

# Audit Agenda



**Wednesday 3 February 2021 at 6.30 pm**

## **Microsoft Teams - Microsoft 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**

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 (Pages 3 - 18)**

- Annual Audit Letter

### **6. INTERNAL AUDIT (Pages 19 - 68)**

- Internal Audit Progress Report
- Key Financial Controls
- Commercial Asset Management
- GDPR

### **7. FUTURE WORK PROGRAMME (Page 69)**

# The Annual Audit Letter for Dacorum Borough Council

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Year ended 31 March 2020  
8 January 2021



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Your key Grant Thornton  
team members are:

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Sarah Ironmonger  
Engagement Lead

T: +44 (0)207 865 2997  
E: Sarah.L.Ironmonger@uk.gt.com

Amber Banister  
Audit Manager

T: +44 (0)207 865 2021  
E: Amber.J.Banister@uk.gt.com

Lewis Miller  
Audit In-Charge

T: +44 (0)207 728 3221  
E: Lewis.JK.Miller@uk.gt.com

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# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Dacorum Borough Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 17 September 2020.

## Our work

<b>Materiality</b>	We determined materiality for the audit of the Council's financial statements to be £3,000,000, which is 2% of the Council's gross expenditure for the 2019/20 year.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the Council's financial statements on 10 November 2020.
<b>Whole of Government Accounts (WGA)</b>	We completed our assurance statement in relation to the whole of government accounts which confirmed that no work on the Council's consolidation return would be required, following guidance issued by the NAO, as Dacorum Borough Council is below the threshold in the NAO Group Instructions.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.

## Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

# Executive Summary

<b>Value for Money arrangements</b>	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit findings report to the Council on 17 September 2020 and in our opinion dated 10 November 2020.
<b>Certificate</b>	We certified that we have completed the audit of the financial statements of Dacorum Borough Council in accordance with the requirements of the Code of Audit Practice on 10 November 2020.

## Working with the Council

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council have been significantly impacted by Covid-19, with front-line challenges, administration of significant volumes of grants to businesses, closure of schools and car parks, and the additional challenges of reopening services under new government guidelines.

The impact on the core finance team has been more limited, with minimal changes to staff sickness rates, and remote working already being part of the normal course of business. The finance team were well set up for remote working and there were no changes in key financial processes that impacted on our approach to the audit. Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely throughout the audit visit, utilising screen-sharing software in order to gain sufficient assurance over the data being provided to the audit team. In addition, alternative procedures (such as the use of photographic evidence for physical verification of assets) have been used where necessary. Inevitably in these circumstances resolving audit queries takes longer than a face to face discussion. Both teams utilised a query log to track and resolve outstanding items. Regular meetings were held with senior finance staff to highlight key outstanding issues and findings to date ensuring that the audit process was as smooth as possible.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff .

**Grant Thornton UK LLP**  
January 2020

# Audit of the Financial Statements

## Our audit approach

### Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £3,000,000, which is 2% of the Council's gross expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration. We set a lower threshold of £100,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

### The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the Financial Statements

## Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Covid-19</b></p> <p>The global outbreak of the Covid-19 virus pandemic led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. The potential impact on the production and audit of the financial statements for the year ended 31 March 2020, included and was not limited to;</p> <ul style="list-style-type: none"> <li>- Remote working arrangements and redeployment of staff to critical front line duties potentially impacting on the quality and timing of the production of the financial statements, and the evidence we could obtain through physical observation</li> <li>- Volatility of financial and property markets could increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we could obtain to corroborate management estimates</li> <li>- Financial uncertainty would require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements may have arisen; and</li> <li>- Disclosures within the financial statements would require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• worked with you to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. Changes were made to materiality levels previously reported however this was due to significant change in gross expenditure between the prior year and the draft accounts rather than any additional risk as a result of the pandemic. The draft financial statements were provided on 25 June 2020;</li> <li>• liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;</li> <li>• evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;</li> <li>• evaluated whether sufficient audit evidence could be obtained through remote technology;</li> <li>• evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations;</li> <li>• evaluated the assumptions that underpin the revised financial forecasts and the impact on your going concern assessment;</li> <li>• discussed with you the implications for our audit report where we have been unable to obtain sufficient audit evidence.</li> </ul>	<p>Our work identified that the external valuer engaged to provide the valuation of land and buildings had disclosed within their report that a material uncertainty existed in relation the valuation as a result of the Covid-19 pandemic.</p> <p>We note that this does not mean that the valuation cannot be relied upon, but rather that due to there being less certainty in the valuation that a higher degree of caution should be attached to the valuation than would normally be the case.</p> <p>We are satisfied that the accounts made appropriate disclosures to highlight this material uncertainty and to bring this material matter to the attention of readers of the financial statements. Therefore we included an emphasis of this matter in relation to the valuation of land &amp; buildings within in our audit opinion. No further issues identified in relation to the described procedures.</p>

# Audit of the Financial Statements

## Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of land and buildings</b></p> <p>You revalue your land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.2 billion in 2018/19) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>wrote to the valuer to confirm the basis on which the valuation was carried out;</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;</li> <li>tested revaluations made during the year to see if they had been input correctly into your asset register;</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied</li> </ul>	<p>One amendment was made to the accounts in relation to an asset where the difference per the valuers report was £338,000 different to that recorded in the fixed asset register. This was due to an error in the upload between the valuation report and the Asset Manager system and was isolated to this one asset.</p> <p>Our audit work has not identified any further issues in relation to valuation of land and buildings.</p>
<p><b>Management override of internal controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. You face external scrutiny of your spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we completed:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence;</li> <li>evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<p>Minor disclosure amendments were made to the accounting policies, critical judgements and sources of estimation uncertainty within the accounts. These were disclosure issues only and no issues were identified with the application of accounting polices, judgements or estimates themselves through our work. No further issues were identified in relation to this risk.</p>

# Audit of the Financial Statements

## Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of net pension liability</b></p> <p>Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£80 million in your balance sheet in 2018/19) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• obtained assurances from the auditor of Hertfordshire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements;</li> <li>• undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.</li> </ul>	<p>A minor disclosure amendment was made to the accounts to ensure that the mortality assumptions presented were consistent with those in the actuary report.</p> <p>Between the provision of the Audit Findings Report and signing the audit opinion the Council received an updated IAS19 report which determines the figures in the pensions note, the pension figure in other comprehensive income in the CIES and the pension figure in the balance sheet. The updated report provided revised figure for the impact of the McCloud judgement in 2019/20. This would result in a £305k change to other comprehensive income in the CIES and the pension note. We reported this verbally to the Audit Committee. We note that the Council opted not to amend for this figure as it is not material, we were satisfied with this approach and it did not impact our unqualified audit opinion.</p>

# Audit of the Financial Statements

## **Audit opinion**

We gave an unqualified opinion on the Council's financial statements on 10 November 2020.

## **Preparation of the financial statements**

The Council presented us with draft financial statements in June 2020 in accordance with the agreed timescale, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the financial statements**

We reported the key issues from our audit to the Council's Audit Committee on 17 September 2020.

## **Annual Governance Statement and Narrative Report**

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website within the Statement of Accounts in line with national guidelines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

## **Whole of Government Accounts (WGA)**

We carried out work in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold.

## **Certificate of closure of the audit**

We certified that we have completed the audit of the financial statements of Dacorum Borough Council in accordance with the requirements of the Code of Audit Practice on 10 November 2020.

# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report, agreed with the Council in September 2020, we agreed recommendations to address our findings.

## Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Financial Sustainability in the Medium Term – Sustainable Resource Deployment</b></p>	<p>In arriving at our conclusion our main considerations were:</p> <ul style="list-style-type: none"> <li>Evaluating your Medium Term Financial Strategy (MTFS) and its assumptions for reasonableness and relevance;</li> <li>Evaluating your 2020/21 budget setting process and determining the reasonableness of your plans to resolve budget gaps;</li> <li>Assessing the 2019/20 outturn position against the 2019/20 budget to determine the potential effect on medium term financial sustainability;</li> <li>Understanding your reserves policy and evaluating the actual use of reserves against planned usage;</li> <li>Understanding and reviewing the reasonableness of savings plans and the effect on the MTFS;</li> <li>Evaluating your assessment if the impact of the Covid-19 pandemic on future cashflow, budget and reserves and its assumptions for reasonableness;</li> <li>Reviewing the adequacy of your governance and business continuity arrangements in response to Covid-19 pandemic.</li> </ul>	<p><b><u>Prior to the Covid-19 pandemic:</u></b></p> <ul style="list-style-type: none"> <li>You have demonstrated that you have a well supported budget setting process. This process incorporates an appropriate level of challenge and scrutiny a range of stakeholders, a good level of support from finance and that there is ongoing budget monitoring and updates for new information throughout the year to ensure budgets remain appropriate;</li> <li>You are able to successfully plan for the medium term by producing a Medium Term Financial Strategy (MTFS) for the next four years spanning 2020/21 to 2023/24. We are satisfied that your financial plans are based on realistic assumptions for future years;</li> <li>You have a robust process for identifying and monitoring savings which has resulted in you fully identifying your savings requirement of £0.643 million for 2020/21. This has since been updated (see proceeding section);</li> <li>In terms of outturn position you have demonstrated control over spending in 2019/20 and recorded a surplus outturn position on both the General Fund and Housing Revenue Account (HRA) of £153k and £1.2 million respectively. This performance was ahead of the budgeted outturn position and therefore has been added to earmarked reserves at year-end;</li> <li>You have maintained a strong level of reserves for 2019/20, although there was a use of reserves this was for planned specific purposes, namely to fund capital expenditure in relation to the HRA. You have been contributing to your earmarked reserves over the previous 5 years in order to fund this usage;</li> <li>You have set yourself a minimum general fund balance of £2.5 million which you wish to hold to ensure a minimum level of funds is available for non-specific expenditure should it be required. You have demonstrated that you have maintained this minimum threshold for 2019/20 by holding a general fund reserve of £2.502 million and have plans to maintain the minimum level in the medium term, even in light of the pressures from the Covid-19 pandemic;</li> <li>You have a good liquidity position including cash, cash equivalents and short term investments of £70 million which you can draw upon in the future whilst still maintaining the minimum levels you requires to continue providing services.</li> </ul> <p>The above arrangements were made and reviewed prior to the occurrence of the Covid-19 pandemic which saw the UK enter into lockdown with restrictions of travel and social distancing measures taking effect in March 2020 prior to the year end. The pandemic had the potential to significantly affect the financial sustainability of all organisations and as such we reviewed the Council's arrangements, from a financial sustainability perspective, in response to the effects of the pandemic as well as its business as usual arrangements covered above.</p>

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial Sustainability in the Medium Term – Sustainable Resource Deployment (continued)</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 14</p>		<p><b><u>Covid-19 Arrangements:</u></b></p> <ul style="list-style-type: none"> <li>You have identified that the Covid-19 pandemic is likely to cause a net budget pressure in 2020/21 to the Council of £5 million. This is comprised of a £5.6 million predicted loss of income, £1 million expenditure pressure and partially offset by £1.6 million of funding from central government.</li> <li>Your key income streams which are likely to be most negatively affected are investment property income, planning income, car parking income and garages income which accounts for 82% of the expected loss. Our review of the assumptions underlying the expected income loss identified that these assumptions were cautious in their predictions.</li> <li>Your strategies to respond to the pandemic demonstrate your ability to remain viable and these are based on these cautious assumptions and therefore did not suggest any significant issues with financial sustainability;</li> <li>Your income loss forecasts do not include the potential impact of losses in relation to council tax and business rates, which are two income streams on which the Council is reliant. Due to the way in which these income streams are administered income losses on council tax and business rates are likely to affect the 2021/22 financial year and therefore this will need to be incorporated into the MTFS update and 21/22 budget;</li> <li>You have included £1.6 million of government funding within your impact assessment of the pandemic. Since then a third tranche of funding has been released which increases this to £1.8 million and further government announcements have been made for other forms of support. These are not incorporated into your current budgeting but have the potential to reduce the £5 million budget pressure further;</li> <li>You have advised that the use of earmarked reserves is likely to be required to meet these financial pressures within the 2020/21 financial year, however, this would be at the expense of the future projects the reserves were created to support. As stated previously you have contributed significantly to reserves over the past 5 years which has prepared the Council well to respond to an unexpected event such as this. Our review of reserves strategy demonstrated that, prior to the pandemic, you were planning to contribute approximately £10 million to reserves over the next 3-5 years. In worst case scenario if no contributions could be made in 2020/21 and the £5 million pressure was funded from reserves the current balance of usable reserves would reduce to £50m which remains a sustainable level;</li> </ul>

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial Sustainability in the Medium Term – Sustainable Resource Deployment (continued)</p> <p style="text-align: center; font-size: 2em;">Page 15</p>		<ul style="list-style-type: none"> <li>• You have been able to produce a cashflow forecast which demonstrates stability in your cash reserves over the next 12 to 18 months. The cashflow forecast, updated in June 2020, demonstrated that the lowest predicted cash balance was £24 million held. Our analysis identified that this, alone, was sufficient to support the Council's net expenditure for until October 2021;</li> <li>• Since the development of the MTFS you have increased your savings requirement for 2020/21 from £0.643 million in the MTFS to £1.7million. The increase is due to additional growth bids and reductions in the 2019/20 budget. Currently you have identified a risk of potentially not achieving £0.9 million of this target, a proportion of which is as a result of the Covid-19 pandemic. This would likely cause additional pressure on reserves however the levels of reserves held are deemed sufficient;</li> <li>• The pandemic saw you update your governance arrangements particularly in relation to decision making. We are satisfied that the newly established Incident Management Team is an appropriate response to the situation and has ensured that decisions can be made swiftly and with appropriate scrutiny as well as using technology to allow business as usual Council and Executive decision making to continue;</li> <li>• We reviewed the updated business continuity arrangements and are satisfied that the Council have considered business continuity and appropriate levels of staffing across a wide range of operations. From a finance perspective there has been no issues as staff have been able to work remotely and segregation of duties has been upheld.</li> </ul> <p><b><u>Recommendations:</u></b></p> <p>The pandemic will likely cause a significant pressure and use of reserves and although we are assured that you have sufficient reserves to fund the pressures we recommend that you now look to implement a strategy to contribute to reserves in the medium term in order steadily increase reserves to pre-Covid-19 levels so that you are able to respond to any future challenges.</p> <p><b><u>Conclusion</u></b></p> <p>Accordingly, in our view, appropriate arrangements are in place to support your medium term financial position.</p>

## A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

### Reports issued

Report	Date issued
Audit Plan	5 February 2020
Audit Findings Report	17 September 2020
Annual Audit Letter	3 February 2021

### Fees

	Planned £	Actual fees £	2018/19 fees £
Statutory audit	63,980	73,580	60,480

### Audit fee variation

As outlined in our audit plan, the 2019-20 scale fee published by PSAA of £56,480 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. Those proposed prior to the year end audit were set out in our Audit Plan and those identified since the Audit Plan are set out in the following table.

Area	Reason	Fee proposed
<b>Revisiting planning</b>	We needed to revisit our planning and refresh risk assessments, materiality and testing levels. This resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.	2,400
<b>Management's assumptions and estimates</b>	There is increased uncertainty over many estimates including pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we were required to understand and challenge the assumptions applied by management.	2,400
<b>Financial resilience assessment</b>	We have been required to consider the financial resilience of audited bodies, Covid-19 has impacted on the financial resilience of all local government bodies. This increased the amount of work we needed to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.	2,400
<b>Remote working</b>	The most significant impact in terms of delivery was the move to remote working. We, as other auditors, experienced delays and inefficiencies as a result of remote working. In many instances the delays were caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone proved more time-consuming. Remote working also required additional audit procedures to gain assurance over information provided by the organisation.	2,400
<b>Total Covid-19 Impact</b>		<b>9,600</b>

Fee variations are subject to PSAA approval.

## A. Reports issued and fees continued

### Fees for non-audit services

Service	Fees £
<b>Audit related services</b>	
- Housing Benefit Subsidy Claim	17,500
- Pooling Housing Capital Receipts Return	3,500

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### Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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## Dacorum Borough Council

### Summary Internal Controls Assurance (SICA) Report

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Agenda Item 6

# Summary Internal Controls Assurance

## Introduction

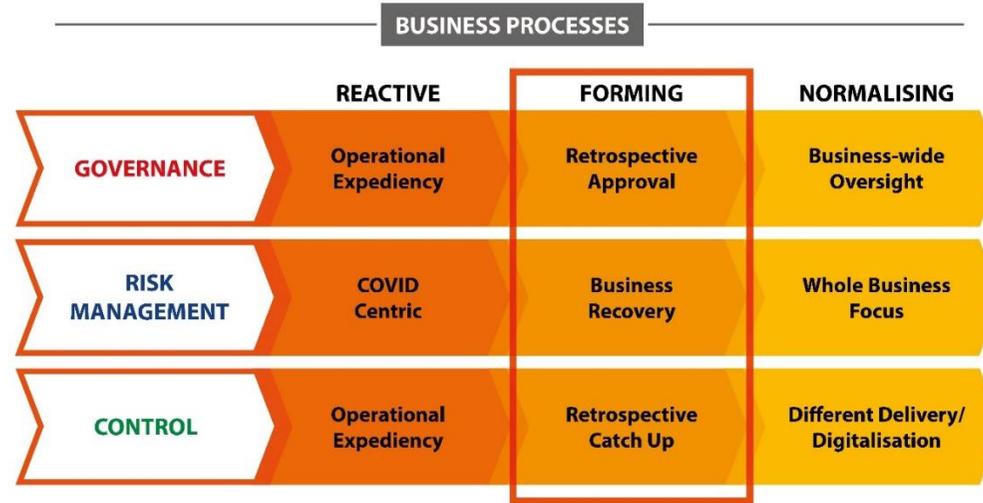
1. This summary internal controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Dacorum Borough Council as at 21<sup>st</sup> January 2021. The period covered by this summary controls assurance 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
Key Financial Controls	Substantial	December 2020	January 2021	January 2021	0	0	0	1
Community Asset Management	Substantial	November 2020	December 2020	January 2021	0	1	0	0
GDPR	Reasonable	November 2020	January 2021	January 2021	0	4	2	0

5. 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**

6. 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		
2019/20 Governance	Mazars	0	0	0	0	0	1
2019/20 Web Accessibility	Mazars	0	0	0	1	0	0
2019/20 Disaster Recovery	Mazars	0	0	0	0	1	0
2020/21 NNDR	Sept 2020	0	0	0	0	0	1

### 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.

### 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, the Business Continuity (incl Pandemic Response) and the Health & Safety review have been deferred to Quarter 1 of 2021/22, due to pressures in the department as a result of the Pandemic and the impact of the third National Lockdown.

### 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.

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## 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
Key Financial Controls	Substantial
Commercial Asset Management	Substantial
GDPR	Reasonable

# Key Financial Controls - Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

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SR1 ~ Funding and income is not sufficient to deliver the Council's Corporate Objectives

## KEY STRATEGIC FINDINGS



Financial transactions, processed by the Financial Services team, is in accordance with the Council's Financial Regulations and Scheme of Delegation.



Access controls to the Council's financial ledger has been assigned appropriately to staff, dependant on role and responsibilities.



Key financial policies/ strategies are approved by Cabinet.

## GOOD PRACTICE IDENTIFIED



Finance complete a monthly 'Key Financial Control' report, informing Senior Finance officers of the completion of month end key financial controls.



Processes introduced by the Business Systems Developer, utilising existing features of the Unit 4 platform, has improved the Financial Information System controls.

## SCOPE

The review assessed the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems. The review comprised of a number of compliance checks on activities in the areas of core financial responsibility for the organisation. The checks were carried out against the authorised procedures, and for any non-compliant transactions additional checks to be performed to establish whether the organisation's responsibilities and accountabilities had been met.

## ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	1

## 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)
There are no recommendations raised for this audit.							

# Commercial Asset Management - Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

No corporate risk specifically listed for this area.

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## KEY STRATEGIC FINDINGS



The Commercial Assets held by the Council, forms a stable asset base with very few if any new additions to the portfolio of properties held.



Unfortunately due to the pandemic, rental arrears have increased which is beyond the control of the Council until circumstances change.



It is likely, due to COVID 19 and the increase in arrears, that significant write off of debt may become a real issue and should be acknowledged in the Councils budgeting arrangements.

## GOOD PRACTICE IDENTIFIED



Examination of the various documents and data confirmed that the processes in place for the management of the Council's Commercial Assets was well established and was working well despite the current disruption caused by COVID 19

## SCOPE

- The review has considered the following key areas:
- How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise;
  - The current portfolio of commercially rented properties and how these are managed/verified are accurate;
  - To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place;
  - To establish that the database of commercial properties is accurate and up to date; and
  - To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement.

## ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	0

## Commercial Asset Management - 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	Delivery	<p>The government has passed a moratorium on debt collected that has been supported by the Council. Therefore Officers and Members are aware of the increased debt position for commercial properties. Total outstanding debt at the time of the audit (October 2020) comprises of the following:</p> <ul style="list-style-type: none"> <li>• Commercial Rents: £1,337,110.42 less due date not passed £41,972.39;</li> <li>• Facilities Hire: £119.00;</li> <li>• Caravans: £14,151.21; Due date not passed -£25</li> <li>• Property Management Miscellaneous: £57,820.32 less due date not passed £3,674.76;</li> <li>• Commercial Rents other: £22,152.68 less due date not passed £1,039.27;</li> <li>• Facilities Hire (Tring) £2,349.55 less due date not passed £643.00.</li> <li>• Total aged debt = £1,433,703.18 less due date not passed £47,304.42.</li> </ul> <p><b>Total aged = £1,386,398.76.</b></p>	As the recovery of some of the accumulated debt may well become unrecoverable, consideration must be given to reflecting this potential loss of income in the Councils future budgeting arrangements.	2	<i>DBC Finance Team have accounted for potential loss of income in next year's budget by allowing an additional £1m for non-collection of rental income.</i>	<i>End of February 2021</i>	<i>Finance Team</i>

# GDPR - Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

N/A – The risk register does not currently include a risk around compliance with GDPR. This has been raised as part of this report. : Failure to comply with the new General Data Protection Regulations could mean very substantial fines.

## SCOPE

To review compliance with the General Data Protection Regulations (GDPR). The review will directly assess how compliant the Council is with the GDPR. This will include key elements such as (but not limited to): Privacy Impact Assessments Data Subject rights (e.g. Right to be forgotten) Data Classification and Asset management Data Security Breach Management Governance Consent Data Controllers & Processors.

## KEY STRATEGIC FINDINGS

-  There is a need for a review of the Councils retention schedules and the agreement and documentation of appropriate retention and destruction periods.
-  Privacy notices to be drafted and published for the remaining Council service areas involved in the processing of personal data.
-  While the majority third party contracts have been reviewed and updated to include mandatory GDPR clauses some remain to be agreed.
-  The Council does not yet have a complete record of processing activity in place, although work on producing one is under way.

## GOOD PRACTICE IDENTIFIED

-  The Council has completed significant work towards achieving compliance with the GDPR/ Data Protection Act 2018 and work on becoming fully compliant is ongoing.
-  GDPR / Data Protection Act 2018 training has been produced and is compulsory for all staff.

## ACTION POINTS

Urgent	Important	Routine	Operational
0	4	2	0

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## GDPR - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	There is a recognised need for an in depth of review of the Councils retention schedules and the agreement and documentation of appropriate retention and destruction periods. Management advised during the audit that they were in the process of producing a plan to address this.	An exercise be undertaken to review retention schedules and ensure retention and destruction periods are appropriately documented.	2	<i>An on-going objective is to review the Council's e-records across all services to ensure that departments are aware of system records retention and any residual records on network shares. This is part of the Information Security Team Leaders (ISTL) Objectives.</i>  <i>This is a major item of work, so the timetable for implementation is adjusted to reflect this.</i>	30/9/21	Information Security Team Leader
3	Directed	The Council has published detailed privacy notices for Council functions on its website privacy pages. It was noted that the majority but not all functions were covered at the time of audit and that work on completing the remaining notices was ongoing.	Management ensure that privacy notices are drafted and published for all Council service areas involved in the processing of personal data.	2	<i>There are currently 21 Privacy Policies in place. A further 6 are due to be published to ensure that every service is reflected. On ISTL Work Plan</i>	28/2/21	Information Security Team Leader
4	Directed	An exercise of identifying and reviewing third party contracts to ensure they include required GDPR clauses has been undertaken by the Council. While the majority of required changes have now been completed, there is a small number which are still in the process of being negotiated.	Management ensure all Council contracts and reviewed and updated to include mandatory GDPR clauses.	2	<i>New Clauses in place since May 2018</i>	Completed	Information Security Team Leader

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Directed	The Council does not yet have a complete record of processing activity in place, although some work has been undertaken to produce one with work to date having focussed on the HR function. A full review of the Council's data records is planned which will enable in the production of the record of processing activity.	The record of processing activity be completed following the completion of the ongoing review of records.	2	<p>An on-going objective is to review the Council's e-records across all services to ensure that departments are aware of system records retention and any residual records on network shares. This is part of the Information Security Team Leaders (ISTL) Objectives.</p> <p>This is a major item of work, so the timetable for implementation is adjusted to reflect this.</p>	30/9/21	Information Security Team Leader
1	Directed	It was noted that, while the majority of policies have been updated to reference GDPR requirements, a number of policies require further review and updating having last been updated in 2018. These include the 'Corporate Information Security Management Policy', 'Retention Schedule Policy', 'Records Disposal' and 'GDPR UK Data Protection Act V1_2' policies.	Management to undertake an exercise to review and update all relevant information governance and security policies to ensure they are up-to-date and reflect the latest processes and controls.	3	There are currently 21 Privacy Policies in place. A further 6 are due to be published to ensure that every service is reflected. On ISTL Work Plan	28/2/21	Information Security Team Leader
5	Directed	It was noted that while the Council maintains a risk register this does not include a risk around lack of compliance with DPA/GDPR.	Management to document mitigating controls and ongoing activity around DPA/GDPR compliance as part of the Council's risk register.	3	New Clauses in place since May 2018	Completed	Information Security Team Leader

## 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	Final Report	Final report issued 14 <sup>th</sup> January 2021
Budgetary Control	Q2	Final report	Final report issued 30 <sup>th</sup> October 2020
Council Tax	Q2	Final Report	Final Report issued 14 <sup>th</sup> September 2020
NNDR	Q2	Final Report	Final Report issued 22 <sup>nd</sup> September 2020
Housing Benefit	Q3	Final Report	Final Report issued 2 <sup>nd</sup> November 2020
Community Safety Partnerships	Q3	In progress	Draft to be issued end of Jan 2021
Business Continuity – Including Pandemic	Q3	Deferred to Q1 2021/22	N/A
Planning	Q3	Q4 – APM agreed (deferred at request of client (SW))	To commence late Feb/ Early March 2021
Housing Rents	Q3	In progress	N/A
Empty Homes	Q4	APM issued December 2020	Review to commence Feb 2021
Commercial Asset Management	Q3/Q4	Final Report	Final Report issued 22 <sup>nd</sup> Jan 2021
GDPR	Q4	Final Report	Final Report issued 25 <sup>th</sup> Jan 2021
Corporate Health and Safety	Q4	Deferred to Q1 2021/22	N/A
Cyber Security	Q3	In progress	Delays encountered due to IT Health Check being conducted and addressing actions.
Governance and Risk management	All	Ongoing work workshop. (mostly for Q4)	N/A
Benefits and Savings Realisation	Q3	In progress	Review commenced December 2020
Ad Hoc/Contingency	N/A	N/A	N/A

**KEY:**

To be commenced

Site work commenced

Draft report issued

Final report issued

Audits Cancelled/ Deferred

## Priority 1 & 2 & 3 Recommendations - Progress update

### Follow Up Analysis Table

Priority	Recs Outstanding as at 21/01/2021		Aged Analysis for Overdue Recommendations (past date/revised date as appropriate).				
	Past the Original 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	2	0	0	0	0	0	2
Priority 3	2	0	0	0	0	0	2

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

## List of overdue Priority 1 and 2 Recommendations

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<b>2019/20 Governance Role</b>						
The executive should issue a communication to all Councillors outlining the requirement that mandatory training is to be completed when due. The process for escalating non completion of mandatory training and for dealing with noncompliance should be adhered to and corrective actions be taken where gaps are identified	2	All Members have been offered the opportunity to attend mandatory training on at least two different dates. One further training session will be made available for councillors who have been unable to attend training and there will be close liaison with Group Leaders to ensure Members attend. If Members still fail to attend a report will be taken to the Council's Standards Committee for consideration.	31/12/2020	Corporate Support Team Leader Director – Corporate and Contracted Services	To be followed up during quarter 4 2020/21.	
<b>2019/20 Business Continuity</b>						
The Council should address the issues highlighted in the Siteimprove reports as a matter of priority and ensure changes are applied across domains and services consistently.	2	As recommended, we will address the issues highlighted in the Siteimprove report. Our first priority will be the main websites	30/10/2020 <b>Revised date</b> <b>26/02/2021</b>	GM – Technology & Digital Transformation	Revised implementation date yet to be reached.	
<b>2019/20 Disaster Recovery</b>						

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
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.	2	The BC plan is due for a review in August 2020. This recommendation will form part of the document review.	30/08/2020  <b>Revised date</b> <b>29/01/2021</b>	Group Manager – Technology & Digital Transformation  Team Leader Corporate Health, Safety and Resilience	Revised implementation date yet to be reached.	
<b>2020/21 NNDR</b>						
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	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.	31/12/2020  <b>Revised date</b> <b>31/03/2021</b>	Revenues Team Leader	Outstanding at the time of writing this report – will be followed up again during quarter 4 2020/21.	

**KEY:**

**Priority Gradings (1 & 2)**

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.	<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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**Risk Mitigation**

<b>CLEARED</b>	Internal audit work confirms action taken addresses the risk exposure.	<b>ON TARGET</b>	Control issue on which action should be taken at the earliest opportunity.	<b>EXPOSED</b>	Target date not met & risk exposure still extant
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Internal Audit

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## Dacorum Borough Council

Assurance Review of Key Financial Controls

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2020/21

January 2021

# Executive Summary

**OVERALL ASSESSMENT**



**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

SR1 ~ Funding and income is not sufficient to deliver the Council's Corporate Objectives

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**KEY STRATEGIC FINDINGS**

- Financial transactions, processed by the Financial Services team, is in accordance with the Council's Financial Regulations and Scheme of Delegation.
- Access controls to the Council's financial ledger has been assigned appropriately to staff, dependant on role and responsibilities.
- Key financial policies/ strategies are approved by Cabinet.

**GOOD PRACTICE IDENTIFIED**

- Finance complete a monthly 'Key Financial Control' report, informing Senior Finance officers of the completion of month end key financial controls.
- Processes introduced by the Business Systems Developer, utilising existing features of the Unit 4 platform, has improved the Financial Information System controls.

**SCOPE**

The review assessed the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems. The review comprised of a number of compliance checks on activities in the areas of core financial responsibility for the organisation. The checks were carried out against the authorised procedures, and for any non-compliant transactions additional checks to be performed to establish whether the organisation's responsibilities and accountabilities had been met.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	0	0	1

## 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)
There are no recommendations raised for this audit.							

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PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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<b>2</b>	<b>IMPORTANT</b>	Control issue on which action should be taken at the earliest opportunity.
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<b>3</b>	<b>ROUTINE</b>	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
1	Directed	<p>The Council replaced the legacy Financial Information System, Agresso with a substantially updated version now known as Unit4. Unit4 provides far greater functionality including the use of workflow. The Unit4 system is managed by the Business Systems Developer (BSD). When carrying out the audit there was clear evidence of the enhancements that have been introduced by the BSD, building on the features of the Unit4 platform to ensure effective controls are in place.</p> <p>It was noted that there is significant reliance placed on the BSD. There is no officer within the team, who can undertake the BSD role, if he were to leave or go on long term sickness.</p>	<p>The Council needs to consider nominating and training an officer to deputise in the event the BSD is absent or leaves.</p>	

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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	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	1
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In place	-	-

## Other Findings

### Governance Arrangements



A review of the Council's Financial Regulations document was carried out and it was noted that it is reviewed every two years and was last reviewed in 2019. The document provides a framework for managing the financial affairs of the Council. The high-level Scheme of Delegation that is included within the Financial Regulation document, sets out the authorisation levels for managers. The Financial Regulations Document also outlines the requirement for each of the Corporate Directors to maintain their own scheme of delegation identifying the officers who are authorised to act on their behalf.



The Council has a suite of key financial procedure documents in place, which have been designed to ensure compliance with the Council's Financial Regulations. The Council checks that these documents are still current as part of the monthly Key Control Review process.

## Other Findings



The Council maintains a number of Key Strategy documents which support the control of the Council's finances, for example, the Annual Treasury Management Strategy Statement (TMSS) which was agreed by Cabinet in February 2020. The TMSS includes areas that ensures effective treasury management and includes statements on:

- the Capital Expenditure (Including Prudential Indicators);
- the Minimal Revenue Provision (Outlining how residual Capital expenditure will be recharged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised); and
- the Investment Strategy (the parameters on how investments are to be managed).



The Council has a "Key Financial Control" document in place which is compiled on a monthly basis by the Financial Accountant, reviewed and digitally signed by the Team Leader (Financial & Regulatory Accounting). The document lists the following tasks to be undertaken:

- Feeder Systems posted to the General Ledger;
- Reconciliations have been completed;
- Holding and suspense accounts have been reviewed;
- Strategies, Policies and procedure documents are current;
- Key financial procedures have been carried out; and
- Statutory Returns have been filed within the requisite timeframe.

## Financial Information System



A review of the access controls for the Financial Information System (FIS) established that users are assigned "role-based" user accounts, which ensures that users are only allocated the permissions that they require to carry out their job. A list of system users was obtained together with the roles that they had been assigned and testing identified that appropriate roles had been assigned to users. Privileged roles that have been assigned to Senior Managers or finance officers have been restricted to the appropriate user accounts.



It was noted that some officers were found to have more than one user account. It was established that these users are "corporate experts" and have been provide an additional account in order for them to scrutinise and authorises specific spending. The Business Systems Support Manager has recognised the potential risk of allowing officers to have two user accounts and has therefore created a report using Unit 4 workflow capabilities to generate an e-mail which is sent to the individual's line managers when the system identifies a transaction that has been initiated and authorised by the same person.

**Other Findings**

**Compliance - Accounts Receivable**



It was established that the Accounts Receivable income originates from one of three sources:

- Sales orders - Designated officers within the Council have been granted permission to raise sales orders which are entered onto the Accounts Receivable system, once checked and approved by a member of the Financial Services Team a sales invoice is created and sent to the Customer
- Reoccurring invoices - are set up within the system to be issued on predefined dates. These are sent to Customers to whom the Council provides goods or services, such as Trade Waste, Commercial Rents and individuals who subscribe to the Lifeline Community Alarm Service.
- One-off invoices - are set up by the Financial Services Team on receipt of an e-form request.



The BACS payment notification reports are checked by the Finance team, as part of the bank reconciliation process.

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There has been a significant rise in the number of credit notes raised this year, due to the Council being unable to provide services as a result of the Covid Pandemic. Credit notes can only be raised against sales invoice held on the system.



Aged Debtor reports are reviewed by Finance on a monthly basis. The Council monitors the management of debtors via a Key Performance Indicator (KPI) 'FIN30 - In Year Percentage Collection excluding CIL's (% collected of invoices issued in the current year)'. At the time of the audit, the KPI outturn stood at 84.6% against the annual target of 90%.



Review and testing of a sample of debt write offs actioned during the year, identified that the "Sundry Debt Write-Off Request" form had been completed and digitally signed by the Team Leader, the Financial Services Group Manager and the Section 151 Officer. For material value write-offs, these were forwarded to the Portfolio Holder for approval in accordance with the Financial Regulations.

**Compliance - Accounts Payable**



Finance undertakes periodic testing to establish the volume of retrospective orders raised, which to date has identified a relatively low number of instances where this has occurred. Whereas, Purchase Orders (POs) matched to invoices equates to 80%. Managers have started to upload call-off orders, obtaining authorisation up front for a set value for invoices received throughout the year.



Invoices are matched to orders, where a Goods Received Note has been processed to evidence receipt of the items that appear on the invoice. Invoices without POs are authorised upon receipt. A data analytics exercise was undertaken for all invoices processed at the time of the audit, which confirmed that in all cases invoices had been authorised in accordance with the Council's Scheme of Delegation.

**Other Findings**



The Business Systems Development Manager has created a specific report which is designed to identify any potential duplicate payments, which is run on a daily basis. A Finance officer has been assigned with responsibility to check the report and resolve any overpayment issues, if the report has identified a genuine duplicate payment.



The Procurement Team have access to system reports that informs them of high value purchase orders, which may/should have been subject to the Council’s Procurement rules. At the beginning of each year the Procurement team produce a ‘Forward Plan’ which outlines all of the key projects and details of the contracts that they are aware of. Every 6 months, Group Managers are issued with a report which highlights any breach of the Council’s Standing Orders.



To date, the Council has issued one hundred plus purchase cards to staff, which is referred to as ‘Electronic Payment Card’ (EPC). The EPC spending records for the period April to September 2020, revealed spend totalling £261,743. Whilst there are clear advantages in using EPCs and savings in relation to processing payments to suppliers, the use of the cards is a high risk strategy. The cards payments circumvent the control processes that are embedded within the Accounts Payable system. The Council has considered this risk and is effectively managing the EPC spending. All card spending is retrospectively checked and signed off, there are policies in place which all card holders are required to sign before the card is issued to them. Spending is published on the Council’s “Transparency” pages of the Website and the Procurement team review the spending that has been reported. There have been no reported issues of fraudulent misuse of EPCs.

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The BACS payment runs are checked and authorised in accordance with the Councils Scheme of Delegation. A BACS ‘Control Sheet’ is generated, which is completed and authorised in accordance with the “BACS Run Procedure Document”. Any payments over £40,000 are checked and individually digitally signed on the Control Sheet by a Senior Finance Officer.



The reconciliation between the feeder systems and the General Ledger is recorded on the Key Control Document along with details of the reviewing officer. Review of the Accounts Payable reconciliation for the period June to September 2020, identified that the reconciliations were compiled on a monthly basis and signed off by the Lead Officer in Financial Services.



Longstanding commitments that are held on Unit4, in relation to orders that have not been paid, are checked by the Accountants to ensure that they are valid. E-mails are also sent to managers if the order has not been cleared within two weeks.

**Compliance - Treasury Management**



The Council has adopted a low risk approach to investments, currently restricting the portfolio to UK financial organisations. At the time of the audit, the Council’s current portfolio stood at circa £78m.



The Council’s treasury management advisers, Link Asset Services, provide expertise and guidance in developing an Investment Strategy. Cabinet is presented with reports on treasury management policies, practices and activities, including, mid-year review and an annual report.



Review of the ‘Summary Report of Investment’s as at 30 September 2020, revealed that all investments placed during the year were found to be in compliance with the Investment Strategy. The return on all investments is low due to the current level of interest rates.

### Other Findings

-  Review and testing of CHAPS payments, identified that the investment payments were authorised in accordance with the Scheme of Delegation and were digitally signed by the Senior Finance Managers.
-  Borrowing by the Council is kept to a minimum, the information on current borrowing is included in the same report as investments.
-  The Council utilises the Logotech system to manage Treasury Management, this software supports the Council in managing, treasury risk, compliance and governance. Cash flows are monitored daily.

### Compliance - Main Accounting

-  Changes or requests for new accounting codes must be approved by the Group Manager for Financial Services. A list of new codes created within the current financial year in Unit4 was obtained, each change contained links to the request forms, which had been approved by the designated officer.
-  Journals are raised and processed by the Finance team. A data analytics exercise was undertaken for all journals processed to date, which identified that all journals had been entered and authorised by a member of the Financial Services Team and that there were no journals entered and approved by the same user. Providing assurance that there is adequate segregation of duties in place over journal processing.
-  Suspense and holding accounts are listed on the Key Control Document, which notes details of the officer who performed the check for each account. Review of the Key Control Documents for the period June to September 2020, revealed that the document contained evidence of check by way of sign off.
-  The feeder system reconciliation, including the payroll (which is outsourced), are checked and signed off and this is noted on the Key Control Document.
-  Bank reconciliations are performed monthly and the current balances are recorded on the Key Control Document.



**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	<b>Performance Monitoring</b> 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.	Out of Scope	-	-
FC	<b>Financial Constraint</b> The process operates within the agreed financial budget for the year.	Out of Scope	-	-
R	<b>Resilience</b> Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Out of Scope	-	-

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**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.

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

**Assurance Assessment**

4. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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
<b>Audit Planning Memorandum:</b>	16 <sup>th</sup> September 2020	16 <sup>th</sup> September 2020
<b>Draft Report:</b>	14 <sup>th</sup> January 2021	
<b>Final Report:</b>		

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	Key Financial Controls		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Peter Baker

<b>Outline scope (per Annual Plan):</b>	<p><b>Rationale:</b> This is the main financial ledger and an important system for the Councils which is audited annually. <b>Scope:</b> To assess the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems. The review comprising a number of compliance checks on activities in the areas of core financial responsibility for the organisation. The checks to be carried out against the authorised procedures, and for any non-compliant transactions additional checks to be performed to establish whether the organisation’s responsibilities and accountabilities had been met.</p>		
<b>Detailed scope will consider:</b>	<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>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>	N/a		

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<b>Planned Start Date:</b>	Sept & Nov 2020	<b>Exit Meeting Date:</b>	26/11/2020	<b>Exit Meeting to be held with:</b>	Group Manager – Financial Services
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### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
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



Internal Audit

**FINAL**

## Dacorum Borough Council

Assurance Review of Commercial Asset Management  
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**2020/21**

January 2021

# Executive Summary

**OVERALL ASSESSMENT**

**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

No corporate risk specifically listed for this area.

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**KEY STRATEGIC FINDINGS**

- The Commercial Assets held by the Council, forms a stable asset base with very few if any new additions to the portfolio of properties held.
- Unfortunately due to the pandemic, rental arrears have increased which is beyond the control of the Council until circumstances change.
- It is likely, due to COVID 19 and the increase in arrears, that significant write off of debt may become a real issue and should be acknowledged in the Councils budgeting arrangements.

**GOOD PRACTICE IDENTIFIED**

- Examination of the various documents and data confirmed that the processes in place for the management of the Council's Commercial Assets was well established and was working well despite the current disruption caused by COVID 19

**SCOPE**

The review has considered the following key areas:

- How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise;
- The current portfolio of commercially rented properties and how these are managed/verified are accurate;
- To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place;
- To establish that the database of commercial properties is accurate and up to date; and
- To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	1	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)
1	Delivery	<p>The government has passed a moratorium on debt collected that has been supported by the Council. Therefore Officers and Members are aware of the increased debt position for commercial properties. Total outstanding debt at the time of the audit (October 2020) comprises of the following:</p> <ul style="list-style-type: none"> <li>Commercial Rents: £1,337,110.42 less due date not passed £41,972.39;</li> <li>Facilities Hire: £119.00;</li> <li>Caravans: £14,151.21; Due date not passed -£25</li> <li>Property Management Miscellaneous: £57,820.32 less due date not passed £3,674.76;</li> <li>Commercial Rents other: £22,152.68 less due date not passed £1,039.27;</li> <li>Facilities Hire (Tring) £2,349.55 less due date not passed £643.00.</li> <li>Total aged debt = £1,433,703.18 less due date not passed £47,304.42.</li> </ul> <p><b>Total aged = £1,386,398.76.</b></p>	As the recovery of some of the accumulated debt may well become unrecoverable, consideration must be given to reflecting this potential loss of income in the Councils future budgeting arrangements.	2	<i>DBC Finance Team have accounted for potential loss of income in next year's budget by allowing an additional £1m for non-collection of rental income.</i>	End of February 2021	Finance Team

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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
There are no Operational Effectiveness Matters arising.				

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	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In Place	-	-
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Out of Scope	-	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	In Place	-	-

### Other Findings



All previous recommendations raised by Mazars in their two earlier reports, Commercial Asset Management (September 2016) and Commercial Asset Management (Garages) (November) 2018, have been implemented.



The Asset Management Strategy was due to be refreshed in June 2020 post the publication of the new corporate plan and the climate change strategy. Unfortunately, due to the Covid pandemic, this has been delayed, and as the outlook and expectation of this strategy has changed from expansion and diversification of the portfolio to protection and diversification which will take the strategy in potentially a different direction. This task will be undertaken at a future date to be agreed in the new calendar year when the Council will be able to assess their priorities once the outlook of Covid-19 is better known.



There is currently no planned increase to the Commercial Asset portfolio and the majority of properties are garages with a number of the other commercial properties only having a peppercorn rent because of either the tenant who occupies the property (charity) or the nature of the lease (utility sub-station).



**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	<b>Performance Monitoring</b> 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	1	-
FC	<b>Financial Constraint</b> The process operates within the agreed financial budget for the year.	Out of Scope	-	-
R	<b>Resilience</b> 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**



The current Asset Management Strategy (January 2016) contained a number of the Key Recommended Actions as follows:

- 1) Review the implementation of the Key Recommended Actions contained within the Asset Management Strategy - this has been completed and the Vauxhall Road Depot is a good example of this.
- 2) Monitor utilization of community assets - Lease Renewals & Rent Reviews for these assets are raised and reviewed in the monthly reports that are run.
- 3) Sustain a proactive maintenance regime - a stock condition survey is used to form the basis of planned repair and maintenance work and the budgeting process annually.
- 4) Adopt a consistent approach to below market rents for the public and 3rd sector - a consistent approach has been adopted. For example community centres remain at nil rent whilst other community leases are held on notional £250 per annum rents.
- 5) Review the property operating model to deliver better performance and decision-making - there is a decision making process in place under Delegated Authority and Portfolio Holder Decision. Any matter that is perceived to be out of the ordinary is also tabled at Property Management Board.
- 6) Review management information collation and performance reporting so the right information is given to decision-makers - Performance Indicators are reviewed annually.

## Other Findings



The following projects were identified in the Asset Management Strategy to form part of the forward Delivery Plan. The time scale for these to be delivered was 2016/17.

- 1) The Forum and Market Square: Forum Building is completed and DBC occupy the premises; Market Square: Feasibility ongoing; Ex-Civic Centre – ongoing.
- 2) Land at Maylands: ongoing disposal discussions.
- 3) Garage Portfolio Review: Ongoing project disposals. A new Garage Investment Strategy has been commissioned to be drawn up.
- 4) The Bury: Ongoing as various external funding bids have not been successful. Third Party structural/heritage surveys have been instructed.
- 5) Community Asset Usage: Ongoing e.g. DENS foodbank project.
- 6) Conduct Asset Development Reviews on Under Utilised Assets: Ongoing – see response to point 3 noted above and Vauxhall Road Depot attachment.
- 7) Sustainable and Proactive Maintenance Regime: Stock Condition surveys are undertaken.
- 8) Below Market Rents: There is no formal policy, however, the Council does continue to manage community assets at a subsidised level. The Council does look for opportunities to enhance rental income where possible.
- 9) Property Investment Fund: Ongoing – this is the Asset Management Team's day job.
- 10) Property Management Board: Improved visibility and performance has been achieved and this Board meets monthly.
- 11) Undertake a Management Information Review: The Council's Management Information reporting tool is called 'Asset Manager'. In addition to this, the Geographic Information System (GIS) Cadcorp has been installed.



The pandemic and the Coronavirus Act 2020 with its moratorium on legal debt recovery action has affected the ability for the Council to recover arrears of Commercial Rents as efficiently as had been undertaken prior to the first lockdown at the end of March 2020. Pre-Covid, the Council would escalate debt recovery process after 6 months (two quarters) but the moratorium on legal debt recovery has prevented this. Members have made it clear that the Council should be supportive over and above the Coronavirus Act in the current climate and refrain from taking what may be received as punitive action in a sensitive and difficult time for businesses. Apart from the debt recovery matter Covid 19 and the disruption caused by the pandemic has been well managed by the Commercial Asset Team.



For rent deposits, which does provide some financial security, over failure to pay rent, the Council does request these where practical to do so. The Council may also take both a deposit and a guarantor or neither, as it will depend upon the individual circumstance and lease in question. Deposits will only be held for a fixed term and not necessarily the full length of the lease as it would prohibit commercial activity such as for a new start-up business. The Council's properties are a mix of quality properties and of properties of a certain age where demand can be limited so a flexible and commercial approach to agree lettings is taken. Rental deposits will form part of the negotiation for the lease.

## Other Findings



In March 2020, a total of £22,135.24 rent debt was written off, with the following reasons:

- Five for Insolvent;
- Seven for recovery activity exhausted;
- Eight for unable to trace;
- Seven for uneconomical to pursue; and
- 17 for unenforceable debt.

The write offs were appropriately approved, by initially, the Team Leader then the Group Manager and finally the Section 151 Officer, in accordance with Financial Regulations.

## 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

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<b>Partially in place</b>	The control arrangements in place only partially mitigate the risk from arising.
<b>Not in place</b>	The control arrangements in place do not effectively mitigate the risk from arising.

## Assurance Assessment

4. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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
<b>Audit Planning Memorandum:</b>	16th September 2020	23 <sup>rd</sup> September 2020
<b>Draft Report:</b>	26 <sup>th</sup> November 2020	12 <sup>th</sup> January 2021
<b>Final Report:</b>	13 <sup>th</sup> January 2021	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	Commercial Asset Management		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Chris Harris

<b>Outline scope (per Annual Plan):</b>	<p>Rationale: Commercial Rents are a major income stream for the Council and an annual audit is required to provide assurance that all rents are collected in accordance with the rental/lease agreement. Scope: The review will consider the following key areas: How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise. The current portfolio of commercially rented properties and how these are managed/verified are accurate. To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place. To establish that the database of commercial properties is accurate and up to date. To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement.</p>		
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<b>Page 57</b>	<b>detailed scope will consider:</b>	<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>
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<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>	None		

<b>Planned Start Date:</b>	12/10/2020	<b>Exit Meeting Date:</b>	09/11/2020	<b>Exit Meeting to be held with:</b>	Richard Rice
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### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
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?	





ICT Audit

FINAL

## Dacorum Borough Council

ICT Review of GDPR Information Governance

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2020/21

January 2021

## Executive Summary

### OVERALL ASSESSMENT



### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

N/A – The risk register does not currently include a risk around compliance with GDPR. This has been raised as part of this report. : Failure to comply with the new General Data Protection Regulations could mean very substantial fines.

### SCOPE

To review compliance with the General Data Protection Regulations (GDPR). The review will directly assess how compliant the Council is with the GDPR. This will include key elements such as (but not limited to): Privacy Impact Assessments Data Subject rights (e.g. Right to be forgotten) Data Classification and Asset management Data Security Breach Management Governance Consent Data Controllers & Processors.

### KEY STRATEGIC FINDINGS

- There is a need for a review of the Councils e-records to ensure they are being appropriately reviewed and that a log of any destructions is retained.
- Privacy notices to be drafted and published for the remaining Council service areas involved in the processing of personal data.
- While the majority third party contracts have been reviewed and updated to include mandatory GDPR clauses some remain to be agreed.
- The Council does not yet have a complete record of processing activity in place, although work on producing one is under way.

### GOOD PRACTICE IDENTIFIED

- The Council has completed significant work towards achieving compliance with the GDPR/ Data Protection Act 2018 and work on becoming fully compliant is ongoing.
- GDPR / Data Protection Act 2018 training has been produced and is compulsory for all staff.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	4	2	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)
2	Directed	There is a recognised need for an in depth of review of the Council's e-records (systems and network shares) to ensure they are being reviewed & audited to establish if they can be destroyed in accordance with the Council Retention Policy. Management advised during the audit that they were in the process of producing a plan to address this.	An exercise be undertaken to review e-records and ensure a log of any destruction is appropriately recorded.	2	<i>An on-going objective is to review the Council's e-records across all services to ensure that departments are aware of system records retention and any residual records on network shares. This is part of the Information Security Team Leaders (ISTL) Objectives. This is a major item of work, so the timetable for implementation is adjusted to reflect this.</i>	30/09/21	Information Security Team Leader
3	Directed	The Council has published detailed privacy notices for Council functions on its website privacy pages. It was noted that the majority but not all functions were covered at the time of audit and that work on completing the remaining notices was ongoing.	Management ensure that privacy notices are drafted and published for all Council service areas involved in the processing of personal data.	2	<i>There are currently 21 Privacy Policies in place. A further 6 are due to be published to ensure that every service is reflected. On ISTL Work Plan.</i>	28/02/21	Information Security Team Leader

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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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Directed	An exercise of identifying and reviewing third party contracts to ensure they include required GDPR clauses has been undertaken by the Council. While the majority of required changes have now been completed, there is a small number which are still in the process of being negotiated.	Management ensure all Council contracts and reviewed and updated to include mandatory GDPR clauses.	2	<i>New Clauses in place since May 2018 Audit Note: TIAA has requested to see evidence, to verify implementation of the recommendation.</i>	<i>Completed</i>	<i>Information Security Team Leader</i>
6	Directed	The Council does not yet have a complete record of processing activity in place, although some work has been undertaken to produce one with work to date having focussed on the HR function. A full review of the Councils data records is planned which will enable in the production of the record of processing activity.	The record of processing activity be completed following the completion of the ongoing review of records.	2	<i>This work is on-going and needs a lot of dedicated time. Timetable reflects this.</i>	<i>31/12/21</i>	<i>Information Security Team Leader</i>
1	Directed	It was noted that, while the majority of policies have been updated to reference GDPR requirements, a number of policies require further review and updating having last been updated in 2018. These include the 'Corporate Information Security Management Policy', 'Retention Schedule Policy', 'Records Disposal' and 'GDPR UK Data Protection Act V1_2' policies.	Management to undertake an exercise to review and update all relevant information governance and security policies to ensure they are up-to-date and reflect the latest processes and controls.	3	<i>Retention Schedule last updated November 2020, GDPR / DPA Policy last updated November 2020. Corporate Information Security Management Policy updated 2/12/20. Records Management Policies all updated December 2020.</i>	<i>Completed</i>	<i>Information Security 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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Directed	It was noted that while the Council maintains a risk register this does not include a risk around lack of compliance with DPA/GDPR.	Management to document mitigating controls and ongoing activity around DPA/GDPR compliance as part of the Council's risk register.	3	<i>Operational Risk Register has been modified to include GDPR items.</i>	<i>Review by 30/04/21</i>	<i>Information Security 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 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.**

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	<b>Governance Framework</b> There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, 2, 3, & 4	-
RM	<b>Risk Mitigation</b> The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Partially in place	5	-
C	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	6	-

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## Other Findings

- A GDPR training course is provided with staff required to complete a quiz to demonstrate their understanding of key GDPR requirements.
- A documented Data Protection Impact Assessment process was found to be in place as required by GDPR. DPIAs should be completed in cases where new systems, services or significant changes to processes are being introduced.
- The Council has a documented process for logging and reporting data breaches and this has been reviewed and updated to comply with GDPR requirements.
- A breach log is maintained and this includes both incidents raised with the ICO and those investigated but that did not meet the criteria.
- The Council has a designated DPO in place as required by GDPR regulations. The DPO is responsible for monitoring internal compliance with data protection obligations and for overseeing the Councils data protection and GDPR controls.



**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	<b>Performance Monitoring</b> 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	<b>Financial Constraint</b> The process operates within the agreed financial budget for the year.	In place	-	-
R	<b>Resilience</b> 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**

- Quarterly SAR reporting is produced detailing the number of SARs received and the time taken to respond. Reporting produced for Q1 2020 shows all 15 SARs were completed within the 30 day time period required by GDPR.
- The Information Governance function is comprised of 1 FTE funded as part of the Finance team budget. No financial issues were identified as part of the audit.
- The Councils incident response has facilitated the remote operation of the IG function during the Covid-19 pandemic.

**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.

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

**Assurance Assessment**

4. The definitions of the assurance assessments are:

<b>Substantial Assurance</b>	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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
<b>Audit Planning Memorandum:</b>	14 <sup>th</sup> July 2020	21 <sup>st</sup> July 2020
<b>Draft Report:</b>	25 <sup>th</sup> November 2020	22 <sup>nd</sup> January 2021
<b>Final Report:</b>	25 <sup>th</sup> January 2021	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	GDPR Information Governance		
<b>Type of Review:</b>	Assurance	<b>Audit Lead:</b>	Andy Shade

<b>Outline scope (per Annual Plan):</b>	Rationale: Failure to comply with the new General Data Protection Regulations could mean very substantial fines. An assurance audit to assess compliance with the Regulations will help to identify any weakness or omission. Scope: To review compliance with the General Data Protection Regulations (GDPR). The review will directly assess how compliant the Council is with the GDPR. This will include key elements such as (but not limited to): Privacy Impact Assessments Data Subject rights (e.g. Right to be forgotten) Data Classification and Asset management Data Security Breach Management Governance Consent Data Controllers & Processors		
<b>Detailed scope will consider:</b>	<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>	
<b>Requested additions to scope:</b>	(if required then please provide brief detail)		
<b>Exclusions from scope:</b>			

<b>Planned Start Date:</b>	12/08/2020	<b>Exit Meeting Date:</b>	23/10/2020	<b>Exit Meeting to be held with:</b>	John Worts
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### SELF ASSESSMENT RESPONSE

<b>Matters over the previous 12 months relating to activity to be reviewed</b>	<b>Y/N (if Y then please provide brief details separately)</b>
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?	Y* GDPR/DPA 2018
Are there any particular matters/periods of time you would like the review to consider?	N

MEETING DATE	DEADLINE TO MEMBER SUPPORT	STANDING ITEMS	ITEMS:
<b>03/02/21</b>	<b>25/01/21</b>	Apologies for absence Declarations of Interest Minutes Actions Public Participation External Audit Internal Audit Work Programme	External Audit <ul style="list-style-type: none"> <li>• Annual Audit Letter</li> </ul> Internal Audit <ul style="list-style-type: none"> <li>• Key Financial Controls</li> <li>• Commercial Asset Management; and</li> <li>• GDPR</li> </ul>
<b>17/03/21</b>	<b>08/03/21</b>	Apologies for absence Declarations of Interest Minutes Actions Public Participation External Audit Internal Audit Work Programme	Internal Audit <ul style="list-style-type: none"> <li>• Proposed Internal Audit Programme for 21/22</li> </ul> Internal Audit Service Reports <ul style="list-style-type: none"> <li>• Housing Rents</li> <li>• Benefits &amp; Savings Realisation</li> <li>• Community Safety Pship</li> </ul>