

# Audit Agenda



**Wednesday 23 June 2021 at 7.30 pm**

**Council Chamber, The Forum**

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

#### Membership

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

Substitute Members:  
Councillors

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

## **AGENDA**

- 1. APOLOGIES FOR ABSENCE**  
To receive any apologies for absence
- 2. DECLARATIONS OF INTEREST**

To receive any declarations of interest

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

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

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

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

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

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

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

### **3. MINUTES AND ACTIONS (Pages 4 - 7)**

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

### **4. PUBLIC PARTICIPATION**

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

### **5. EXTERNAL AUDIT (Pages 8 - 29)**

Audit Plan for 20/21 Financial Accounts – Update on progress

### **6. INTERNAL AUDIT (Pages 30 - 94)**

1. Progress Report
2. Service Reports
  - Business Grants Review
  - Planning Reports
3. Annual Report
4. Internal Audit Charter

### **7. STRATEGIC RISK REGISTER QTR 4 20.21 (Pages 95 - 112)**

## **8. THE WORK PROGRAMME**

To review the current items and discuss any additional items required.

# Agenda Item 3

AUDIT COMMITTEE	
MINUTES OF THE MEETING HELD ON: 17 March 2021	
ATTENDING	
<b>Councillors:</b>	
Councillor Chapman (Chairman)	Councillor Stevens
Councillor Silwal	Councillor Townsend
Councillor SO.Mahmood	Councillor Symington
<b>Outside Representatives:</b>	
DBC Officers:	
N.Howcutt	
L. Warden	
S. Mogan	
J. Guiton	
M. Sells	
<b>TIAA</b>	
Philip Lazenby	
The Meeting commenced at. 18:30	

No.	AGENDA ITEM
1	<b>ONE MINUTE SILENCE</b>  Committee Members were asked to observe a 1 minute silence in honour of Councillor Graham Sutton who passed away suddenly last week.
2	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were submitted on behalf of Sarah Ironmonger, Amber Banister, James Deane
3	<b>DECLARATIONS OF INTEREST</b>  There were no Declarations of Interest.

4	<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>The Minutes of the previous meeting held on 03 February 2021 were review and agree however Cllr Birnie would like to know what had happened with the 2 outstanding items on the minutes:</p> <ul style="list-style-type: none"> <li>• Business Continuity plan remained uncompleted</li> <li>• An independent external member to be appointed to the Audit Committee.</li> </ul> <p>N.Howcutt confirms the business continuity plan will be discussed in item 8 of this meeting.</p> <p>In terms of the independent member, this came from the Redmond recommendations which were released just before Christmas, subsequent to that the government have put recommendation forward which support the Redmond review. We are awaiting statute and legislation before we move forward.</p> <p>There have been brief discussions internally around how we would go about appointing someone, once more details are received a report will be brought back to the audit committee to outline the recommendations and actions of officers and members to ensure we meet the requirements.</p>
5	<p><b>PUBLIC PARTICIPATION</b></p> <p>There was no public Participation.</p>
6	<p><b>INTERNAL AUDIT PROGRESS REPORT</b></p> <p>Presented by Philip Lazenby</p> <p>There have been 3 reports delivered this quarter:</p> <ul style="list-style-type: none"> <li>• Community safety partnership</li> <li>• Benefits and savings realisation</li> <li>• Housing Rents</li> </ul> <p>Cllr Birnie would like to know what UDC Alerts are as mentioned in the report, he also requests that going forward a list of acronyms be provided with the reports to make them easier to understand.</p> <p>S.Mogan explains UDC alert is added to an account if there is something that needs to be looked into before contact is made with a tenant such as a venerable person / someone claiming benefits etc. she is not aware what UDC stands for exactly.</p> <p>N.Howcutt will endeavour to check all reports before they are presented.</p>

<p>7</p>	<p><b>INTERNAL AUDIT SERVICE REPORT</b></p> <p>Presented by Philip Lazenby</p> <p><u>Benefits and savings realisation</u> This is a clean report, there were no concerns or adverse observations.</p> <p>Despite the pandemic the audit showed the processes in place were very successful and maintained to a high standard. There were no recommendations.</p> <p><u>Community Safety Partnerships</u></p> <p>This is a clean report, It was considered that there were appropriate measure in place.</p> <p>Cllr Townsend would like further information regarding what exactly was being checked And What it was measured against. Cllr Birnie feels it would be more transparent if there was a brief offers summery giving an overview before each report.</p> <p>N.Howcutt supports this idea.</p> <p>Cllr Symington would like to know if the PSPOs are audited. N.Howcutt believes they come under the legal enforcement.</p> <p>Cllr Symington would like to know where community safety comes under. J.Guiton explains they attend police briefings regularly to discuss any emerging risks or any critical incidents from the following day, the risk assessment does not suggest there is a problem.</p> <p><u>Housing Rents</u></p> <p>This is a clean report.</p> <p>Cllr Birnie would like further explanation regarding the items to be reviewed, specifically where it mentions disciplinary action being implemented.</p> <p>S.Mogan explains the capability procedure was followed regarding a member of staff, this process was undertaken for more than a year and unfortunately it ended with the staff Member being dismissed under the capability procedure.</p>
<p>8</p>	<p><b>INTERNAL AUDIT PROGRAMME 21/22</b></p> <p>N.Howcutt and P.Lazenby presented the annual report for approval by members for the 21/22 internal audit programme.</p> <p>It is in line with the rolling 3 year programme.</p> <p>One point for Members to note is that Business continuity and corporate health and safety have been pushed back to 2022. This is due to the amount of Covid work which is being undertaken.</p>

	<p>Cllr Birnie would like audit to look at the new processes which have been implemented in the planning department.</p> <p>Cllr Townsend agrees that the new systems in planning should be audited.</p> <p>Councillors are asked to review, note and approve the 2021 / 22 internal audit programme.</p> <p>The Programme was approved.</p>
9	<p><b>STRATEGIC RISK REGISTER</b></p> <p>Presented by Nigel Howcutt</p> <p>The narrative has been reviewed and updated, the scores have not changed in terms of the risk.</p> <p>Covid is not covered in this strategic Risk register as it is covered in the quarterly reports which go to cabinet and is looked at in its entirety, finance and risk. Next year Covid will be included on the wider risk register instead of a separate item.</p> <p>Cllr Symington would like to know what the “Exit” strategy is for potential risks. When do items get removed from the register? N.Howcutt explains that items are reviewed at the end of the financial year and then a decision is made.</p> <p>Cllr Chapman would like it noted that there were no outstanding recommendations and the auditors were satisfied with the arrangements of DBC, this is an exceptionally achievement and he offers his praise to the team.</p>
10	<p><b>WORK PROGRAMME</b></p> <p>The work programme was reviewed and agreed.</p>
	There being no further business the meeting ended at 20:45

# External audit plan

**Year ending 31 March 2021**

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Pacorum Borough Council  
3 June 2021



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## Your key Grant Thornton team members are:

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Key matters

## Factors

### Impact of COVID-19 pandemic

The Council has experienced additional expenditure and income loss as a result of the Covid-19 pandemic and as a result predicted a £5m potential budget gap for 20/21 which it reported to Cabinet in June 2020. The Council has continually monitored the emerging situation and its impact on the Council finances throughout the year and updated Cabinet as new information has become available. As at January 2021 it is forecast the Council will have a reduced budget gap of £3.1m which you plan to meet from reserves, specifically the Economic Recovery Reserve, which was set aside for this purpose. Further use of this reserve will be required in 21/22 and over the medium term in order to balance the budget, although at reducing rate, the total impact for the first 3 years is £3.8m with a contribution to the reserve in year 4.

### Accounting and auditing developments

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty or require significant judgement.

Although the implementation of IFRS 16 has been delayed, audited bodies still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8. As a minimum, we would expect the Council to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this.

In the prior year the Council's valuer reported a material uncertainty regarding the valuations of properties due to the COVID-19 pandemic. In addition, there was a material uncertainty in relation to the valuation of the pooled property funds which impacted both the Council's and Pension Funds position. We will monitor the position for the 31 March 2021 valuations.

## Our response

At this time we have not identified a specific COVID-19 significant audit risk (as we did for Local Government audits in 2019/20 which covered a number of risks including the availability of Council staff to produce accounts, year end stock take completion and valuation uncertainties in relation to land and buildings). We will revisit this assessment should the current pressures the sector faces continues and impacts year end accounting and auditing processes.

We will consider your arrangements for managing and reporting your financial resources and assessing your financial resilience as part of our audit in completing our Value for Money work.

As part of our planning work, we considered and concluded there were not any risks of significant weakness in the council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have identified a number of areas of focus to update our understanding of the Council's arrangements as set out at page 13.

The revisions to the standard have been incorporated into our audit approach and methodology. We have already identified the material accounting estimates likely to be impacted by the new auditing standard and will work with management to agree the information required and the disclosures required in the financial statements.

We will continue to provide you with sector updates via our Audit Committee updates.

We will liaise with the Council's valuer to clarify any potential material uncertainties in 2020-21.

# Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Dacorum Borough Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed *Terms of Appointment and Statement of Responsibilities* issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Dacorum Borough Council. We draw your attention to both of these documents.

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Revenue cycle includes fraudulent transactions (risk rebutted)
- Fraud in expenditure recognition
- Management override of controls
- Valuation of land and buildings including council dwellings and investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £3.0m (PY £3.0m), which equates to approximately 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.150m (PY £0.150m) for the Council.

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness: We will continue to review and update our risk assessment over the course of the audit.

## Audit logistics

Our planning and risk assessment visit took place in March, remotely, and our final visit will take place between July and September, with dates to be confirmed. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit is £86,980 (PY: £73,580). The fee subject to the Council delivering a good set of financial statements and working papers. At this time the proposed 2020/21 fee of £86,980 or the prior year fee of £73,580 have not been agreed with management or approved by the PSAA.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	<p>Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at Dacorum Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Dacorum Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul>	<p>We do not consider this to be a significant risk for Dacorum Borough Council.</p>
<b>Fraud in expenditure recognition</b>	<p>As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to meet externally set targets and we had regard to this when planning and performing our audit procedures.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p> <p>As the expenditure in relation to housing benefit is directly related to the revenue in relation to the housing benefit subsidy, which is rebutted above, we have also rebutted the risk in relation to this item of expenditure.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period;</li> <li>• inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and</li> <li>• investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non rebuttable presumed risk that the risk of management override 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>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals;</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals;</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>
Page 13 Valuation of land and Buildings (including investment properties and council dwellings)	<p>You revalue your land and buildings on five year a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.3bn in 2019/20, including investment properties and council dwellings) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for investment properties) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, investment properties and council dwellings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate 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>• evaluate the competence, capabilities and objectivity of the valuation expert;</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out;</li> <li>• challenge 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>• test revaluations made during the year to see if they had been input correctly into your asset register;</li> <li>• assess the value of a sample of assets in relation to market rates for comparable properties; and</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<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 (£54.7m in your balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test 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>• undertake 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; and</li> <li>• obtain 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> </ul>

# Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates. We did not identify any issues or recommendations in our 2019/20 audit in relation to the Council's estimation processes.

## Introduction

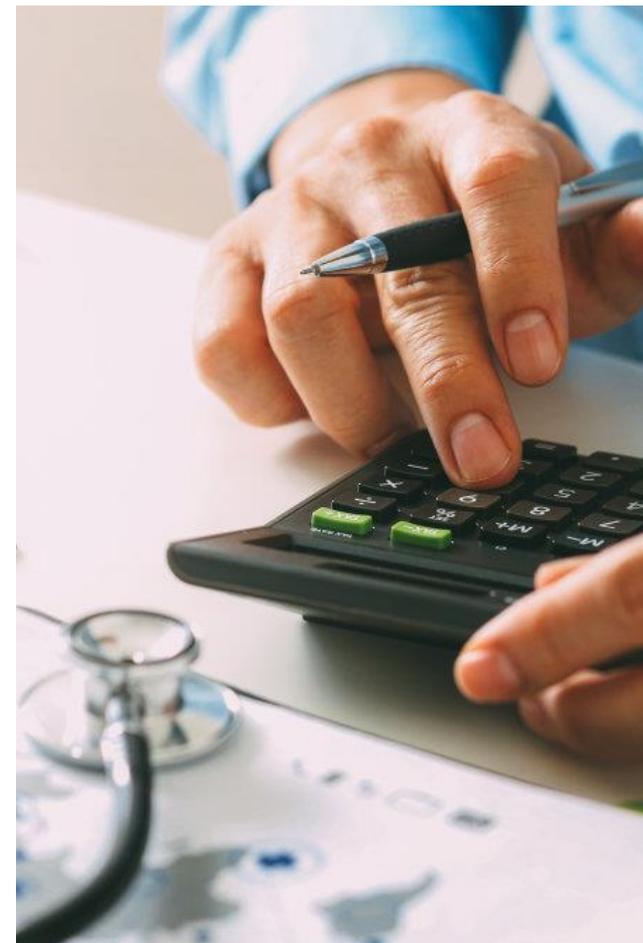
Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



# Accounting estimates and related disclosures

## Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, and investment properties
- Business rates appeals provision
- Significant accruals
- Depreciation
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates (level 2)

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

## Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

# Accounting estimates and related disclosures



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Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- **What the assumptions and uncertainties are;**
- **How sensitive the assets and liabilities are to those assumptions, and why;**
- **The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and**
- **An explanation of any changes made to past assumptions if the uncertainty is unresolved.**

## Planning enquiries

As part of our planning risk assessment procedures we have sent inquiries to the management that will be shared with the Audit Committee for approval. We would appreciate a prompt response to these enquiries in due course.

## Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540\\_Revised-December-2018\\_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report (see page 13).

# Materiality

## The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

## Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £3.0m (PY £3.0m) for the Council, which equates to 2% of your prior gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.1m for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

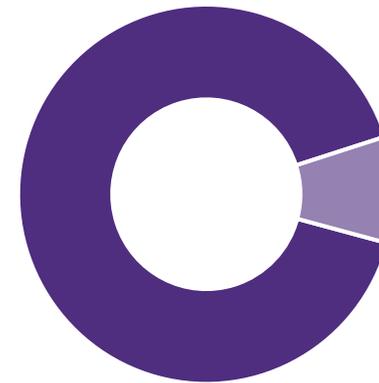
## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.15m (PY £0.15m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

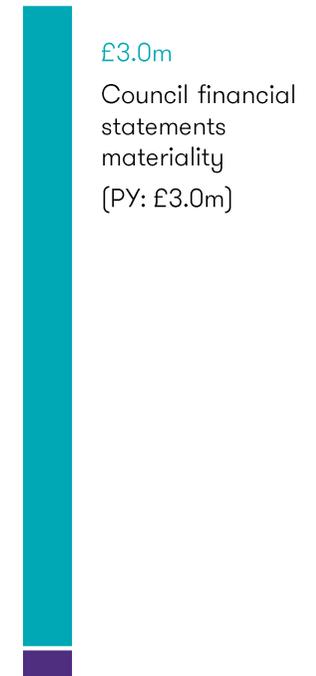
## Prior year gross operating costs

£150.5m Council  
 (PY: £150.5m – materiality for 2019/20 was revised based on the draft accounts)



■ Prior year gross operating costs

## Materiality



£3.0m  
 Council financial statements materiality  
 (PY: £3.0m)

£0.15m  
 Misstatements reported to the Audit Committee  
 (PY: £0.15m)

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# Value for Money arrangements

## Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

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

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary qualified / unqualified approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



# Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. Whilst our planning assessment did not identify any significant weaknesses in arrangements, we have highlighted further key areas of focus which are listed below. We may be required to raise recommendations as a result of our findings. The potential different types of recommendations we could make are set out in the second table below.

As part of our planning work, we have considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. We have:

- Met with your senior officers to discuss the current risk profile and outlook for the Council and to discuss and understand any recent changes to the Council's arrangements for securing VFM;
- Reviewed publicly available reports and documentation (including minutes of all significant Council meetings), relating to both financial and operational areas of the Council's functions;
- Reviewed risk registers to understand the Council's own view and assessment of the severity of the risks it faces in the current unprecedented times.

We have not identified any risks of this nature from our initial planning work. However we have identified some specific areas of focus where we will need to obtain a deeper understanding of your arrangements in our ongoing detailed work, these are:

- The reasonableness of the assumptions underpinning the medium term financial plan from 21/22 onwards;
- The Council's arrangements for replenishing reserves over the medium term;
- The appropriateness of any changes to the Council's governance arrangements as a result of Covid-19 from the prior year;

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Should this additional work identify risks of significant weakness then we may need to make recommendations following the completion of our work.

The potential different types of recommendations we could make are also set out below.

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

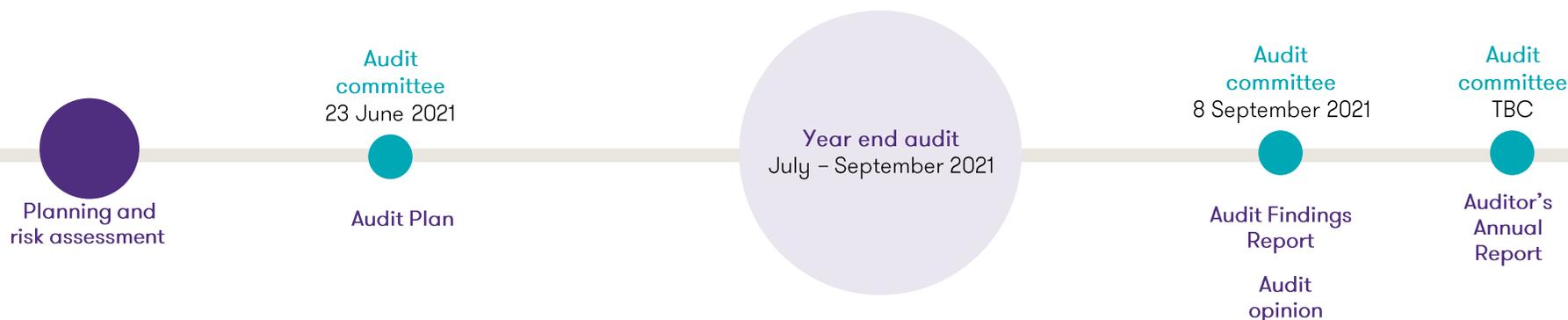
The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# Audit logistics and team



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## Paul Cuttle, Engagement Lead

Responsible for overall client relationship, quality control, provision of accounts opinions, meeting with key internal stakeholders and final authorization of reports. Attendance of Audit Committee meetings supported by Manager as required.

## Amber Banister, Audit Manager

Amber will work with the senior members of the finance team ensuring the delivery of the final accounts audit and VFM conclusion. Amber will attend Audit Committees, undertake reviews of the team's work and draft reports ensuring they remain clear, concise and understandable to all.

## Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

# Audit fees

In 2018, PSAA awarded a contract of audit for Dacorum Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £56,480. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

As referred to on page 13, the 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as noted in the number of revised ISA's issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1..

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2020/21 is set out below and detailed overleaf. As part of its response to the Redmond Review in December 2020, MHCLG committed an extra £15m to support the delivery of local audit in 2020/21. We understand that the Council will receive a grant to support 2020/21 audit fees in the next few weeks. At the time of issuing this plan the proposed 2020/21 fee of £86,980 and variations relating to the 2019/20 fee of £73,580 have not been agreed with management or approved by the PSAA.

	Actual Fee 2019/20	Proposed fee 2020/21
Dacorum Borough Council Audit	£73,580	£86,980

## Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

## Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

# Audit fees – detailed analysis

Scale fee published by PSAA	£56,480
<i>Ongoing increases to scale fee first identified in 2019/20</i>	£7,500
Additional fees relating to Covid-19 impact	£9,600
<b>Audit fee 2019/20</b>	<b>£73,580</b>
<i>Revised 2020/21 baseline (£73,580 less COVID-19)</i>	<b>£63,980</b>
Additional work on Value for Money (VfM) under new NAO Code	£15,000
Increased audit requirements of revised ISAs	£8,000
<i>Proposed increase to agreed 2019/20 fee</i>	<b>£23,000</b>
<b>Total audit fees (excluding VAT)</b>	<b>£86,980</b>

\*

At the time of issuing this plan none of the fee variations proposed have not been agreed with management or approved by PSAA.

# Independence and non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefit Subsidy	19,500 (based on 2019/20)	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Pooling of Housing Capital Receipts Claim	3,500 (based on 2019/20)	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

# Appendix 1: Revised Auditor Standards and application guidance

## FRC revisions to Auditor Standards and associated application guidance

The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	
ISA (UK) 230 – Audit Documentation	January 2020	
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

# Appendix 1: Revised Auditor Standards and application guidance continued

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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## Dacorum Borough Council

Page 30 Compliance Review of Business Grants

**2021/22**

May 2021

Internal Audit

**FINAL**

Agenda Item 6

# Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Central Government announced a series of Business Grants during 2020 to financially support business through the pandemic and the several national lockdown.

## SCOPE

The audit reviewed a sample of Business Grant's awarded to date, comprising of 6 grants to ensure that

- Both Central Government and Council criteria have been met prior to award of grants to Businesses;
- All grants awarded are supported by a completed e-form, available on the Council's website;
- Grants awarded have been paid into an appropriate bank account.
- For smaller business and taxi drivers the grant will have been paid into a personal bank account)
- The Council has obtained and retained evidence, from Businesses, to support the grant application and subsequent award; and,
- Finance reconciliations of grant monies received from Central Government to grant awarded - Identifying any under/ overpayments arising.
- Government returns have been submitted.

## KEY STRATEGIC FINDINGS

- The Council has complied with both Government guidance and its Local Authority Discretionary policies when processing the grant applications through to award.
- The Council has adopted 'self-certification' statements, included in the web application forms, as per the Government FAQs, to confirm recipients have met the eligibility criteria.
- The Council has not retained all the necessary information/ documents submitted by the recipient, namely for the Additional Restrictions Grant. Additionally, where visual checks have been performed via the intranet, has not been documented on the system.
- Grant reconciliations and returns were performed and submitted in accordance with Government instructions.

## GOOD PRACTICE IDENTIFIED

- A web based application form was developed by the Council for the Business Grants.
- Local Policies were developed for the discretionary business grants.

## ACTION POINTS

Urgent	Important	Routine	Operational
0	2	1	0

Page 3

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

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p><b>LADG and ARG</b></p> <p>The Economic Development Team maintains a spreadsheet, listing the recipients along with the information/ documentation seen/ reviewed.</p> <p>However, it was noted that the supporting evidence was not retained or saved on to the system.</p>	It be ensured that supporting evidence received, to support the Business Grant, is retained	2	<p><i>All verification evidence once checked and approved will be retained going forward and all historical verification documents retained and documented. The core verification process in Unit 4 records the majority of information and will continue to do so. As part of the phase 2 of ARG any historical documents not retained will be recollected.</i></p>	May 2021 for ARG tranche 2	Chris Taylor Group Manager SPAR

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PRIORITY GRADINGS

<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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<b>3</b>	<b>ROUTINE</b>	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p><b>All Grants</b></p> <p>In light of the tight deadlines imposed on the Council by Government. The Council implemented a system which best suited the situation when processing and awarding the Business Grants.</p> <p>Self-certification by the businesses was relied upon to confirm that both Government and the Council's Local Discretionary policies eligibility criteria was met.</p>	<p>To ensure and to provide assurances that the business grants were awarded appropriately, post payment checks be performed.</p> <p>A sample size be agreed for each category of business grant and a spreadsheet created.</p> <p>The spreadsheet to contain a tab for each grant and the testing columns must replicate the Government and Council eligibility criteria, i.e. obtain proof of number of Employees, Premises Costs, Accountant letter/ Management Accounts to confirm business position – going concern.</p> <p>The results of this exercise be reported to Senior Management and reported to Cabinet.</p> <p>Where errors have been noted these be used as 'Lessons Learnt' and applied to other business grants which are active.</p>	2	<p><i>The council had a short time frame to implement the business grants and had to react to a changing government policy and timetable. As a result the council implemented a self-certification process, in line with the majority of the sector, and in line with the governments business grants policy and guidance. The timeframe, scale and importance of the implementation did not allow for a standard approach and hence more reliance than normal is placed on the post payment assurance to seek further assurance.</i></p> <p><i>The council is following the governments post payment assessment processes and will complete those returns to the MHCLG/BEIS for validation as required. The outcome of these checks will be reported to the Audit committee on an exceptions basis going forward.</i></p>	May 2021	AD Finance and Resources

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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)
3	Directed	<p><b>LRSB</b></p> <p>The Revenues team performed visual checks of the businesses, who had applied for the LRSB. However, these checks were not documented on the system</p>	It be ensured, checks undertaken to verify business' grant applications, are documented on the system.	3	<i>The checks referred to are made to another Council system to which officers have continual access, and the name of the officer who carried out the checks is recorded in Unit4, and the team had considered this to be sufficient. However, from now we will add notes to Unit 4 specifying these checks were done.</i>	Immediate	Group Manager (Revenues, Benefits & Fraud)

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
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

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

## Findings



### Directed Risk:

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

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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.	Partially in place	1,2, & 3	-

### Other Findings



The Department for Business, Energy and Industrial Strategy (BEIS) released a suite of Business Grant guidance for the differing grants made available during 2020.

As for the Local Authority's discretionary grants, in-house policies were created and approved by the assigned Portfolio holders, namely:

- Local Authority Discretionary Grant (LADG);
- Additional Restrictions Grant (ARG); and,
- Local Restriction Support Grant (LRSG) Open.

## Other Findings

**Small Business Grant Fund (SBGF) and Retail, Hospitality, Leisure Grant (RHLG) - £26.04m**

Both the SBGF and RHLG were announced during the first major lockdown imposed by the Government in March 2020. Eligible business could only receive one grant award per property but not both on the same property.

Grant awards were based on business' Rateable Value (RV) as at 11<sup>th</sup> March 2020, as follows:

- RV below £15,000 - Grant Receivable £10,000.
- RV between £15,000 to £51,000 – Grant Receivable £25,000.
- RV above £51,000 – Grant Receivable Nil.

Review and testing of a sample of 10 grant awards identified that:

- In all cases, the Council's web form had been completed by the recipient;
- In all cases, the Business' were in receipt of either Small Business Rates/ Rural Rate Relief or Expanded Business Retail Relief, as per Government eligibility criteria;
- In all cases, the correct grant award had been allocated to the business; and
- In all cases, payment had been made within the prescribed timeframe, as stipulated by Government.

## Other Findings

**Local Authority Discretionary Grant (LADG) - £1.447m**

The LADG supports small and micro businesses, for example, Taxi drivers, Market Traders who are not eligible for other Business Grants and not registered as Ratepayers.

Local Authorities can use this fund at their own discretion, undertake their own assessment and set their own grant award threshold, in the case of Dacorum BC this was set at £5000.

There are three Phases to this grant, where Phase 1 and 3 awarded £5,000 to recipients and Phase 2 was either £2,000 or £5,000.

Review and testing of a sample of 5 grants awards from each Phase 1 and 2 was selected, and identified that:

- In all cases, the Council's web application form had been completed by the recipient;
- In all cases, the recipient was not a Ratepayer;
- For the sample tested, supporting evidence was not retained, for example, the number of employees, premises fixed costs of the business. It was advised that whilst the sample tested had no supporting evidence retained, rental agreements had been received from recipients, however not for all applications submitted.
- In all cases, reliance was placed on recipients signing the 'self- certification' statement, contained within the application form, listing the key eligibility criteria that had been met.

The Economic Development team maintains a spreadsheet, noting the documents/ information received and reviewed, however was not retained. In addition to this, staff applied their local knowledge when assessing business against the grant eligibility criteria.

**Christmas Support Payment (CSP) for Wet Led Pubs - £64,000**

The CSP was a one off payment of £1,000 to Pubs who had less than 50% of food sales and were severely affected over the Christmas period, due to temporary local restrictions.

Review and testing of a sample of 5 payments, it was identified that:

- In all cases, the payments were awarded to Pubs which were wet-led;
- In all cases, the Council's web application form had been completed by the recipient; and
- In all cases, evidence to confirm if the Pub was trading at 30<sup>th</sup> November 2020 was not requested.

Discussions held with the Group Manager - Revenues & Benefit, it was noted that it was difficult to ascertain whether the wet led Pubs' food sales were less than 50%. The Council, therefore, emailed all businesses who had applied for the CSP grant, to re-affirm that they met the Government requirements and that the food sales were below 50% before payment was released.

## Other Findings

**Closed Business Lockdown Payment (CBLP) - £3.660m**

The CLBP was a one off payment to businesses who had to close, due to the 5<sup>th</sup> January 2021 national lockdown. Payments awarded were based on eligibility criteria as well as the RV of the business, as follows:

- Up to £15k – payment of £4,000
- £15k up to £51k – payment of £6,000
- £51K and over – payment of £9,000

Review and testing of a sample of 15 payments, it was identified that:

- In all cases, payments had been awarded in accordance of the business' RV; and
- In all cases, the Council's web application form had been completed by the recipient.
- In all cases, the Council had not obtained evidence to verify whether the business had been operating the day before the lockdown. Discussions held with the Group Manager – Revenues & Benefits, supported that the grant guidance referred to utilising 'Spotlight', Government's online automated due- diligence tool, which enabled the Council to check registered companies of their status, i.e. going concern, liquidation. However, it was noted that this due-diligence tool could not be utilised for sole traders or partnerships.

## Other Findings

**Local Restrictions Support Grant (LRSB) – Multiple Grants**

The LRSB is for business who were in Tier 2 and upwards.

Grant awards were based on business' Rateable Value (RV) :

- RV below £15,000.
- RV between £15,000 to £51,000.
- RV above £51,000.

The LRSB processed by the Council, during 2020, comprised of LRSB (November); LRSB (Closed); LRSB (Open); LRSB (Tier4) and LRSB.

Review and testing of a sample of - 10 LRSB (November); 5 LRSB (Closed); 5 LRSB (Open); 10 LRSB (Tier 4); and 5 LRSB grant awards, identified that:

- In all cases, the Council's web application form had been completed by the recipient;
- In all cases, the grant payment had been awarded in accordance with the Business' RV;
- In all cases the payment cycle of 14/ 28 days had been adhered to;
- The Council utilised Spotlight for registered companies, to confirm the business status of going concern, liquidation. As for sole traders and partnerships, evidence to verify whether the business was struck off/ liquidation was not obtained but reliance was placed on the recipient's affirmation to the self -certification, contained in the web form; and,
- Elements of the eligibility criteria, for example – business was operating a day before lockdown; Business closed for 14 days was not obtained however the recipient's acceptance of the statements listed under the 'self-certification' section of the web form was indication of confirmation of the eligibility criteria.

## Other Findings



### Additional Restrictions Grant (ARG) - £1.257m

The ARG funding is for those business which are not supported by other business grants.

Appendix A of the Council's ARG Guidance contains a set of tables pertaining to number of employees, fixed costs of the business and the attributable grant award.

Review and testing of a sample of 10 grant awards, identified that:

- In one instance, the recipient was a catering business and had been awarded £1000 whereas the Appendix A tables suggest it should be £2000, as it falls under hospitality. Discussions held with an officer within the Economic Development team, it was stated that the information submitted by the recipient via the web application form automatically calculates the award payment on Unit 4. In this case, the business was not a supply chain but an independent business and therefore was awarded £1000 and not £2000; and
- In all cases, 3 months bank statements were received to confirm the business was not a going concern; not in liquidation/ struck off; grant was not to be used as wage supplement. Spotlight could not be utilised as these businesses were not registered companies.

The Economic Development team maintains a spreadsheet which was retained, noting the documents/ information received and reviewed, which were not retained. In addition to this, staff have applied their local knowledge when assessing business against the grant eligibility criteria.



### Grant Reconciliations

The following grant reconciliations have been performed by Finance, to date:

- SBGF, RHLG and LADG; and
- CSP Wet-Led Pubs.

In undertaking the SBGF and RHLG grant reconciliation, it was noted that the Council was allocated £28.935m by Central Government, of which £26.04m has been awarded and the remaining balance of £2.930m has been returned.

The remaining Business Grants are currently open and reconciliations will be performed once Central Government instruct the Council to do so, which will be communicated via email.



### Government Returns

Discussions were held with the Accountant (Finance & Operations), and it was noted that weekly and monthly reports are submitted to Central Government. The SBGF, RHLG and LADG Government returns ceased in October 2020.

**Other Findings****General Observations**

In undertaking the Business Grants testing, it was noted that due to the national Lockdown and pandemic, Central Government assigned extremely tight deadlines to the Council, in awarding the grants. This led to grant eligibility criteria, in the main, being met by means of 'Self Certification' by the recipient, relying on their honesty and truth when applying for the grant(s).

Discussions held with both the Group Manager – Revenues & Benefits and IT officer, it was stated that the web application form is stored in a 'back office' server which can be accessed at any time. Examples of completed web application forms for the ARG, LADG and LRSG were provided and it can be confirmed that the self-certification contents reflect the eligibility criteria set by both Government and the Council.

The Council has utilised 'self-certification' statements within the web application for recipient's to confirm eligibility against both Government and Local Authority criteria, which is in accordance with the FAQs

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**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	-	-
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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.

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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**

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4. The definitions of the assurance assessments are:

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**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>	8 <sup>th</sup> April 2021	8 <sup>th</sup> April 2021
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<b>Revised Draft Report:</b>	18 <sup>th</sup> May	25 <sup>th</sup> May 2021
<b>Final Report:</b>	28 <sup>th</sup> May 2021	

# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	2021/22 Business Grants		
<b>Type of Review:</b>	Compliance	<b>Audit Lead:</b>	Audit Manager and Auditor

<b>Outline scope (per Annual Plan):</b>	<p>To review a sample of Business Grant's awarded to date, across the following categories</p> <ul style="list-style-type: none"> <li>Small Business Grants and Retail, Hospitality &amp; Leisure Grants;</li> <li>Local Authority Discretionary Grants;</li> <li>Christmas Support Payment;</li> <li>Closed Business Lockdown Payment;</li> <li>Local Restrictions Support Grant; and</li> <li>Additional Restrictions Grant.</li> </ul> <p>To ensure that:</p> <ul style="list-style-type: none"> <li>• Both Central Government and Council criteria have been met prior to award of grants to Businesses;</li> <li>• All grants awarded are supported by a completed e-form, available on the Council's website;</li> <li>• Grants awarded have been paid into an appropriate bank account.</li> <li>• For smaller business and taxi drivers the grant will have been paid into a personal bank account)</li> <li>• The Council has obtained and retained evidence, from Businesses, to support the grant application and subsequent award; and,</li> <li>• Finance reconciliations of grant monies received from Central Government to grant awarded - Identifying any under/ overpayments arising.</li> <li>• Government returns have been submitted.</li> </ul>	
	<b>Detailed scope will consider:</b>	<p><b>Directed</b></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>
<b>Requested additions to scope:</b>	(if required then please provide brief detail)	
<b>Exclusions from scope:</b>		

<b>Planned Start Date:</b>	12/04/2021	<b>Exit Meeting Date:</b>	27th April 2021	<b>Exit Meeting to be held with:</b>	Group Manager - Revenues & Benefits Group Manager - Economic Development, 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

Compliance Review of Business Grants

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**2021/22**

May 2021

# Executive Summary

## OVERALL ASSESSMENT



## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Central Government announced a series of Business Grants during 2020 to financially support business through the pandemic and the several national lockdown.

## SCOPE

The audit reviewed a sample of Business Grant's awarded to date, comprising of 6 grants to ensure that

- Both Central Government and Council criteria have been met prior to award of grants to Businesses;
- All grants awarded are supported by a completed e-form, available on the Council's website;
- Grants awarded have been paid into an appropriate bank account.
- For smaller business and taxi drivers the grant will have been paid into a personal bank account)
- The Council has obtained and retained evidence, from Businesses, to support the grant application and subsequent award; and,
- Finance reconciliations of grant monies received from Central Government to grant awarded - Identifying any under/ overpayments arising.
- Government returns have been submitted.

## KEY STRATEGIC FINDINGS

- The Council has complied with both Government guidance and its Local Authority Discretionary policies when processing the grant applications through to award.
- The Council has adopted 'self-certification' statements, included in the web application forms, as per the Government FAQs, to confirm recipients have met the eligibility criteria.
- The Council has not retained all the necessary information/ documents submitted by the recipient, namely for the Additional Restrictions Grant. Additionally, where visual checks have been performed via the intranet, has not been documented on the system.
- Grant reconciliations and returns were performed and submitted in accordance with Government instructions.

## GOOD PRACTICE IDENTIFIED

- A web based application form was developed by the Council for the Business Grants.
- Local Policies were developed for the discretionary business grants.

## ACTION POINTS

Urgent	Important	Routine	Operational
0	2	1	0

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

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p><b>LADG and ARG</b></p> <p>The Economic Development Team maintains a spreadsheet, listing the recipients along with the information/ documentation seen/ reviewed.</p> <p>However, it was noted that the supporting evidence was not retained or saved on to the system.</p>	It be ensured that supporting evidence received, to support the Business Grant, is retained	2	<p><i>All verification evidence once checked and approved will be retained going forward and all historical verification documents retained and documented. The core verification process in Unit 4 records the majority of information and will continue to do so. As part of the phase 2 of ARG any historical documents not retained will be recollected.</i></p>	May 2021 for ARG tranche 2	Chris Taylor Group Manager SPAR

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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)
2	Directed	<p><b>All Grants</b></p> <p>In light of the tight deadlines imposed on the Council by Government. The Council implemented a system which best suited the situation when processing and awarding the Business Grants.</p> <p>Self-certification by the businesses was relied upon to confirm that both Government and the Council's Local Discretionary policies eligibility criteria was met.</p>	<p>To ensure and to provide assurances that the business grants were awarded appropriately, post payment checks be performed.</p> <p>A sample size be agreed for each category of business grant and a spreadsheet created.</p> <p>The spreadsheet to contain a tab for each grant and the testing columns must replicate the Government and Council eligibility criteria, i.e. obtain proof of number of Employees, Premises Costs, Accountant letter/ Management Accounts to confirm business position – going concern.</p> <p>The results of this exercise be reported to Senior Management and reported to Cabinet.</p> <p>Where errors have been noted these be used as 'Lessons Learnt' and applied to other business grants which are active.</p>	2	<p><i>The council had a short time frame to implement the business grants and had to react to a changing government policy and timetable. As a result the council implemented a self-certification process, in line with the majority of the sector, and in line with the governments business grants policy and guidance. The timeframe, scale and importance of the implementation did not allow for a standard approach and hence more reliance than normal is placed on the post payment assurance to seek further assurance.</i></p> <p><i>The council is following the governments post payment assessment processes and will complete those returns to the MHCLG/BEIS for validation as required. The outcome of these checks will be reported to the Audit committee on an exceptions basis going forward.</i></p>	May 2021	AD Finance and Resources

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PRIORITY GRADINGS

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

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**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)
3	Directed	<p><b>LRSB</b></p> <p>The Revenues team performed visual checks of the businesses, who had applied for the LRSB. However, these checks were not documented on the system</p>	It be ensured, checks undertaken to verify business' grant applications, are documented on the system.	3	<i>The checks referred to are made to another Council system to which officers have continual access, and the name of the officer who carried out the checks is recorded in Unit4, and the team had considered this to be sufficient. However, from now we will add notes to Unit 4 specifying these checks were done.</i>	Immediate	Group Manager (Revenues, Benefits & Fraud)

PRIORITY GRADINGS

<b>1</b>	<b>URGENT</b>	Fundamental control issue on which action should be taken immediately.
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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
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

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

## Findings



### Directed Risk:

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

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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	-	-
SC	<b>Compliance</b> Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1,2, & 3	-

### Other Findings



The Department for Business, Energy and Industrial Strategy (BEIS) released a suite of Business Grant guidance for the differing grants made available during 2020.

As for the Local Authority's discretionary grants, in-house policies were created and approved by the assigned Portfolio holders, namely:

- Local Authority Discretionary Grant (LADG);
- Additional Restrictions Grant (ARG); and,
- Local Restriction Support Grant (LRSG) Open.

## Other Findings

**Small Business Grant Fund (SBGF) and Retail, Hospitality, Leisure Grant (RHLG) - £26.04m**

Both the SBGF and RHLG were announced during the first major lockdown imposed by the Government in March 2020. Eligible business could only receive one grant award per property but not both on the same property.

Grant awards were based on business' Rateable Value (RV) as at 11<sup>th</sup> March 2020, as follows:

- RV below £15,000 - Grant Receivable £10,000.
- RV between £15,000 to £51,000 – Grant Receivable £25,000.
- RV above £51,000 – Grant Receivable Nil.

Review and testing of a sample of 10 grant awards identified that:

- In all cases, the Council's web form had been completed by the recipient;
- In all cases, the Business' were in receipt of either Small Business Rates/ Rural Rate Relief or Expanded Business Retail Relief, as per Government eligibility criteria;
- In all cases, the correct grant award had been allocated to the business; and
- In all cases, payment had been made within the prescribed timeframe, as stipulated by Government.

## Other Findings

**Local Authority Discretionary Grant (LADG) - £1.447m**

The LADG supports small and micro businesses, for example, Taxi drivers, Market Traders who are not eligible for other Business Grants and not registered as Ratepayers.

Local Authorities can use this fund at their own discretion, undertake their own assessment and set their own grant award threshold, in the case of Dacorum BC this was set at £5000.

There are three Phases to this grant, where Phase 1 and 3 awarded £5,000 to recipients and Phase 2 was either £2,000 or £5,000.

Review and testing of a sample of 5 grants awards from each Phase 1 and 2 was selected, and identified that:

- In all cases, the Council's web application form had been completed by the recipient;
- In all cases, the recipient was not a Ratepayer;
- For the sample tested, supporting evidence was not retained, for example, the number of employees, premises fixed costs of the business. It was advised that whilst the sample tested had no supporting evidence retained, rental agreements had been received from recipients, however not for all applications submitted.
- In all cases, reliance was placed on recipients signing the 'self- certification' statement, contained within the application form, listing the key eligibility criteria that had been met.

The Economic Development team maintains a spreadsheet, noting the documents/ information received and reviewed, however was not retained. In addition to this, staff applied their local knowledge when assessing business against the grant eligibility criteria.

**Christmas Support Payment (CSP) for Wet Led Pubs - £64,000**

The CSP was a one off payment of £1,000 to Pubs who had less than 50% of food sales and were severely affected over the Christmas period, due to temporary local restrictions.

Review and testing of a sample of 5 payments, it was identified that:

- In all cases, the payments were awarded to Pubs which were wet-led;
- In all cases, the Council's web application form had been completed by the recipient; and
- In all cases, evidence to confirm if the Pub was trading at 30<sup>th</sup> November 2020 was not requested.

Discussions held with the Group Manager - Revenues & Benefit, it was noted that it was difficult to ascertain whether the wet led Pubs' food sales were less than 50%. The Council, therefore, emailed all businesses who had applied for the CSP grant, to re-affirm that they met the Government requirements and that the food sales were below 50% before payment was released.

## Other Findings

**Closed Business Lockdown Payment (CBLP) - £3.660m**

The CLBP was a one off payment to businesses who had to close, due to the 5<sup>th</sup> January 2021 national lockdown. Payments awarded were based on eligibility criteria as well as the RV of the business, as follows:

- Up to £15k – payment of £4,000
- £15k up to £51k – payment of £6,000
- £51K and over – payment of £9,000

Review and testing of a sample of 15 payments, it was identified that:

- In all cases, payments had been awarded in accordance of the business' RV; and
- In all cases, the Council's web application form had been completed by the recipient.
- In all cases, the Council had not obtained evidence to verify whether the business had been operating the day before the lockdown. Discussions held with the Group Manager – Revenues & Benefits, supported that the grant guidance referred to utilising 'Spotlight', Government's online automated due- diligence tool, which enabled the Council to check registered companies of their status, i.e. going concern, liquidation. However, it was noted that this due-diligence tool could not be utilised for sole traders or partnerships.

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# AUDIT PLANNING MEMORANDUM

## Appendix B

<b>Client:</b>	Dacorum Borough Council		
<b>Review:</b>	2021/22 Business Grants		
<b>Type of Review:</b>	Compliance	<b>Audit Lead:</b>	Audit Manager and Auditor

<b>Outline scope (per Annual Plan):</b>	<p>To review a sample of Business Grant’s awarded to date, across the following categories</p> <ul style="list-style-type: none"> <li>Small Business Grants and Retail, Hospitality &amp; Leisure Grants;</li> <li>Local Authority Discretionary Grants;</li> <li>Christmas Support Payment;</li> <li>Closed Business Lockdown Payment;</li> <li>Local Restrictions Support Grant; and</li> <li>Additional Restrictions Grant.</li> </ul> <p>To ensure that:</p> <ul style="list-style-type: none"> <li>• Both Central Government and Council criteria have been met prior to award of grants to Businesses;</li> <li>• All grants awarded are supported by a completed e-form, available on the Council’s website;</li> <li>• Grants awarded have been paid into an appropriate bank account.</li> <li>• For smaller business and taxi drivers the grant will have been paid into a personal bank account)</li> <li>• The Council has obtained and retained evidence, from Businesses, to support the grant application and subsequent award; and,</li> <li>• Finance reconciliations of grant monies received from Central Government to grant awarded - Identifying any under/ overpayments arising.</li> <li>• Government returns have been submitted.</li> </ul>	
<b>Detailed scope will consider:</b>	<p><b>Directed</b></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><b>Delivery</b></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>	12/04/2021	<b>Exit Meeting Date:</b>	27th April 2021	<b>Exit Meeting to be held with:</b>	Group Manager - Revenues & Benefits Group Manager - Economic Development, 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

## Dacorum Borough Council

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### Summary Internal Controls Assurance (SICA) Report

**2021/22**

June 2021

# Summary Internal Controls Assurance

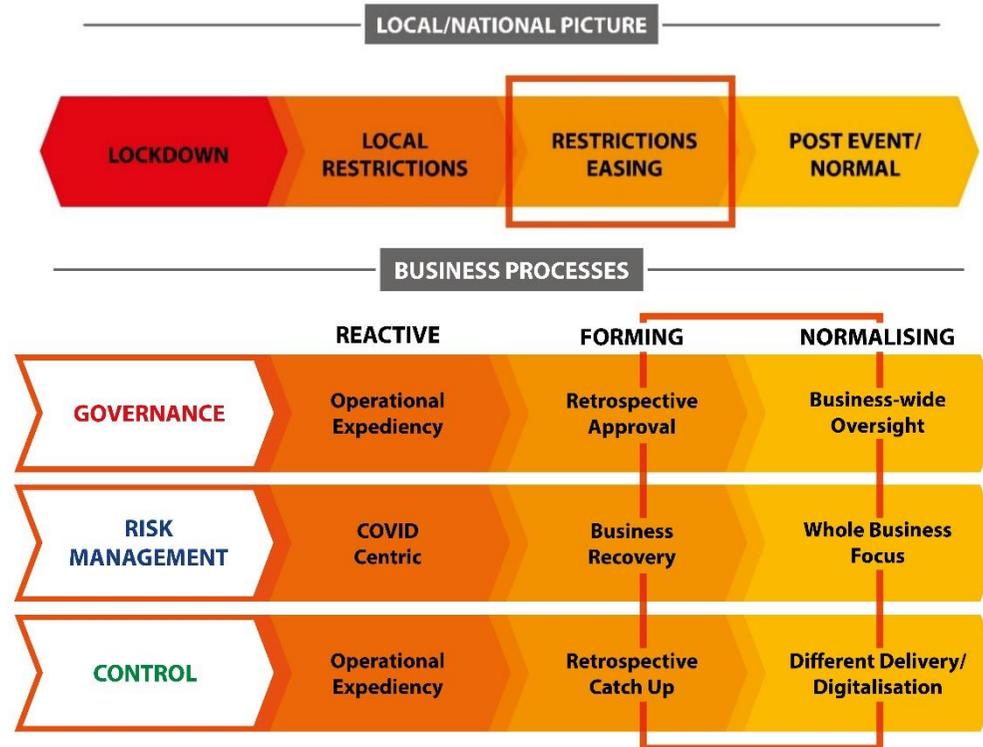
## Introduction

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 11th June 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 Relaxing towards Post-Lockdown Normal during the period covered by this SICA.

*Impact on COVID 19 on strategic focus during business interruption*



- 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

- 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
2020/21 Planning	Substantial	May 2021	June 2021	June 2021	0	0	0	0
2021/22 Business Grants	Reasonable	April 2021	May 2021	May 2021	0	2	1	0

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

#### Progress in actioning priority 1 & 2 recommendations

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

*Mitigating risk exposures identified by internal audit reviews*

Review	Date	Priority 1			Priority 2		
		0	1	2	0	1	2
2019/20 Governance	Mazars	0	0	0	0	0	1
2019/20 Web Accessibility	Mazars	0	0	0	0	1	0
2019/20 Disaster Recovery	Mazars	0	0	0	0	1	0
2020/21 NNDR	Sept 2020	0	0	0	0	0	1
2020/21 Cyber Security	April 2021	0	0	0	1	0	2
2020/21 GDPR	January 2021	0	0	0	2	2	0

At the time of reporting, a follow up review is in progress for 2021/22 Quarter 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 2021/22 Annual Plan

8. **COVID 19:** In mid-March 2020, 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. The planned quarter one reviews are underway, with the exception of the Business Continuity which has been deferred to quarter 3 due to internal pressures. The audit reviews at fieldwork stage are:
- Absence Management;
  - Payroll; and
  - ICT Network Security (Remote Access).

In addition to the above listed reviews, the Council commissioned an additional ten days during April 2021, to undertake a review of Business Grants. Central Government announced a series of business grants, to aid businesses financially, during the pandemic and national lockdowns imposed during 2020/21. The review focused assessment of award and compliance against eligibility criteria.

10. Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

### Changes to the Annual Plan 2021/22

11. At the time of reporting, the Deputy section 151 officer, requested that the planned quarter 1 review, Recruitment, to be moved to quarter 4 on the request of the Chief Executive. Additionally, the scope for the Governance and Risk Management has been amended to reflect the new arrangements which are to be implemented between April 2021 to August 2021.

### Frauds/Irregularities

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

### Other Matters

13. 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.
14. Risk management Training has been provided to the Audit Committee by TIAA and it is proposed that this be provided in an ongoing fashion.
15. 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**

16. 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
2020/21 Planning	Substantial
2021/22 Business Grants	Reasonable

## 2020/21 Planning - Executive Summary

**OVERALL ASSESSMENT**



**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

TBA

**KEY STRATEGIC FINDINGS**

-  The Planning department faced numerous operational issues with regards to processing applications, dealing with customers and stakeholders. Mondrem were commissioned in 2019 by the Council to aid the department in becoming effective, efficient and focused. A year on, the Planning department have significantly improved their systems and processes and departmental direction is transparent.
-  The re-modelling of the Planning department, in particular the focus on staff, has aided in creating a better working environment has led to increased staff wellbeing.

**GOOD PRACTICE IDENTIFIED**

-  The adoption of PowerBi, a software reporting tool, provides monitoring and reporting data, essential to drive efficiency and effectiveness.

**SCOPE**

The audit focused on:

- the changes implemented against what was agreed with Mondrem;
- weaknesses, how these have been addressed in the new processes implemented;
- any weaknesses identified in the new process; and
- how the new processes/ procedures are measured and reported.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	0	0	0

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## 2021/22 Business Planning - Executive Summary

**OVERALL ASSESSMENT**



**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

Central Government announced a series of Business Grants during 2020 to financially support business through the pandemic and the several national lockdown.

**SCOPE**

The audit reviewed a sample of Business Grant's awarded to date, comprising of 6 grants to ensure that

- Both Central Government and Council criteria have been met prior to award of grants to Businesses;
- All grants awarded are supported by a completed e-form, available on the Council's website;
- Grants awarded have been paid into an appropriate bank account.
- For smaller business and taxi drivers the grant will have been paid into a personal bank account)
- The Council has obtained and retained evidence, from Businesses, to support the grant application and subsequent award; and,
- Finance reconciliations of grant monies received from Central Government to grant awarded - Identifying any under/ overpayments arising.
- Government returns have been submitted.

**KEY STRATEGIC FINDINGS**

-  The Council has complied with both Government guidance and its Local Authority Discretionary policies when processing the grant applications through to award.
-  The Council has adopted 'self-certification' statements, included in the web application forms, as per the Government FAQs, to confirm recipients have met the eligibility criteria.
-  The Council has not retained all the necessary information/ documents submitted by the recipient, namely for the Additional Restrictions Grant. Additionally, where visual checks have been performed via the intranet, has not been documented on the system.
-  Grant reconciliations and returns were performed and submitted in accordance with Government instructions.

**GOOD PRACTICE IDENTIFIED**

-  A web based application form was developed by the Council for the Business Grants.
-  Local Policies were developed for the discretionary business grants.

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	2	1	0

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

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p><b>LADG and ARG</b></p> <p>The Economic Development Team maintains a spreadsheet, listing the recipients along with the information/ documentation seen/ reviewed.</p> <p>However, it was noted that the supporting evidence was not retained or saved on to the system.</p>	It be ensured that supporting evidence received, to support the Business Grant, is retained	2	<p><i>All verification evidence once checked and approved will be retained going forward and all historical verification documents retained and documented. The core verification process in Unit 4 records the majority of information and will continue to do so. As part of the phase 2 of ARG any historical documents not retained will be recollected.</i></p>	May 2021 for ARG tranche 2	Chris Taylor Group Manager SPAR

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p><b>All Grants</b></p> <p>In light of the tight deadlines imposed on the Council by Government. The Council implemented a system which best suited the situation when processing and awarding the Business Grants.</p> <p>Self-certification by the businesses was relied upon to confirm that both Government and the Council's Local Discretionary policies eligibility criteria was met.</p>	<p>To ensure and to provide assurances that the business grants were awarded appropriately, post payment checks be performed.</p> <p>A sample size be agreed for each category of business grant and a spreadsheet created.</p> <p>The spreadsheet to contain a tab for each grant and the testing columns must replicate the Government and Council eligibility criteria, i.e. obtain proof of number of Employees, Premises Costs, Accountant letter/ Management Accounts to confirm business position – going concern.</p> <p>The results of this exercise be reported to Senior Management and reported to Cabinet.</p> <p>Where errors have been noted these be used as 'Lessons Learnt' and applied to other business grants which are active.</p>	2	<p><i>The council had a short time frame to implement the business grants and had to react to a changing government policy and timetable. As a result the council implemented a self-certification process, in line with the majority of the sector, and in line with the governments business grants policy and guidance. The timeframe, scale and importance of the implementation did not allow for a standard approach and hence more reliance than normal is placed on the post payment assurance to seek further assurance.</i></p> <p><i>The council is following the governments post payment assessment processes and will complete those returns to the MHCLG/BEIS for validation as required. The outcome of these checks will be reported to the Audit committee on an exceptions basis going forward.</i></p>	May 2021	AD Finance and Resources

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	<p><b>LRSB</b></p> <p>The Revenues team performed visual checks of the businesses, who had applied for the LRSB. However, these checks were not documented on the system</p>	It be ensured, checks undertaken to verify business' grant applications, are documented on the system.	3	<i>The checks referred to are made to another Council system to which officers have continual access, and the name of the officer who carried out the checks is recorded in Unit4, and the team had considered this to be sufficient. However, from now we will add notes to Unit 4 specifying these checks were done.</i>	Immediate	Group Manager (Revenues, Benefits & Fraud)

## Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Absence Management	1	Fieldwork in progress	
Payroll (post implementation of iTrent)	1	Fieldwork in progress	
Business Continuity (including Pandemic Response)	1	Deferred to Quarter 3	Advised by Management to defer the review due to internal pressures.
ICT – Network Security (Remote Access)	1	Fieldwork in progress	
Customer Services	2		Audit Brief issued 10 <sup>th</sup> June 2021
Procurement	2		Audit Brief issued 10 <sup>th</sup> June 2021
Freedom of Information	2		Audit Brief issued 10 <sup>th</sup> June 2021
Corporate Health & Safety	2		Audit Brief issued 10 <sup>th</sup> June 2021
Waste Management	2		Audit Brief issued 10 <sup>th</sup> June 2021
Key Financial Controls	3		
Budgetary Control	3		
Council Tax	3		
NDR	3		
Housing Benefits	3		
Housing Rents	3		
Empty Homes	4		
Planning Enforcement	4		
Safeguarding & Prevention	4		
Governance & Risk Management	4		
Follow Up	3-4		

**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 04/03/2021		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	5	3	0	1	2	2	0
Priority 3	11	2	0	0	5	6	0

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	No updates noted on the Tracker. Qtr 1 follow up review – requested update.	
<b>2019/20 ICT Disaster Recovery</b>						
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> 29/01/2021	Group Manager – Tech & Digital Transformation Team Leader Corp Health, Safety and Resilience	BEN Trueman (email dated 05/03/21) - The Business Continuity Plan was updated in September 2020 and now includes the link to an updated HLDR. Qtr 1 Follow Up Review– have requested evidence to confirm implementation.	

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Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<b>2019/20 Web Accessibility</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> 26/02/2021	GM – Technology & Digital Transformation	Ben Trueman (email dated 05/03/21) - By the end of 2020 we had addressed the issues highlighted in the Siteimprove report and will re-run the report at 6 monthly intervals to check for any new issues that appear.  <i>Qtr 1 Follow Up Review– have requested evidence to confirm implementation.</i>	
<b>2020/21 NNDR</b>						
The Revenues section must conduct regular reviews for reliefs/ exemptions awarded to Businesses and in doing so adapt 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.	Revenues & Benefits Support Team Leader	31/12/2020 <b>Revised date</b> 30/04/2021	The Revenues Team Leader has stated that - 'Whilst a lot of the work had been done, unfortunately I did not manage to complete the task before the additional grant work from the November lockdown and tier restrictions came into play. These grants have been the main priority for myself and the team and we have not been able to focus on this recently. I request that you alter the completion date for this item to 31/3/2021.'  <i>Qtr 1 Follow Up – have requested an update.</i>	
<b>2020/21 Cyber Security</b>						
ICT management to ensure that Windows 2008 servers are decommissioned following ongoing work to migrate systems and data.	2	All 12 remaining Windows 2008 servers will be decommissioned by August 2021	01/08/2021	Group Manager – Technology & Digital Transformation	Implementation date not as of yet reached.	

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Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<p>ICT management to review options around implementing a testing stage for Windows patching.</p>	2	<p>DBC ICT undertakes significant testing of major Windows Operating System updates before rolling them out via SCCM as there is significant risk of operational impact if they fail. This testing is however currently not documented. We will introduce reporting to document and record the results of this testing going forwards. While we understand the rationale behind a more comprehensive testing stage, implementing it would introduce two unintended consequences: Known vulnerabilities identified by Microsoft would be left unpatched while the testing process is undertaken. Risk of non-compliance within the PSN (Public Sector Network) Health Check, mandated by the Cabinet Office who require all known vulnerabilities to be addressed as soon as possible, would be increased. This is a question of balancing security risk against risk to operational continuity. It is a difficult choice but, in this instance, DBC ICT favours reduced cyber security risk and so do not intend to implement the recommendation.</p>	01/06/2021	<p>Group Manager – Technology &amp; Digital Transformation</p>	<p>No updates noted on the Tracker. Qtr 1 follow up review – requested update.</p>	
<p>ICT management to create a testing schedule to ensure that periodic test restores of each critical system is performed at least annually.</p>	2	<p>We will establish a schedule periodically to demonstrate that we can restore critical system data.</p>	01/05/2021	<p>Group Manager – Technology &amp; Digital Transformation</p>	<p>No updates noted on the Tracker. Qtr 1 follow up review – requested update.</p>	

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
<b>2020/21 GDPR</b>						
The record of processing activity be completed following the completion of the ongoing review of records.	2	This work is on-going and needs a lot of dedicated time. Timetable reflects this.	31/12/2021	Information Security Team Leader	Implementation date not as of yet reached	
An exercise be undertaken to review e-records and ensure a log of any destruction is appropriately recorded.	2	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.	30/09/2021	Information Security Team Leader	Implementation date not as of yet reached	
Management ensure that privacy notices are drafted and published for all Council service areas involved in the processing of personal data.	2	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.	28/02/2021	Information Security Team Leader	No updates noted on the Tracker.	
Management ensure all Council contracts are reviewed and updated to include mandatory GDPR clauses.	2	New Clauses in place since May 2018 Audit Note: TIAA has requested to see evidence, to verify implementation of the recommendation.	28/02/2021	Information Security Team Leader	Qtr 1 follow up review – requested update.	

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**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

FINAL

## Dacorum Borough Council

Internal Audit Annual Report

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2020/21

June 2021

# Internal Audit Annual Report

## Introduction

This is the 2020/21 Annual Report by TIAA on the internal control environment at Dacorum Borough Council (the 'Council'). The annual internal audit report summarises the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report, which incorporates CIPFA guidance on the potential limitation of scope brought about by the impact of COVID-19, is designed to assist the Council in making its annual governance statement.

### Limitations on our opinion arising from Covid-19

The impact of COVID-19 on all public sector services has been significant including changes to ways of working, reprioritising services, redeploying staff and stretching capacity; the impact has been present throughout the whole of 2020/21 in varying degrees.

For internal audit, it has raised the question of whether they have been able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the Head of Internal Audit (HIA) when issuing their annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the organisation relies on for its Annual Governance Statement. Factors that need to be taken in to account in reaching a conclusion include:

- Has any reduction in coverage compared to what was planned resulted in insufficient assurance work?
- Have any limitations in the scope of individual assignments resulted in it only being possible to place partial assurance on the outcome?
- Have changes in ways of working led to gaps in the governance, risk management and control arrangements?

TIAA understands the considerable challenges and the difficult decisions that organisations are having to deal with, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope.

### What this means for Dacorum Borough Council

There has been minimal or no impact on the delivery of the internal audit work for 2020/21 as a result of the COVID-19 pandemic. Whilst there was an impact on delivery of the work in the early part of the year during the initial lockdown, we are able to deliver the planned work by year-end (or shortly thereafter), with the exception of the Business Continuity and Corporate Health & Safety reviews, which has been rolled forward into the 2021/22 Audit Plan. There have been no changes to the planned work as a result of COVID-19; any changes to the plan were based on purely on business/operational need.

#### HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

**TIAA is satisfied that, for the areas reviewed during the year, Dacorum Borough Council (the 'Council') has reasonable and effective risk management, control and governance processes in place. Not having completed all of the planned work due to the global Covid-19 pandemic has not impacted on our overall assessment.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the Council from its various sources of assurance.**

### Internal Audit Planned Coverage and Output

The 2020/21 Annual Audit Plan approved by the Audit Committee was for 225 days of internal audit coverage in the year.

During the year there were no changes to the Audit Plan.

The planned work that has been carried out against the plan is set out at Annex A.

No extra work was carried out which was in addition that set out in the Annual Audit Plan.

### Assurance

TIAA carried out 13 of the 15 planned reviews. The Business Continuity and Corporate Health & Safety reviews, could not be undertaken due to internal pressures and with the agreement of the Deputy s.151 Officer, have been rolled into the 2021/22 Audit Plan.

The reviews were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the Council’s objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below. These figures include those areas where our inability to complete the work due to restrictions brought about by Covid-19 has resulted in an Indicative assurance assessment.

Assurance Assessments	Number of Reviews
Substantial Assurance	11
Reasonable Assurance	2
Limited Assurance	0
No Assurance	0

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2020/21.

Urgent	Important	Routine
0	9	12

### Audit Summary

**Control weaknesses:** There was one area reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided ‘limited’. Recommendations were made to further strengthen the control environment in these areas and the management responses indicated that the recommendations had been accepted.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
<b>Directed</b>			
Governance Framework	-	4	2
Risk Mitigation	-	-	1
Compliance	-	3	7
<b>Delivery</b>			
Performance Monitoring	-	1	1
Financial Constraint	-	-	1
Resilience	-	1	-

**Operational Effectiveness Opportunities:** One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

<b>Operational</b>
<b>1</b>

### Independence and Objectivity of Internal Audit

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

### Performance and Quality Assurance

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	95%	100%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards.

### Release of Report

The table below sets out the history of this Annual Report.

<b>Date Report issued:</b>	14 <sup>th</sup> June 2021
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# Annexes

## Annex A

### Actual against planned Internal Audit Work 2020/21

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Key Financial Controls (Main Accounting/ Treasury Management/Cash and Bank Accounts Receivable/Accounts Payable)	Assurance	20	20	Substantial	
Budgetary Control	Assurance	8	8	Substantial	
Council Tax	Assurance	8	8	Substantial	
NNDR	Assurance	8	8	Substantial	
Housing Benefit	Assurance	8	8	Substantial	
Community Safety Partnerships	Assurance	7	7	Substantial	
Business Continuity – Including Pandemic	Assurance	10	0	-	Included in the 2021/22 Audit Plan
Planning	Assurance	10	10	Substantial	
Housing Rents	Assurance	10	10	Substantial	
Empty Homes	Assurance	10	10	Substantial	
Commercial Asset Management	Assurance	15	15	Substantial	
GDPR	Assurance	10	10	Reasonable	
Corporate Health and Safety	Compliance	10	0	-	Included in the 2021/22 Audit Plan
Cyber Security	Assurance	10	10	Reasonable	
Governance and Risk Management	N/a	10	10	-	Workshops for Members
Benefits and Savings Realisation	Assurance	10	10	Substantial	
Follow Up	Follow Up	10	10		
Annual Plan	Management	4	4		
Annual Report	Management	2	2		

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Audit Committee Training	Management	5	5		
Management	Management	10	10		
Strategic Risk Update	Management	5	5		
Contingency		25	0		
	<b>Total Days</b>	<b>225</b>	<b>180</b>		

# Dacorum Borough Council

## Internal Audit Charter

2021/22

June 2021

# Contents

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## Introduction

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The Public Sector Internal Audit Standards (PSIAS) require internal audit providers to have in place an agreed Internal Audit Charter.

The purpose of the Internal Audit Charter is to provide a formal document that defines the purpose of internal audit activity, its authority and its responsibility. It also assists the Audit Committee and senior management in fulfilling their oversight responsibilities in ensuring that the purpose, authority and responsibility of internal audit activity is consistent with that set out in the standards.

The Audit Committee has established that TIAA is a key component of Dacorum Borough Councils internal assurance arrangements. This charter sets out the framework for the conduct and delivery of internal audit services provided by TIAA, and is being presented to the Audit Committee for approval.

## Definition of Internal Audit

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The PSIAS defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

PSIAS defines the mission of internal audit as being to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. PSIAS define the following core principles as necessary to ensure the effective professional practice of internal auditing:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

## Code of Ethics

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TIAA's provision of internal audit to the Council will follow the principles set out in the Code of Ethics contained in the PSIAS, which include integrity, objectivity, confidentiality and competency.

TIAA's internal auditors are required to follow the rules of conduct laid down in the Code of Ethics as well as related TIAA guidance and professional requirements of any professional body to which the auditor belongs.

TIAA applies on-going processes to prevent and detect breaches of the Code of Ethics; any identified breaches will be referred by the Head of Internal Audit to the Council's Audit Committee.

## Internal Audit Delivery

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The internal audit function and its responsibilities are defined by the Chief Executive (as Accountable Officer) and the Audit Committee as part of their oversight and scrutiny function on behalf of the Board.

In line with PSIAS best practice, internal audit will report to the Audit Committee, and will provide an overall annual opinion on the adequacy and effectiveness of the systems of risk management and internal control based on the work completed during the year to the Chief Executive.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to. The objective of any consultancy work is to add value and improve governance, risk management and control processes. Internal audit will never take or assume management responsibility.

Where the activities of internal audit identify the potential for fraudulent activity, or there is a suspicion that a fraud has taken place, we will pass all necessary information to your counter fraud providers for advice. Where appropriate and requested to do so, we can assist in further testing to support your counter fraud service.

Internal audit must be independent of the activities that it audits so that it can give an unbiased opinion on controls. All TIAA audit staff are required to sign an annual Declaration of Independence where they are required to disclose any potential conflicts of interest. Any potential conflicts declared by staff will be reviewed by our Managing Director to ensure your service is independent.

### Head of Internal Audit

The internal audit service is provided externally by TIAA. The internal audit service is headed up by a designated Head of Internal Audit and this duty will be discharged by an Audit Director from TIAA.

The Head of Internal Audit has operational responsibility for providing the function which requires independence in the planning and reporting processes and does not have responsibility for providing or managing non-audit services.

### Audit Planning

The Head of Internal Audit shall submit to senior management and the Audit Committee an annual internal audit plan for review and approval, including risk assessment criteria, budget and timings. The audit plan is developed based on a prioritisation of the audit universe using a risk-based methodology, and input from senior management and the Audit Committee. Any significant deviation from the formally approved audit plan shall be communicated to senior management and the Audit Committee for approval prior to commencement. Activity that falls outside the scope of the plan will not be undertaken without express authorisation from the Finance Director and Chair of the Audit Committee. The planning process will take account of other assurance sources and co-ordinate relative audits as appropriate, including external audit and counter fraud.

The Head of Internal Audit will assess whether the resources available are sufficient to produce a robust opinion on the internal control environment. If the resources are insufficient, this will be reported to senior management and the Audit Committee.

## Audit Scope

The scope of internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management process, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. There are inherent limitations in any system of internal control and thus errors or irregularities may occur and not be detected by internal audit work. The following limitations apply:

- Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.
- The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
- Managing the risk of fraud is the responsibility of management. Management is responsible for instituting appropriate measures to ensure that an adequate system of control has been designed and is operational over all activities.
- Management is responsible for informing of the Head of Internal Audit all instances of suspected or detected fraud in order that internal audit can evaluate the impact of the fraud to inform the opinion on risk management, control and governance.

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Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

## Audit Reporting

Following the conclusion of each audit a written report will be prepared. Management have an opportunity to formally respond to each report and detail the corrective action taken or to be taken in regard to the specific findings and recommendations raised; response should include allocated responsibility and timeframes for anticipated completion of each action and an explanation for any recommendations not addressed.

Individual assurance assignments are assigned audit opinions based upon a sound methodology and using accepted best practice. The opinions include:

Substantial Assurance	Reasonable Assurance	Limited Assurance	No Assurance
There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.	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.	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.	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

### Follow up

Follow up arrangements are in place to ensure that management implement corrective actions within specified timeframes. Internal audit shall be responsible for providing assurance over the appropriateness of management's monitoring of actions to address recommendations.

### Escalation

Where, in the opinion of TIAA, an issue arises which requires the urgent attention of the client, the matter will be reported to the Finance Director without delay.

Where an audit of a high priority area is unduly delayed by the Council or by TIAA, this will be escalated to the Finance Director and the Chair of the Audit Committee.

### External Audit Liaison

Effective working between internal and external auditors will help ensure effective and efficient audit coverage, resolution of mutual concerns and minimise duplication of efforts. Internal and external audit will meet periodically to plan the respective internal and external audits, discuss potential issues arising from external audit work and share the results of significant issues identified during audit work.

## Compliance with Standards

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Public Sector Internal Audit Standards require that the Audit Function is subject to a quality assurance and improvement programme that must include both internal and external assessments.

TIAA confirms that its processes, procedures and staff comply with the professional requirements set out in the PSIAS for all work undertaken. As well as a rigorous internal review process undertaken on all work TIAA conducts, we also obtain the following external assessments:

- External independent review every five years to assess our compliance with the professional standards.
- Our audit process has been assessed and accredited by CQS, and is regularly assessed for compliance by ISO accredited inspectors to maintain our ISO 9001 accreditation.

## Resourcing

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TIAA has a sufficiently large resource pool to ensure we can deliver the agreed audit plan, cover periods of absence and bring in additional specialist skills or expertise as and when required to address critical issues in a timely way.

The Head of Internal Audit will be suitably qualified and experienced. Any change of Head of Internal Audit will be discussed with the Audit Committee. Your Head of Internal Audit is responsible for ensuring that suitably qualified and/or experienced staff and other resources are applied to all work undertaken.

## Performance Management

TIAA embraces continuous monitoring of our internal audit services to drive continuous improvement. As part of this we:

- Carry out a client perception survey at least once a year; and
- Maintain a robust complaints and compliments process, embedded in our quality system.

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan.

Area	Performance Measure	Target
Achievement of the plan	Completion of Planned Audits	100%
	Audits Completed in Time Allocation	100%
Reports Issued	Draft report issued within 10 working days of exit meeting	95%
	Final report issued within 10 working days of receipt of responses	95%
Professional Standards	Compliance with PSIAS	100%

## Authority

Subject to compliance with your security policies, TIAA internal audit staff are authorised to have full, free and unrestricted access to all functions, premises, assets, personnel, records, and other documentation and information that the Head of Internal Audit considers necessary to enable internal audit to meet its responsibilities. All employees are requested to assist internal audit in fulfilling its function in a timely manner. Internal audit shall also have free and unrestricted access to the Chief Executive, Chairman of the Board and Chairman of the Audit Committee.

Documents and information given to internal audit during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

Requirements for detailed information needed on each assignment will be agreed with relevant senior management as part of our engagement planning process.

## Contacts

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## Approval

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Approved this 14<sup>th</sup> day of June, 2021

Head of Internal Audit: Philip Lazenby \_\_\_\_\_

Chairman of the Audit Committee \_\_\_\_\_

Finance Director \_\_\_\_\_

This Internal Audit Charter will be reviewed on a regular basis by the Audit Committee. Any substantive changes will be formally approved by the Audit Committee.



## AGENDA ITEM:

### SUMMARY

Report for:	<b>Audit Committee</b>
Date of meeting:	<b>23 June 2021</b>
PART:	<b>1</b>
If Part II, reason:	

Title of report:	<b>Strategic Risk Register Quarter 4 2020/21</b>
Contact:	Cllr Graeme Elliot, Portfolio Holder Finance & Resources James Deane, Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the quarter 4 update on the Strategic Risk Register for 2020/21.
Recommendations	That the content of this report is noted, that Committee seek further assurance where required and that Committee provide comments and feedback on the report for Cabinet to consider.
Corporate objectives:	All. Risk management is an essential part of ensuring that the Council meets all of its corporate objectives
Implications:	<u>Financial</u>  Incorporated within the report.
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report these minimum balances are secured. Budget exercises for 2020/21 will ensure that the minimum balance requirements will also be met for the next financial year.

Risk Implications	<p>Effective risk management is an important factor in all policymaking, planning and decision-making.</p> <p>Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments</p>
Community Impact Assessment	The content of this report does not require a Community Impact Assessment to be undertaken. Project and policy proposals identified to mitigate the risks on the Strategic Risk Register will be subject to individual Community Impact Assessments. These will be reported to Members on an individual basis.
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	Cabinet, October 2014, Agenda Item 10

## Report

1. The revised Strategic Risk register showing the position at the end of Q4 2020/21 is attached at Appendix A.
2. There are no changes to the risk scores for this quarter, however the narrative has been reviewed and amended as appropriate to reflect the current position.
3. This iteration of the risk register, i.e. as at quarter 4, will be reported to Cabinet, and will include comments and suggestions as requested by the Audit Committee.
4. Members requested details of the methodology used for scoring risk, this is attached at Appendix B. This enables identified risks to be categorised so that consideration can be given to whether any further risk controls are required.



## Quarter 4 Strategic Risk Report

**Mar-2021**

## Summary

The over all risk score for each or the risks highlighted within this report are arrived at by multiplying the score given for the probability of the risk happening and the severity of the consequences of this risk.

The probability and severity are scored 1-4 relating to their severity as shown in the below table

The severity of the overall risk score can also be found in the below table

Risk Score	Probability	Severity
1	Low	Low
2	Medium	Medium
3	High	High
4	Severe	Severe

Overall Score	RAG
0 - 4	Green
6 - 10	Amber
12-16+	Red

Inherent Probability	Inherent Impact	Inherent Risk Score	Mitigated Probability	Mitigated Impact	Mitigated Risk Score
SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives					James Deane
4	4	16	3	3	9
SR2 - The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council					Claire Hamilton
3	3	9	2	3	6
SR3 - Social media risk					Claire Hamilton
3	3	9	2	3	6
SR4 - Cyber Attack					Claire Hamilton
3	4	12	2	3	6
SR5 - The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need					Mark Gaynor
4	4	16	3	3	9
SR6 - That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future					Mark Gaynor
4	4	16	3	3	9
SR7 - Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short- to medium-term					Claire Hamilton
4	4	16	4	2	8

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

Quarterly Update

The Council's provisional outturn position, scheduled for report to Cabinet in July 2021, is currently indicating an in-year pressure of £2.4m.

The Economic Recovery Reserve, created within the MTFS to fund the impact of Covid over the medium-term, provided for a pressure of £3.5m in 2020/21. It is therefore able to cover the Covid pressure in line with the strategy.

The fact that the draw down required from the Reserve for 20/21 is less than was forecast at the time of its creation, means that the Council will have additional resilience against the continued uncertainty over future years' Covid impact.

Whilst it should be noted that the 20/21 outturn position at this stage remains provisional, and subject to change through the accounts process, it does indicate that based on current information the MTFS is robust. The adequacy of the MTFS continues to be closely monitored and Members will be kept updated of any material changes.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	3	9

Impact

The Council is currently facing two fronts of significant financial uncertainty that both hamper planning and risk deliverability of the objectives within the Corporate Plan into the medium-term: 1) the ongoing uncertainty around future Government funding of local authorities, and 2) the financial implications of Covid.

Government Funding

The Council is currently operating on a one-year Finance Settlement from Government, the second in succession, following the conclusion of the 4-year deal in April 2019. One-year Settlements, and the planning challenges that accompany them, are expected to continue until Government implements its new funding allocation model following the completion of its Fair Funding Review

As yet there is no certainty over the level of funding that Dacorum or any other authority can expect in the future, post-review. However, there is a strong belief across the sector that the new model will divert funding away from lower tier authorities in favour of those authorities with responsibility for the provision of social care. The Council must ensure that it's in a position to adapt to significant funding reductions at potentially short notice when the new model is announced.

Covid Implications

The Council faces significant expenditure and income pressures as a result of Covid. The pattern of expenditure pressures have thus far tended to be more-directly lock-down related and, therefore, are likely to be more short-term. Income pressures on the other hand, have a short-term element, e.g. dramatic loss of car parking income during lock-down, but also potentially an even more significant long-term effect through a recessionary impact on the Council's primary income generating services, e.g. commercial property.

The magnitude of the potential Covid-related losses, combined with uncertainty around the duration of the pandemic and the unknown timing and severity of the expected recession creates a significant financial threat to the Council's in-year budget. In addition it adds further complexity and risk to the already challenging medium-term planning environment arising from one-year Government funding settlements.

## Controls to manage the risk

The Council's Medium Term Financial Strategy (MTFS) and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment. Sound financial planning maximises the opportunity for the Council to identify funding risks in advance, and therefore grants more time for it to plan to provide its services differently in order to continue delivering its corporate priorities. The Council's sound financial planning processes, detailed below, have resulted in my reducing the inherent probability score from '4', Very Likely, to a residual probability score of '3', Likely.

The MTFS details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints.

The 2020 MTFS refresh was delayed from its usual July publication until October (approved by Council in November) in order to optimise the evidence base for Covid-related forecasts into the medium-term. The Strategy adopted a two-pronged approach to combine the Council's need to 1) continue driving the efficiencies required to ensure underlying sustainability; and, 2) to protect frontline services in the face of the time-bound Covid pressures. The approved MTFS can be viewed on the October 2020 Cabinet Agenda, Item 8:

(Public Pack)Agenda Document for Cabinet, 20/10/2020 19:30 (dacorum.gov.uk)

In addition to a modified approach to the MTFS, quarterly Covid Updates have been reported to Cabinet throughout the year outlining the constantly evolving of the financial implications of the pandemic and the expected recession. The forecasts are kept under constant review and any updated forecasts that threaten the viability of the approved MTFS will be reported back to Members together with updated recommendations.

As part of its Transformation Programme, the Council is seeking to deliver its Service Plans differently from 2021 – using a more cross-directorate approach and covering a longer period than the traditional one year. The closer alignment of the MTFS and Service Plans over a multi-year period should strengthen the Council's financial planning, and the cross-directorate approach unlock corporate opportunities that would be less clear under an individual approach to service planning.

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

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

## Evidence the risk is being managed

### Internal Audit

In recent months, the Council has received two independent, third-party audit reviews of the financial processes that contribute to the management of this risk:

The 'Budgetary Control' process was audited by the Council's new Internal Auditors, TIAA, in October 2020, and received the highest level of assurance, with no recommendations or action points to follow up. This followed an audit by the outgoing Internal Auditors, Mazars, in March 2020 on 'Core Financial Systems and Budgetary Control' which also gave the highest level of assurance with no recommendations or action points.

### External Audit

The 'Value for Money' opinion issued in Grant Thornton's 'Audit Findings' report in September 2020, was based on evaluation of the MTFS; the budget-setting process; the reserves policy and use; and, the Council's forecasting of the Covid threat and plans to deal with it. Grant Thornton's conclusion was:

'Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.'

### Internal validation

The fact that the Council was in a position to approve an MTFS which is capable of funding forecast Covid pressures from reserves, is practical validation of its approach to managing the MTFS and reserves over recent years. Although the planned use of reserves will inevitably reduce the amount available for future investment in the borough, it has meant that the Council is able to protect the delivery of its frontline services into the medium-term.

Risk Owner : Claire Hamilton Portfolio holder : Julie Banks

SR2 - The Council is unable to recruit and retain the staff required to progress as a Modern and Efficient Council

#### Quarterly Update

The impact of the Covid pandemic has been significant on recruitment as there has been a need in some areas (e.g. Homelessness Team) to increase the size of the team to meet the increased demand. However this work is only being funded on a temporary basis by the Government which means DBC is only able to recruit temporary fixed term posts rather than full-time positions.

This has led to the appointment of agency staff across the Council in order to maintain service delivery.

A review is currently being undertaken against vacant posts and funding sources to see where possible we can create full time roles and not lose staff to other organisations due to lack of job security

Inherent Impact	Inherent Probability	Inherent Risk Score
3	3	9
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	2	6

#### Impact

The Council is currently finding it challenging to recruit and retain staff with the appropriate skills to deliver all of its services, particularly within professional areas such as Legal, Finance, Surveyors, Environmental Health and Planning etc.

This challenge has grown significantly over recent years – as the economy has emerged from the worst of the recession, the private sector employment market has become relatively more buoyant due to the continued constraints on public sector funding. General competition with the private sector for skilled employees is exacerbated for Dacorum by its close proximity to the higher salaries of the London market.

This has led to the appointment of agency staff across the Council in order to maintain service delivery. A reliance on agency staff brings a number of specific risks:

- Statutory – staff shortages can put delivery of the Council’s statutory services at risk, e.g. Environmental Health, Housing repairs and Fire safety, and Building Control;
  - Resilience – any need for agency staff leaves the Council vulnerable to potential higher turnover and loss of knowledge which can affect continuity of service provision;
  - Financial – the cost of agency staff is higher than for permanent staff, which can pressurise budgets in several areas across the Council.
- Staff Morale - could be affected in areas which are carrying vacancies, due to increased workload pressure and as a result of lack of team rapport

This challenge affects all public sector organisations within the region, and a solution is high on the agenda for county-wide working groups of which DBC is a member.

#### Controls to manage the risk

A programme of work has been developed to enhance our ability to recruit and retain staff:

- Terms and conditions have already been reviewed to develop a range of benefits within the remuneration package
- Flexible working arrangements are in place to ensure staff achieve a good work/life balance. Many of the Council's staff have been able to work successfully from home during the pandemic.

Further measures currently being developed and implemented include:

- Enhanced and expanded Graduate/apprenticeship scheme to create up to 8 new posts within areas experiencing recruitment and retention difficulties, this will be supported by a planned approach to utilising the Council's apprenticeship levy to support some of the professional training costs
- SLT has agreed a further three graduates for 2021/22 from the National Graduate Development Programme (hosted by the Local Government Association)
- Succession planning approach embedded into appraisals and service plans with supported by the career development plans.
- Implementation of more robust management information which will be enabled by the implementation of a new Human Resources technology system
- Streamlining of recruitment campaigns and modernisation of recruitment web pages including video clips; further develop the use of social media platforms for recruitment.
- Hosting of recruitment days to generate interest in high volume recruitment service areas and retain CV's for future reference to fast track the filling of vacancies
- Establish DBC as employer of choice by presence at careers fairs, developing links with Schools, Colleges and Universities.

Evidence the risk is being managed

Turnover remains reasonably low and it is infrequent that posts are re-advertised.  
Graduates have been appointed and we are working for LGA to appoint the next batch of three. HR will be working with services with recruitment challenges to ensure the graduates to support these areas in the first instance.

Risk Owner : Claire Hamilton Portfolio holder : Andrew Williams

SR3 - Social media risk

Quarterly Update

The DBC Communications Strategy is being independently reviewed and any actions for further improvements in relation to social media risks will be identified and acted upon.

Inherent Impact	Inherent Probability	Inherent Risk Score
3	3	9
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	2	6

#### Impact

"Almost nine in ten (86%) of UK adults now have internet access at home, and this is highest among those aged under 55. Facebook continues to be the largest social network service in the UK. In April 2016, it attracted a digital audience of 38.9 million (more than three-quarters of active internet users). This was larger than that of LinkedIn (21.8 million) and Twitter (20.9 million)" (Ofcom report 2016).

By design, social media is widely accessible and offers users easy electronic communication of personal information and other content, such as news, videos and photos. With public participation and exchange of content so readily available, this introduces a certain level of risk.

The consequences of using social media include members of the public, pressure groups or employees using DBC social media accounts to raise negative, confidential, incorrect or abusive statements/campaigns aimed at damaging the reputation of DBC. Similarly, the risk of DBC not using social media will exclude a large proportion of residents and key demographic groups including younger residents and businesses.

#### Controls to manage the risk

The Council monitors and protects its social media presence through a Social Media Management Platform (Social SignIn). Social SignIn provides management options for automatic moderation of abusive messages and other risk mitigation tools.

All staff are required to read and sign up to a range of policies including:

- Corporate Information Security Management Policy
- Corporate Information Technology Security Policy
- Data Protection Act Policy
- Freedom of Information Policy
- PSN/Government Connect (GSx) Acceptable Usage Policy
- Information Security Incident Procedure

#### Evidence the risk is being managed

An audit of DBC's internal controls in strategy and governance, training and awareness, processes and technology, found that there is a sound system of internal control designed to achieve the system objectives. The communications team carry out training for new staff members and refresher training when needed. Social Media remains a key role in sending information and engaging with our residents/customers. This remains controlled and well managed as we experience very few instances where this causes issues for the Council.

Risk Owner : Claire Hamilton Porfolio holder : Andrew Williams

SR4 - Cyber Attack

Quarterly Update

All controls are approved and continue to provide prevention of any cyber attack for the council.

Communications have been sent to staff to remind them of the importance of not opening emails or attachments of emails of any email that they don't immediately recognise.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	3	12
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	2	6

Impact

At least 263 million cyber-attacks were carried out on UK local authorities in the first half of 2019 alone. Nearly half of all local authorities had experienced an attempted cyber-attack on their IT systems since 2017 and 37% of them had experienced cyber-attacks in the first half of 2019.

The Council's ICT team is aware that its network is the subject of attempted cyber-attacks on a daily basis from a range of sources, likely to include organised crime and state operators.

The potential consequences of a successful cyber-attack are extremely damaging to any organisation. In the public sector, cyber-attacks on NHS trusts have led to cancelled operations, including the WannaCry attack in 2017 that affected 45 NHS organisations. In 2016 Lincolnshire County Council were hit with a £1M demand following a ransomware infection and in 2020 Hackney Council was profoundly affected by a similar ransomware attack.

Within Dacorum, a successful and extensive cyber-attack has the potential to impair the delivery of all services to its residents as well as the potential publication of sensitive and personal data. Any successful Cyber Attack could significantly impact the Council's reputation, as residents may lose confidence in the management of electronic records.

Controls to manage the risk

The Council monitors and protects against threats with particular attention to the following, in line with the Government's Cyber Essentials direction:

- Boundary firewalls and internet gateways
- Secure configuration
- Access control
- Malware protection
- Patch management

The Council also ensures that system and operational data is backed up securely and regularly, and the process of restoring from those back-ups is tested regularly.

Evidence the risk is being managed

Adherence to National Cyber Security Centre (NCSC) Cyber Essentials (formally audited 2017); Public Sector Network (PSN) Compliance (including annual vulnerabilities assessment by approved cyber security consultancy)

Risk Owner : Mark Gaynor Porfolio holder : Margaret Griffiths

SR5 - The Council will be unable to ensure that sufficient good quality and affordable homes can be delivered, particularly for those most in need

Quarterly Update

There is some optimism that by working with Homes England we should be able to access grant for new social rent homes. However the government's decision to mandate a sizeable proportion of 'affordable homes' as First Homes - on owner occupied scheme with 30% discount from market price will displace a large proportion of affordable rented homes being delivered.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	3	9

Impact

Housing costs in Dacorum are already extremely high and among the highest in the country outside of London. The impact of this is that local people (and potential new residents) face considerable difficulties accessing decent and affordable homes. This has potential risks in increased homelessness, difficulties in attracting new business and inward investment and breakdown of family support networks if people have to move away or have to stay longer in parental homes than is desirable.

The causes for this are complex and varied, and some are outside of the Council's control, but include:

- The high cost of owner occupation due to location, local income levels, market shortage and increasing demand from people moving out from London. This can mean owner occupation is well beyond the reach of a large number of local people.
- The Private Rented Sector is not focused on providing homes of quality to those on low incomes with short 6 months tenancies and often in poor condition.
- The planning system does not have the levers to require new homes to be built and with respect of providing affordable homes the rented product – usually affordable rent at 80% of market rent - they are too expensive for those on low incomes.
- There are still cuts being made to the benefits systems and Universal Credit has seen a dramatic increase in the levels of rent arrears in those areas that have already had the full roll out. This will cause further difficulty for low income households to afford rent and would lead to still further homelessness.

The key risks this raises for the Council are:

- The supply of homes is unable to match demand
- An increase in the levels of homelessness resulting from landlords in private renting seeking to maximise their rents
- The impact of Universal Credit roll out leading to increased arrears, debt and homelessness
- A general risk that the construction industry may not have the capacity to meet the level of demand for development
- The HRA will not be able to access sufficient funds to fulfil the Council's programme of social rented housing

#### Controls to manage the risk

The Local Plan is currently under development and is likely to go out for public consultation in the summer of 2019. This will incorporate a very high level of housing growth and the plan needs to ensure that the sites are identified and are likely to be delivered in the timescales identified. There will be a strong affordable housing policy, building on the current one, which will require at least 35% affordable homes on every scheme above 10 units. The council is strengthening its expertise in Planning on robustly testing developers viability submissions. This will include no longer accepting developer arguments that the cost of land prevents or reduces the amount of affordable they can deliver – they should take account of the council's policy when agreeing the price.

Ensuring good masterplanning of the larger sites emerging from the Local Plan will mean that they are more likely to be built out as planned and will be more attractive for potential buyers.

The Private Housing Service in Housing, which includes Private Renting, has been reshaped and is geared up to the licensing of up to 900 Houses in Multiple Occupation and addressing issue of disrepair and harassment in the sector. It will work with and support landlords who are prepared to grant longer tenancies which will allow families more security and stability.

There is already a new build council home programme of 370 new homes by 2022 that is just starting. The government has announced that the cap on the HRA borrowing will be ended in April 2019 and the programme will be further expanded. A full assessment of the capacity of the HRA to move to an output of around 100-200 new homes per year will be made in the very near future and will gear up for that level of delivery. This will help, though not solve, the shortage of affordable homes for rent. Housing Associations will be encouraged to include social rented homes at lower rent levels than affordable to be built as grant is now available from Homes England for this aim.

The introduction of the Homeless Reduction Act has allowed the Council to be geared up to dealing with an increased number of homeless households with the initial aim of preventing the homelessness from happening. One important route will be working with those private landlords that have a desire to help those in housing need, and there are many, to be able to continue renting without losing income.

#### Evidence the risk is being managed

The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above in controls.

Regular reports will also made to the Housing and Community Overview and Scrutiny Committee on new build council homes, homelessness performance, and Private Renting sector performance.

Risk Owner : Mark Gaynor Porfolio holder : Graham Sutton

SR6 - That the Borough does not secure sufficient investment in essential infrastructure that is required for continued and improved economic performance and housing delivery that is sustainable and fit for the future

Quarterly Update

The government's increased use of Permitted Development - which doesn't require any developer contributions or affordable homes - is reducing the amount of infrastructure funding that the Council receives. Recent changes to affordable housing requirements will lead to more owner occupation products which will remain unaffordable to those on an average salary,

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
3	3	9

Impact

The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. The risk is, therefore, that new development at a scale not experienced in Dacorum since the New Town development will not be matched with the infrastructure that a healthy and thriving community depends upon.

Failure to provide this infrastructure will have a number of damaging consequences:

- a reduction in the quality of life and opportunities for people in the Borough
- a serious constraint to economic growth with the impact on the prosperity of local people
- reduced financial contribution to service provision through Business Rates growth
- increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope
- damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council.

The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it.

Controls to manage the risk

Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.

The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:

- Ensuring that the Local Plan (and its component elements such as site allocations, supporting policies and so on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials.
- Working with other South West Herts councils and HCC to make a case at national level for strategically important infrastructure
- Bidding into government funding pots such as the Housing Infrastructure Fund where possible.
- Use of masterplanning which supports what is required to be delivered to produce sustainability on larger sites and formalising as a Special Planning Document where appropriate to give it more 'teeth'.
- The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision that local people want.
- Operating an 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.
- Stimulating required growth through the Council's own regeneration activity, including the Enterprise Zone making inward investment being more likely.
- Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.
- Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.
- Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)
- Working to create key partnerships to bring forward development capable of funding major infrastructure such as Hemel Garden Communities with the Crown Estate, St Albans and City Council, HCC, the LEP and the Enterprise Zone.

Evidence the risk is being managed

These controls are exercised and reported within the following:

- Regular reporting to the Growth and Infrastructure Group, CMT, Cabinet and Overview and Scrutiny Committee
- Fortnightly reporting on key projects to CMT
- Reporting to Performance Board before each Cabinet Meeting
- A clear programme for the Local Development Framework and CIL Quarterly reporting to Overview and Scrutiny
- Regular reporting to Cabinet
- Adherence to the agreed performance and project management processes

The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, income achieved and expenditure made on agreed infrastructure. Regular reports are made as set out above.

Risk Owner : Claire Hamilton Portfolio holder : Andrew Williams

SR7 - Uncertainty around Brexit negotiations could result in the Council facing additional demand for its services in the short- to medium-term

#### Quarterly Update

There have been no significant impacts on council services as a direct result of Brexit to June 2021. This will continue to be monitored by SLT as the year progresses and actions agreed as appropriate.

Inherent Impact	Inherent Probability	Inherent Risk Score
4	4	16
Mitigated Impact	Mitigated Probability	Mitigated Risk Score
2	4	8

#### Impact

On 23rd June 2016, the UK voted in a referendum to leave the European Union (EU). Article 50 was triggered on 27th March 2017 starting a two year formal process for leaving the EU. The UK left the EU on 31 January 2020 with a withdrawal agreement which is subject to a transition period which ended on 31st December 2020. The UK have now reached agreement on how the future relationship will work, including trade, energy, transport, social security, law enforcement, health and scientific collaboration and dispute settlement.

The agreement now reached gives the Council greater certainty and there has been no noticeable increased demand for its services in 2021 as a direct result of Brexit.

Brexit does still pose a strategic threat to the Council primarily because there is lack of clarity over how or to what extent the outcome may threaten achievement of its corporate priorities. In the absence of more detail, the Council is, in general terms, planning to 'be prepared'.

In addition, there is the possibility that the Council may be required to carry out functions under its Civil Contingencies responsibilities, although in the first half of 2021 this threat has not come to fruition to date.

#### Controls to manage the risk

The Chief Executive prepared a report to Members outlining the sector's view on where the key Brexit risks currently lie.

The Senior Leadership Team (SLT) has received a report from the Assistant Director (Corporate and Contracted Services), who is leading on Brexit risk, highlighting key risk areas for the Council which continue to be monitored with the wide Corporate Leadership Team. All service areas are represented at SLT, and the majority of SLT members operate within county- and nation-wide professional groups. This means that the knowledge reach of the group is wide and varied, meaning that emerging issues are likely to be raised for discussion around impact as they arise.

The Assistant Director, Corporate and Contracted Services also sat on a multi-agency county wide Tactical Coordination Group which monitors the EU Transition period although as the risk has reduced in early 2021 the group was stood-down in March 2021.

SLT has also ensured that all service areas revisit their Business Continuity plans to ensure that they remain up-to-date and capable of mitigating known and emerging risks.

SLT also review and update the Corporate Brexit risk register.

The Leader of the Council and the Chief Executive have taken part in webinars hosted by MHCLG with various Government departments in preparation for Brexit.

#### Evidence the risk is being managed

The subject of Brexit is reviewed by SLT if there are any specific issues or impacts for discussion. Members will be kept advised as more information becomes available.

## Risk Scoring Methodology

### Impact Score

The following descriptions and definitions of impact are indicative and not exhaustive. They are a guide to assist you in assessing the impact of the risk **should** it occur.

Description	Factor	Score
<ul style="list-style-type: none"> <li>• Brief disruption of service area – up to 1 day</li> <li>• No or insignificant environmental damage</li> <li>• Financial loss &lt; £5,000</li> <li>• Minor injury (first aid treatment) to an individual or several people</li> <li>• Complaint from member of public</li> <li>• Litigation/claims/fines up to £5,000</li> <li>• No reputational damage – little or no local press interest</li> </ul>	Minor	1
<ul style="list-style-type: none"> <li>• Service disruption 2-3 days</li> <li>• Adverse effect on services in one or more areas for a period of several weeks</li> <li>• Financial loss &lt; £25,000</li> <li>• Adverse local publicity</li> <li>• Significant injury to an individual or several people – medical treatment required</li> <li>• Litigation/claims/fines up to £25,000</li> </ul>	Significant	2
<ul style="list-style-type: none"> <li>• Service disruption 3-5 days</li> <li>• Complete loss of service area for 3-5 days</li> <li>• Financial loss up to £50,000</li> <li>• Adverse publicity in professional/municipal press</li> <li>• Adverse local publicity of a persistent nature</li> <li>• Major injury to an individual or several people</li> <li>• Litigation/claims/fines up to £50,000</li> </ul>	Serious	3
<ul style="list-style-type: none"> <li>• Service disruption 5+ days</li> <li>• Major loss of service, including several important areas, and/or for a protracted period</li> <li>• Financial loss &gt;£50,000</li> <li>• Adverse and persistent national media coverage</li> <li>• Adverse central government response, involving (threat of) removal of delegated powers</li> <li>• Officers and/or Members forced to resign</li> <li>• Loss of life</li> <li>• Litigation/claims/fines &gt;£50,000</li> </ul>	Major	4

## Likelihood Score

The following descriptions and definitions of likelihood of the risk occurring are intended as a guide to assist you in arriving at your risk score.

Description	Indicators	Factor	Score
Less than 10% chance of occurrence	Has happened rarely/never before	Very unlikely	1
10 – 40% chance of occurrence	Only likely to happen every 3 or more years	Unlikely	2
40-75% chance of occurrence	Likely to happen at some point within the next 1–2 years. Circumstances occasionally encountered – few times a year	Likely	3
More than 75% chance of occurrence	Regular occurrence Circumstances frequently encountered – daily, weekly, monthly	Very likely	4

## Scoring the risk

The charts above are designed to help you score the risks in terms of likelihood and impact.

This is carried out in two stages:

- Multiply the likelihood and impact scores together, as if there were **no** controls in place. This will give you an inherent risk score.
- With the list of controls that are currently in place, re-score the risk, taking into account the effect of these controls.

These final scores will give you a risk profile of those risks that may need more immediate attention.

Risk Score	Overall Rating
12 - 16	HIGH
6 - 10	MEDIUM
1 - 4	LOW

Level of Risk / (Inherent Risk Score)	Managing the risk
High Risk (12-16)	<p><b>Requires active management</b> High impact / High likelihood: risk requires active management to manage down and maintain exposure at an acceptable level</p> <p><b>Contingency Plans</b> A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile</p>
Medium Risk (6-10)	<p><b>Good Housekeeping</b> May require some risk mitigation to reduce likelihood if this can be done cost effectively, but good housekeeping to ensure the impact remains low should be adequate. Reassess frequently to ensure conditions remain same</p> <p><b>Contingency Plans</b> A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from profile</p>
Low Risk (1-4)	<p><b>Review Periodically</b> Only put mitigations in place if it's cost effective to do so</p>