good practice to complete the declaration forms on an annual basis, preferably at the start of each financial year.	3	<i>All Council officers receive regular training on data protection and so are aware of their personal obligations in respect of not accessing accounts of family/friends. The team acknowledges that a regular review of blocked accounts will add a further level of control within this area, and so will develop a process for ensuring that all users' declarations are reviewed annually. However, this is not a task which will be done early in the financial year, as that is a period of time during which the support team need to focus their resources on more important processes linked to the closure of accounts and completion of Government returns.</i>	<i>Process to be determined and reviews commence by 31/12/20.</i>	<i>Revenues & Benefits Support Team Leader</i>

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PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were raised during the audit.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings






Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.


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RM


Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In Place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In Place	-	-
CC	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in Place	1	-


Other Findings


-  The Revenues section has a suite of procedures for Council Tax which staff can access via the server. The Financial Regulations makes reference to Council Tax by way of collection and debt responsibilities assigned to the Assistant Director.
-  The Group Manager (Revenues, Benefits and Fraud) has overall responsibility of Revenues. Day to day management falls to the Revenues Team Leader, who is supported by the Systems Development & Finance Officer Lead along with the Fraud team.
-  Each member of the Revenues Team has access to the Northgate Revenues & Benefits system, they are allocated a unique username and password, the system prompts the user to change their password every 90 days.


Other Findings


- 


The Strategic Risk Register lists '**SR1- Funding and income is not sufficient to deliver the Council's Corporate Objectives**', which encompasses all income streams including Council Tax and NNDR.
- 


Weekly reconciliations between the Valuation Office Agency (VoA) listing and the Northgate Revenues & Benefits system is undertaken and evidence of review is noted by way of name and date on the spreadsheet. Review and testing of a sample of weekly reconciliations identified that the reconciliations were performed on a weekly basis and contained evidence of review.
- 

The annual billing exercise is underpinned by a timetable which captures dates as to when each tasks should be completed by and the responsible officer assigned to each task.
- 

The Systems team is responsible for uploading the 2020/21 Council Tax bandings on to the Northgate Revenues & Benefits system and performs various checks to ensure the Council Tax calculations are correct for annual billing. In addition to this, 'dummy runs' of a sample of annual bills are sent to the Print Room, which are reconciled to the Print Room reports. To ensure there is no discrepancy between bills raised and printed.
- 





The Opening Debit Reconciliation is not performed at the time of the annual billing but at year end, in line with the requirements of the Finance Team. The Systems Development & Finance Officer Lead advised that the annual billing report can be produced at any point during the year, if required.
- 

Information for new properties or changes to properties is provided by various sources, such as the Revenues Inspector, Planning or VoA. As well as receiving information from VoA on property changes, Revenues will also inform the Agency of any changes. Review and testing of a sample of new/ changes to properties identified that the information had been processed in a timely manner on the Northgate Revenues & Benefits system and agreed to the source information.
- 

Residents can apply for Council Tax discounts/ exemptions, for example, Student discounts, Severely Mental Impairment, Empty Properties. Review and testing of a sample of discounts/ exemptions identified that the appropriate documents/ supporting evidence had been provided by the residents, was accurately captured on the Northgate Revenues & Benefits system and the amended bill reflected the correct discount/ exemption applied to the resident's account.
- 

The Revenues section undertakes 'regular reviews' of Council Tax discounts/exemptions. A spreadsheet is maintained which lists the different types of discounts/ exemptions which have been risk assessed and assigned a risk rating of 'High/ Medium/Low. Due to Covid-19, the regular reviews have been put on hold and will re-commence in the coming months.

Other Findings

-  Review and testing of a sample of Council Tax refunds identified that in all cases there was a valid reason for the refund, and where applicable there was also supporting evidence on the document file to support this. All refunds were processed and authorised within Northgate Revenues & Benefits system by relevant officers in accordance with the Council's Scheme of Delegation. .
-  Review and testing of a sample of Council Tax arrears, identified that in all cases the correct debt recovery process had been applied to the resident's account which was captured and noted on the Northgate Revenues & Benefits system.
-  Weekly cash receipting reconciliations are performed by the Systems Team, between Unit 4, the Council's financial ledger, and Northgate Revenues & Benefits system. Review and testing of a sample of weekly cash reconciliations identified that in all cases the reconciliation had been performed in a timely manner and contained evidence of review by way of name and date.
-  The Council Tax suspense account held on the Northgate Revenues & Benefits system, as at July 2020 totalled £ (4177). Review of the suspense account entries revealed that the entries ranged from May 2013 to November 2019. The Systems team maintains an excel workbook for the suspense account entries, which has a worksheet for the last six years, i.e. 2012/13 to 2019/20. The Systems Development Officer revealed that in line with the Council's Data Retention policy only six years of data is held, in any given financial year. The suspense account balance relating to the oldest year is written off to the Revenues Account at the year end.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

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Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In Place	-	-
FC	Financial Constraint The process operates within the agreed financial budget for the year.	N/a	-	-
PR	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	N/a	-	-

Other Findings



The Council Tax annual collection rate KPI target for 2020/21 is 98.4% and is monitored and reported by the Systems team to the Revenues Team Leader and Group Manager on a monthly basis. As at July 2020, the KPI stood at 37.3%, which was slightly down from the same period last year, 39%, a result of Covid-19.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	16 th July 2020	16 th July 2020
Draft Report:	14 th September 2020	16 th September 2020
Revised Draft Report:	18 th September 2020	
Final Report:	22 nd September 2020	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Council Tax		
Type of Review:	Assurance	Audit Lead:	Yasmeen Mehmood & Maisie Allen

Outline scope (per Annual Plan):	Rationale This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. Scope To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

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Planned Start Date:	07/07/2020	Exit Meeting Date:	3rd Sept 2020	Exit Meeting to be held with:	Revenues Team Leader and Group Manager
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N



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Dacorum Borough Council

Assurance Review of Housing Benefits

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November 2020

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

To provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. To assess the adequacy and effectiveness of the internal controls in place at the Council for benefits.

Impact of the implementation of Universal Credit could lead to lack of focus on work to help customers apply for the benefits.

The future impacts of Covid-19 are likely to increase the number of vulnerable residents and claimants.

SCOPE

The aim of the review was to assess the adequacy and effectiveness of the internal controls in place at the Council for benefits.

KEY STRATEGIC FINDINGS

- Control and Processes tested were found to be working effectively through the testing on 20 New Claims and changes of Circumstances, 15 overpayments and 10 write offs.
- Guides and procedures relating to Housing Benefits have been provided to officers and conform to relevant Government guidance
- Impact of COVID 19 on Benefits and LCTS claims are properly documented and communicated across the Council.
- Regular ongoing training is provided to the Benefits Caseworkers on processing housing benefits and CTS claims.

GOOD PRACTICE IDENTIFIED

- Sample testing of outlined above confirmed that supporting evidence was received for all claims and change in circumstances
- Performance against KPIs from Time to process Housing Benefits new claims and changes and Time supported that the process was efficient.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

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Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No recommendations were made							

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PRIORITY GRADINGS

1 URGENT Fundamental control issue on which action should be taken immediately.

2 IMPORTANT Control issue on which action should be taken at the earliest opportunity.

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

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RM
GF

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In Place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In Place	-	-
GF	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In Place	-	-

Other Findings



During 2020/21 the assessing and processing of Housing Benefit claims was undertaken from home with increased usage of online forms.

Responsibility for day to day operations lies with the Benefits Team Leader, supported by a number of assessors and a technical team.

A separate team focusing on service development, system administration and performance and quality is also in place, led by the Revenues & Benefits Support Team Leader.



Policies relating to Housing Benefits are set by central government and, as such, the Council receive regular Circulars and other guidance material from the DWP. It was confirmed that there are also a large number of Housing Benefits procedure notes accessible to all staff on a shared drive, including in relation to the processing of new claims and changes in circumstances, management checking procedures, payment runs, and overpayment recovery. The majority of the procedures in place have continued from the previous year.

Other Findings



It was confirmed that an updated housing benefits policy document has been in place, which sets out the key procedures for applications and the policies relating to the calculation of entitlement. Review of procedure notes is carried out on an ad hoc basis when necessary due to legislative changes or changes in the way that claims are managed on the Council's systems.



Review confirmed that the expected controls were in place and evidenced through: Manager and Financial Management approval of changes to standing data, timetabled input processing of notification of changes. Also confirmed was evidence of overpayment identification and recovery systems, root cause analysis and liaison with responsible Managers was available during the audit.



Before any assessment checks are completed to ensure information is provided and to prevent fraudulent claims.
Sample testing of new claims and changes in circumstances confirmed that supporting evidence was received for all claims and change in circumstances tested and data was correctly inputted to the system. No exceptions were noted.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In Place	-	-
FC	Financial Constraint The process operates within the agreed financial budget for the year.	In Place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In Place	-	-

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Other Findings

It was noted that Recovered Housing Benefits is reconciled on a daily basis by the Payment team. A spreadsheet is maintained for the daily reconciliations.

The DWP guidelines notes that backdated claims cannot be processed unless a good reason is provided, and that working age people make back date claims up to 4 weeks, while pension aged individuals can make back dated claims up to 3 months.

Sample testing of 10 backdated claims confirmed that all claims were processed with good reasons provided for back dating the claims and 9 of the 10 claims were for four weeks and under while one claims exceeded four weeks by 4 days, however, reasons exceeding the four week target was noted.

It was confirmed that Benefits postings are reconciled on a daily basis by the Payment team. A spreadsheet is maintained for daily reconciliations.

Other Findings



A QA module is set up to check all assessments done by new Benefits Officers when they commence their role in the Council. This will ease as the officer demonstrates their knowledge and competency. If a pattern of errors is noted for an officer, the percentage of claims assessment sampled will be increased.

The minimum sampling rate for assessments done by experienced officers is 5%. At least a minimum of 5% of all assessments done are checked.

The QA module automatically sample assessment when a payment of £5,000 and over is created or when an overpayment of over £10,000 is created.

Monthly QA data showing assessment checks for each officer is maintained by the Lead Officers and reported to the Benefits Team Leader for performance monitoring and training needs assessment.



As noted above, monthly QA assessment data is maintained on a monthly basis and it includes name of Caseworkers, number of assessment checked, Amount Correct, Amount Incorrect, Percentage Correct, Error Type and Remedial Actions taken. It was noted that remedial actions include speaking to caseworkers and advising them on actions to take to avoid such errors and how to correct error. If training is required, it will be provided to the case worker.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	7 th July 2020	7 th July 2020
Draft Report:	3 rd November 2020	3 rd November 2020
Final Report:	4 th November 2020	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Housing Benefits		
Type of Review:	Assurance	Audit Lead:	Philip Lazenby and Maisie Allen

Outline scope (per Annual Plan):	Rationale: This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for benefits.		
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Detailed scope will consider:	Directed	Delivery
	Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.
	Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Financial constraint: The process operates with the agreed financial budget for the year.
	Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.

Requested additions to scope:	(if required then please provide brief detail)		
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Exclusions from scope:			
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Planned Start Date:	07/07/2020	Exit Meeting Date:	6/10/2020	Exit Meeting to be held with:	Mathew Kelly and Chris Baker
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	
Have there been any significant changes to the process?	
Are there any particular matters/periods of time you would like the review to consider?	

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Dacorum Borough Council

Assurance Review of Budgetary Control

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2020/21

October 2020

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objective

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KEY STRATEGIC FINDINGS

The 'Budget Review Group' scrutinises the annual budget proposals submitted by the budget holders, which is chaired by the section 151 officer.

The annual budget is presented to Joint Overview and Scrutiny and Cabinet for review and to Full Council for approval and adoption.

All three Council Scrutiny Committees and Cabinet receive quarterly management accounts.

The Council's Strategic Risk Register is presented to the Audit Committee on a quarterly basis.

GOOD PRACTICE IDENTIFIED



The annual budget setting process is underpinned by a timetable which is monitored by Finance.



Budget holders have access to 'live' budgetary information as well as monthly meetings with Management accountants.

SCOPE

The control objectives considered were:

- Formally approved budgets are set each year, taking into account all relevant income and expenditure;
- All budget adjustments (including virements) are authorised;
- The financial management system accurately reflects the agreed budgets;
- Budgets are allocated to named individuals Budgets are adequately monitored;
- The budget position is regularly reported; and
- Appropriate financial reserves are maintained in line with assessed risks.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No audit recommendations raised during the audit.							

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PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no OEMs raised during the audit.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings



Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.








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Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In Place	-	-
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In Place	-	-
	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In Place	-	-

Other Findings

- The Council's Financial Regulations was last reviewed in December 2019, and the section 151 Officer is the author of the document. The Financial Planning team maintains in-house procedure guidance notes on budgetary aspects, such as Budget Monitoring, which is subject to annual review by the nominated Team Leader.
- The Chief Officers of the Council along with the Board Members review and update the four year Medium Term Financial Strategy prior to commencing the annual budget setting exercise.
- A 'Budget Review Group' (BRG) has been established to oversee the annual budget setting process and to scrutinise the budget proposals submitted by the Budget Holders. The BRG comprises of Chief Officers, Leader of the Council and other Cabinet Members and is chaired by the section 151 Officer.
- The Council's Strategic Risk Register contains risk 'SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives', which notes the Medium Term Financial Strategy and the Housing Revenue Business plan as the mitigating controls.

Other Findings

-  The annual budget setting process is underpinned by a timetable which is monitored by Finance. Review of the timetable revealed that the 2020/21 annual budget had been presented to Cabinet and Full Council in line with the prescribed timeframe.
-  Budget holders are provided with saving and growth targets to be achieved in their respective service area.
-  There has been no fundamental changes to the budget setting process for a number of years and contained within the Financial Regulations Annex 2, is the detailed process relating to the annual budget setting exercise for both capital and revenue.
-  Management accounts are presented to all three Scrutiny committees and Cabinet every quarter and is accompanied with a report detailing movements during the period under review.
-  The Council has circa 25 budget holders, who receive monthly budget statements from their designated Management Accountant, which are discussed and the meetings are minuted.
-  Budget holders, who have joined the Council, receive one-to-one training from the Management Accountants.
-  Through monthly budget monitoring it can be determined whether budgets can be better aligned which may result in a virement being raised. Inter directorate virements are not raised. At the time of the audit, no virements had been raised or processed.



Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	N/a	-	-
FC	Financial Constraint	The process operates within the agreed financial budget for the year.	N/a	-	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	N/a	-	-

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review, and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

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Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	8 th July 2020	8 th July 2020
Draft Report:	9 th September 2020	11 th September 2020
Final Report:	14 th September 2020	
Revised Final Report:	30 th October 2020	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Budgetary Control		
Type of Review:	Assurance	Audit Lead:	Yasmeen Mehmood

Outline scope (per Annual Plan):	<p>Rationale: Budgetary Control is a fundamental finance system that is audited every other year. The Council is currently in the final year of a 4-year funding deal with MHCLG, which has provided relative certainty over the minimum level of funding the Council can expect until April 2020. Scope: The control objectives that will be considered as part of this audit include: Formally approved budgets are set each year, taking into account all relevant income and expenditure. All budget adjustments (including virements) are authorised. The financial management system accurately reflects the agreed budgets. Budgets are allocated to named individuals Budgets are adequately monitored The budget position is regularly reported Appropriate financial reserves are maintained in line with assessed risks.</p>		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

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Planned Start Date:	02/09/2020	Exit Meeting Date:	7th Sept 2020	Exit Meeting to be held with:	Team Leader - Financial Planning
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	No
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	No
Have there been any significant changes to the process?	No
Are there any particular matters/periods of time you would like the review to consider?	No