

Audit Agenda



Wednesday 9 February 2022 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 - 10)

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. INTERNAL AUDIT PERFORMANCE REPORT SICA (Pages 11 - 17)

6. INTERNAL AUDIT SERVICE REPORTS (Pages 18 - 95)

- Assurance review - Procurement
- Assurance review - Freedom of Information
- Budgetary Controls
- Revs and Bens
- Waste Management

7. PUBLIC SECTOR AUDIT APPOINTMENTS - PROCUREMENT PROCESS APPOINTMENT OF EXTERNAL AUDITORS (Pages 96 - 106)

8. DRAFT TREASURY MANAGEMENT STRATEGY 2022 / 32 (Pages 107 - 146)

9. WORK PROGRAMME

Agenda Item 3

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 21 November 2021

ATTENDING

Councillors:

Councillor Chapman (Chairman)

Councillor Elliot

Councillor Birnie

Councillor Symington

Councillor Mahmood

CLlr Tindall

Outside Representatives:

DBC Officers:

Nigel Howcutt Assistant Director (Finance & Resources)

Fiona Jump Group Manager (Financial Services)

Matt Rawdon Group Manager (People & Performance)

M Sells, Member Support Officer

TIAA

Philip Lazenby

The Meeting commenced at. 19:30

No.	AGENDA ITEM
1	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were submitted on behalf of CLlr Silwal and CLlr Townsend.</p> <p>CLlr Tindall was Substituting.</p>
2	<p>MINUTES OF THE PREVIOUS MEETING</p> <p>CLlr Birnie queried the minutes from the previous meeting, as some points were not clear. CLlr Birnie stated that with regards to page 7, paragraph 9, he queried whether the Council was in control of infrastructure financing, where large items could not be financed through S.106 or CIL. DBC was obliged to enter into a bidding process with the government. The</p>

	<p>point Cllr Birnie made was whether this posed a risk to the Council, as it could lead to large developments being approved where they did not have conditions for large items of interest. There was no mitigation for such an important risk.</p> <p>Cllr Birnie also observed that page 8 of the minutes referred to Cllr Townsend saying a planning document was missing and that Internal Audit had offered to present the committee with the document. Cllr Birnie stated that this was the responsibility of the external auditors, where the planning risk assessment procedure report had not been provided due to a failure within the auditor’s planning procedure. Nigel Howcutt thanked Cllr Birnie for the clarification and stated that he would chase up and rectify this. Cllr Birnie reiterated that this was a failing of the external auditors and not a criticism of the officers.</p> <p>The Chair proposed that the minutes and actions of the previous meeting be approved subject to the above changes, which was agreed.</p>
3	<p>DECLARATIONS OF INTEREST</p> <p>There were no Declarations of Interest.</p>
4	<p>PUBLIC PARTICIPATION</p> <p>There was no public Participation.</p>
5	<p>INTERNAL AUDIT</p> <p>The Chair invited Philip Lazenby to provide an update on internal audits, as shown on p12 to 46 of the meeting pack.</p> <p>Philip Lazenby presented his update, noting that there was a document from the previous meeting that was carried over to be discussed today. One audit report had been completed since the previous audit committee, for Customer Services, which have provided substantial assurance. Philip Lazenby noted that the audit executive summary could be found on p17 of the pack, adding that the report contained 1 important and 2 routine recommendations, which had been accepted by management.</p> <p>Philip noted there had been good progress against the plan on p20. Both the draft reports had gone final since the report was produced, meaning there would be a larger number of reports to review at the next meeting.</p> <p>Philip stated there would be an in-depth review of recommendations this month and added 18 had been completed in the year to date. They remained in the document until an in-depth review could be carried out.</p> <p>Philip turned to the absence management report, which was deferred from the previous meeting. This involved detailed testing against absence and sickness management, including whether line management and procedures were effective, and items were being recorded appropriately. There were 4 recommendations and 2 operational issues, all of which had agreement from management and assurance had been given that they had been implemented in full.</p>

Philip explained a sample of 10 sickness episodes showed that 2 return to work interviews had not been conducted or recorded. 5 long-term sicknesses were also checked, of which 2 were not completed in accordance with expectations, 1 because an escalation was running in parallel and the second where procedures hadn't been adhered to. Matt Rawdon stated that the actions had been undertaken and he was happy to answer questions.

Cllr Birnie noted item 5, p13 talked about the attendance of committee members during the lockdown. Cllr Birnie stated it was curious to see that engagement from attendees, presumably the members, had dropped by 9% and asked how this was calculated. Philip replied it was based on a self-scoring system with engagement rated between 1 and 10, with a sample of 120 respondents.

Cllr Birnie asked what the point of the measurement was. Philip replied that some audit committees had changed how they operate as a response to COVID. Previously, audit committees when held in person were frequently all-day meetings. In the last year, audit committees were more focused as documents were circulated before the meeting for attendees to provide questions in advance.

Cllr Tindall noted that on p20, 2 items had been deferred which he felt were important, namely business continuity (deferred to Q3) and corporate health and safety (to Q4) with internal pressures given as the reason, he enquired what these pressures were. Nigel Howcutt replied that the pressures were due to the pandemic, with frequent government announcements causing major review work each time, putting too much pressure on staff. Business continuity was deferred due to leave and absence, as the council comes out of COVID, the processes had to be reviewed. It was logical to delay this to later in the year.

Cllr Tindall noted the 2 return to work interviews missed and added that he accepted that DBC was in exceptional circumstances and it was difficult to perform at 100%. He trusted that attention was being given to this item as it was important to continue to look after the welfare of staff. Matt Rawdon agreed and added that interviews were chased after 7 days. Their importance was recognised.

Cllr Chapman noted that on p17, some staff had not received relevant training for their roles and asked how this was progressing. M.Rawdon replied that it took up to 12 months for a customer services representative to be fully trained. It was a key goal to ensure that training was undertaken quickly but there was a balance in terms of the management time requirement. He assured Cllr Chapman that it was a priority for his management team.

Cllr Birnie stated that he was surprised that in 1 or 2 instances training had not been completed within 2 years, which seemed a very long time. M.Rawdon replied that there was a balance to be struck, as taking staff away from queries and customer contact had an impact on KPIs, He agreed 2 years for training was a long time and he would investigate this. It had been a difficult time as face-to-face training had not been possible.

Cllr Chapman noted the Sickness Absence policy was dated August 2018 and was overdue for its biannual review. M.Rawdon replied it was delayed due to other priorities, but the review had now been completed and took the auditor's recommendations into account.

The Chair thanked the officers for their report.

STRATEGIC RISK REGISTER QUARTER 2 21/22

Nigel Howcutt presented an update, noting that the scores had not changed quarter on quarter, with no inherent risks greater than 9. Risks, on the whole, had not changed significantly. N.Howcutt observed there were risks around DBC being unable to recruit and retain the staff they needed.

A key issue in the last quarter related to the retention of HGV drivers. This was quickly responded to with the introduction of a retention bonus of £5,000 to reduce the number of leavers. 8 drivers wanted to leave, and 2 had been convinced to stay through the retention bonus. Additionally, a driver left and returned to DBC as the condition of the DBC fleet was superior. N.Howcutt felt the retention scheme would help in the medium term.

N.Howcutt noted that the other change quarter on quarter related to the cyber-attack risk, with public sector recertification taking place later this month. It was hoped that gaining recertification would give the members confidence.

Cllr Birnie noted that there were also 2 staff being trained as HGV drivers and praised Craig for his work. N.Howcutt noted that DBC had trained drivers for many years, but COVID had impacted their ability to do this but hoped this would be less of an issue going forward.

Cllr Chapman asked whether there was any issue securing agency drivers to cover for the shortage of HGV drivers. N.Howcutt confirmed that this was not an issue, but costs were significantly higher than in the past.

Cllr Birnie restated his concerns that there was no method to mitigate the problems DBC faced with large infrastructure items and going to the LEP. Often, they had to go to the central government and engage in a bidding war to cover the infrastructure items. He felt this could radically impact development plans. N.Howcutt agreed that this was a valid point. The infrastructure and delivery plan for the next 30 years was required. The funds would be secured through a mixture of sources, including HCC, the government, the Department of Transport and the LEP. N.Howcutt felt DBC had a good history of working in partnerships such as these, He agreed there was a risk here being at the control of the government.

Cllr Birnie agreed and added the other item related to this was the response to the climate emergency. There were huge problems with the housing stock and little or no provision from the government to supply the necessary to upgrade the housing stock. Cllr Birnie felt this should be in the risk register. N.Howcutt agreed and added they were in the middle of trying to understand the government's response in light of the announcements in the Autumn Statement. Local authorities collectively required £64bn to enable net-zero by 2030.

Cllr Mahmood asked for clarity on the HGV retention scheme. N.Howcutt explained that all HGV drivers would receive a retention bonus of £5,000, which had to be returned if they left within 12 months. He noted drivers were receiving offers above this from competing employers. Where drivers leave and return, they receive the retention bonus on completion of probation.

Cllr Symington returned to the climate emergency and noted it was not mentioned in the risk register. She asked whether this should be reviewed in light of COP26, and added there were other areas facing staffing shortages, including Legal, and felt it was important to

recognise that this was a wider issue. Thirdly, Cllr Symington noted a section in the risk register about not being able to deliver on housing, She felt this needed updating as it referred to 2019 and commented that she had seen 2 appeals from developers be successful as there was no local plan. Cllr Symington asked what the risk was of this.

In reply, N.Howcutt stated that there was an agenda to achieve carbon neutrality by 2030. The action plan had been discussed in the recent Scrutiny meeting. When the register is next reviewed at the end of the year, climate change will be discussed. There was an overall aim to support good housing and to debate the strategic risks involved. He felt the climate emergency would be prominent and1 noted that DBC accounted for just 1% of emissions in the Dacorum area.

On retention, N.Howcutt stated that Q2 KPIs were analysed, including retention and recruitment. Exit interviews were undertaken and fed back into the recruitment and retention strategy. Within the market, it appeared that good resources were highly sought after at the moment.

Lastly, N.Howcutt advised there was a risk of having a local plan that was ineffective versus having a local plan that allowed developers to challenge the position. The local plan was due to be finalised next year, but a decision was made to extend the time to maximise the use of brownfield sites in the best interests of Dacorum.

Cllr Birnie noted that developers have tried to bring in additional sites as DBC did not have a 5-year land supply, He felt the worst issue recently was an appeal that was lost on that basis. A developer had asked for 28 units, which was turned down. A revised plan of 15 was similarly turned down. The developer appealed the original decision, which was upheld. He felt it was likely that green belt land could be lost due to the lack of a 5-year plan.

Cllr Symington added that a second appeal had been lost in her ward for the same reason, where 102 care homes were approved instead of the 40 shown in the master plan. Cllr Birnie added that this could not be solved immediately because they were operating under the previous outdated plan. He felt the new plan would come later than next year.

Cllr Tindall noted the references to graduates in the report and asked whether apprentices were being considered for any roles, such as in Clean Safe and Green and other areas at the depot and parks. He felt that young people had had a tough time because of COVID and suggested continuing the apprentice programme would give them opportunities for jobs. N.Howcutt replied that the apprentice scheme was growing, with a new apprentice starting in the payroll team recently. He added that both apprentices and graduates add value to the organisation.

Cllr Tindall returned to climate change and risk and noted the corporate team was looking at the whole issue to have a specific climate change risk register. He felt this was the right way to go. N.Howcutt replied that the climate change action plan was to be presented to Cabinet in 13 days, which would outline the medium and long-term aspirations. This would include a risk register and updated progress monitoring.

Cllr Symington returned to her previous point, noting that p58 required updating as it was written before Summer 2019, She asked which committee saw the annual reporting. N.Howcutt replied that there was a statutory requirement to publish the information

	annually, and it was presented at the most recent Cabinet meeting. NH added there was an overriding policy for what funds could be spent out, which he offered to send out.
9	WORK PROGRAMME The work programme was reviewed and agreed
	There being no further business the meeting ended at 21:15

No	DATE OPENED	ACTION ITEM	OWNER	STATUS	NOTES
5	09/09/21	Cllr Townsend requested reassurance that comments would be fed back to cabinet. JD agreed that he would look to reflect this back to cabinet during the next quarterly report.	NH	Outstanding	
7	21/11/21	Nigel to follow up with Grant Thornton on their risk planning procedure as mentioned on the 23 rd June meeting	NH	Outstanding	

Dacorum Borough Council

Summary Internal Controls Assurance (SICA) Report

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2021/22

January 2022

Agenda Item 5

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 27th January 2022.

Audits completed since the last SICA report to the Audit Committee

2. 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
Freedom of Information	Reasonable	October 2021	November 2021	November 2021	0	1	0	2
Procurement	Reasonable	November 2021	January 2022	January 2022	0	2	2	0
Waste Management	Limited	November 2021	January 2022	January 2022	3	10	7	1
NNDR	Substantial	December 2021	January 2022	January 2022	0	0	0	0
Council Tax	Substantial	December 2021	January 2022	January 2022	0	0	0	0
Housing Benefits	Substantial	December 2021	January 2022	January 2022	0	0	1	0
Budgetary Control	Substantial	January 2022	January 2022	January 2022	0	0	2	0

3. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

Progress against the 2021/22 Annual Plan

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

Changes to the Annual Plan 2021/22

5. There a number of areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2021/22. These are summarised below.

COVID assurance review work

Review	Rationale
Governance Arrangements	This is a crucial area in order to be able to support that assurances are being received and evaluated fully in order to mitigate against risk and support the direction of the Council.
Business Continuity (incl Covid-19)	This is flagged as a high risk area on the risk evaluation and requires specific mitigation in order to provide day to day services.
Core Financial Controls	This is essential in providing assurances to support going concern.

Progress in actioning priority 1 & 2 recommendations

6. We have made three 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 B.

Mitigating risk exposures identified by internal audit reviews

Review	Date	Priority 1			Priority 2		
2020/21 Cyber Security	April 2021	0	0	0	0	0	1
2020/21 GDPR	April 2021	0	0	0	1	0	1
2021/22 ICT –Security Network	August 2021	0	0	0	1	0	0

Frauds/Irregularities

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

Responsibility/Disclaimer

8. 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.

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Absence Management	1		Final issued July 2021
Payroll (post implementation of iTrent)	1		Final issued August 2021
Business Continuity (including Pandemic Response)	1	Fieldwork in progress	Completion of review delayed due to internal commitments taking priority.
ICT – Network Security (Remote Access)	1		Final issued August 2021
Customer Services	2		Final issued October 2021
Procurement	2		Final issued January 2022
Freedom of Information	2		Final issued
Corporate Health & Safety	2	Deferred to Quarter 1 2022/23	Advised by Management to defer the review to 2022/23
Waste Management	2		Final issued January 2022
Key Financial Controls	3	Fieldwork near completion	
Budgetary Control	3		Final issued January 2022
Council Tax	3		Final issued January 2022
NNDR	3		Final issued January 2022
Housing Benefits	3		Final issued January 2022
Housing Rents	3	Draft Issued December 2021	Awaiting Management Responses
Empty Homes	4		Review to commence March 2022
Planning Enforcement	4	Fieldwork in progress	
Safeguarding & Prevention	4		Review scope in process of being agreed

System	Planned Quarter	Current Status	Comments
Governance & Risk Management	4		Review to Commence February 2022
Follow Up	3-4		Commenced Q3

KEY:

To be commenced	Site work commenced	Draft report issued	Final report issued
Review deferred			

Priority 1 and 2 Recommendations - Progress update

Follow Up Analysis Table

Priority	Recs Outstanding as at 27/01/2022		Aged Analysis for Overdue Recommendations (past date/revised date as appropriate).				
	Past the Original Implementation Date	Before Imp Date	Greater than 1 year	Greater than 6 months	Greater than 3 Months	Less than 3 months	Less than 1 month
Priority 1	0	0	0	0	0	0	0
Priority 2	2	1	0	0	0	2	0
Priority 3	8	2	0	1	8	0	0

Note: Twenty-five recommendations have been confirmed as having been implemented in the year to date.

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
2020/21 Cyber Security						
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 Revised date 31/08/2021 Revised date 10/12/21	Group Manager – Technology & Digital Transformation	Work to decommission the remaining 8 Windows 2008 servers is in hand and will be completed by 10th December 2021. The project has involved major application upgrades and bespoke development to remove dependence on older servers. No further updates provided.	
2020/21 GDPR/ Information Governance						
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	Auditee has been approached for an update however no response received.	

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Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
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 Revised date 31/3/2022	Information Security Team Leader	Implementation date not reached.	
2020/21 ICT – Security Network						
The Council to establish an IT risk register to assess risks relating to systems and solutions employed in provision of network access services.	2	We will introduce a more granular IT Risk Register for key systems and solutions.	29/10/2021	Group Manager - Technology	Implemented – However not closed on the Tracker as Auditee has not provided evidence to confirm implementation.	

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KEY:
Priority Gradings (1 & 2)

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.
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Dacorum Borough Council

Assurance Review of Procurement
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2021/22

January 2022

Internal Audit

FINAL

Agenda Item 6

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

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

SCOPE

The aim of the review was to determine whether the Council's Standing Orders for Procurement are being adhered to across the organisation and whether Brexit rules will be introduced, if any, from 2021/22.

KEY STRATEGIC FINDINGS



Sample testing and review of the Council's Procurement documents, identified that adequate controls are in place and operating as intended.



The audit identified that Procurement rules are potentially being circumvented, which is evidenced by the number of exceptions/ waivers processed and the volume of retrospective orders. More importantly, there is no formal oversight in place, by way of reporting such incidences to Committee/ Cabinet.



Spend against stipulated spend thresholds is monitored, including four year cumulative aggregate spend. This is reported quarterly to Group Managers and Assistant Directors.

GOOD PRACTICE IDENTIFIED



An organisation-wide process to proactively identify procurement work plan activities and follow up on matters is undertaken by the Procurement team.



Meetings were being held during the audit to manage areas of high-spend relating to temporary staff through official multi-agency framework arrangements.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	2	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>Procurement Standing Orders (PSOs) were 'set aside' (waived) 40 times during 2020/21, with a value of £6.861m.</p> <p>Procurement non-compliance reports are issued to Assistant Directors and to Group Managers. However, it was noted that such information/ reports are not presented to a 'designated' Committee or to Cabinet.</p> <p>Furthermore, review and testing of a sample of 10 procurement awards, over £25k, identified that three should have been subject to competitive quotes. However, an exception was raised by the Lead which resulted in a waiver being applied.</p> <p>Procurement staff stated this was a common issue due to time restraints, insufficient planning or input sought for commissioning support from the Procurement Department, and a lot of rollover, making it difficult to demonstrate best value.</p>	<p>Periodic formal oversight of organisation-wide procurement activity reports be established and presented to Committee/ Cabinet, with Leads held to account, where concerns are identified.</p> <p>Reports should include the level and nature of procurement non-compliances, for example, bypassing of procurement process requirements, exceptions, where Procurement Standing Orders (PSOs) were waived.</p>	2	<p><i>A report is currently presented to the Finance & Resources Overview Scrutiny Committee every quarter and this includes statistics on procurement activities.</i></p> <p><i>To comply with this recommendation, it is suggested that the organisation-wide activity report that is reported to this committee, also includes the number of times the PSO's have been set aside and other non-compliance issues.</i></p> <p><i>Should members have concerns over the procurement activity, then they can request that the client officer attends the next meeting or provides a written response to the concerns raised by committee.</i></p> <p><i>It is also suggested that the non-compliance report is shared with Senior Leadership Team each quarter.</i></p>	01/04/22	Group Manager Procurement & Contracted Services

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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.

2	Directed	<p>Analysis of a requisitions report, post the invoice date for the period April 2020 to 9th September 2021, identified that:</p> <ul style="list-style-type: none"> • 5,617 requisitions were retrospective, totalling £14,653,827.32; • Relating to 559 suppliers for 136 areas of the Council. <p>For 2021/22, year to date, there were 1800 requisitions raised retrospectively, totalling £4,523,280.52.</p> <p>Furthermore, review of the Top 5 suppliers by volume and the Top 5 suppliers by value with the Group Manager - Procurement and Contracted Services along with the Procurement Team Leader, identified concerns with seven of these 10. TIAA were unable to further assess appropriateness based on the information provided; therefore the full analysis was shared for further review and investigation by the Council. It is understood this information was not being reported anywhere.</p>	<p>The level of retrospective orders be kept under review and reported to Senior Management as well as Committee/Cabinet. An Action plan must be devised by Senior Management, in order to reduce such instances.</p>	2	<p><i>The Council has a 'no PO no pay' policy, which means that no invoice will be processed for payment without a requisition first being raised. It is highlighted in training provided to those raising requisitions that it is best practice to raise requisitions prior to the receipt of an invoice. 100 %compliance with this is a challenge for any organisation to achieve. We agree that further action can be taken to improve performance in this area.</i></p> <p><i>As a result of the audit findings, the Council's Finance Service will:</i></p> <ul style="list-style-type: none"> -Circulate the % of invoices paid with a retrospective requisition to Group Managers at service level, with the offer of further support/training for staff as required particular for those with highest %. Our first report will be Q3 21/22, to be circulated in January 2022 and quarterly thereafter. -We will review these arrangements after 12 months and determine whether or not reports on performance need to go to the Council's Senior Leadership Team. <p><i>The auditor's finding overstates the number of requisitions in the analysis period. Where a requisition is split across different financial system account codes, this requisition is counted multiple times in the auditor's analysis. Our analysis of requisitions raised after the invoice date for the period 01/04/20 – 09/09/21 shows the following:</i></p> <ul style="list-style-type: none"> •Of 3633 total invoices paid, 1504 had requisitions raised after the due date. This equates to 41% of total invoices paid. •Of these, excluding data relating to the 2 individual officers with the most requisitions raised after the invoice date, the percentage drops to 28% (716 requisitions of 2,518 invoices paid). <p><i>The comments around top 5 suppliers by volume and value made by the auditor were investigated further by Council officers. Our conclusion is that they do not represent an additional finding beyond that of requisitions being raised after invoice dates. We have discussed this position with the auditor.</i></p>	31/01/22	Fiona Jump Group Manager Financial Services
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PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Rec	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Copies of quotes obtained are not held centrally or uploaded on to a system as evidence of adhering to the Council's PSOs and mitigate the risk of fraud	Procurement quotes obtained be held centrally, to demonstrate the Council's PSOs have been adhered to.	3	<i>To help to mitigate the risk of fraud, it is suggested that copies of all procurement quotations are held centrally on Sharepoint. The PSO's will then need to be updated so that staff are aware of the guidance for saving copies of all quotations on to Sharepoint. I will investigate how easy this can be set up with colleagues in the Council's IT service.</i>	01/04/22	Ben Hosier Group Manager Procurement & Contracted Services
Page 22	Delivery	The Procurement Team provides training to staff or where Managers identify key staff, who require targeted training on forthcoming public procurement transformation and process changes, which is planned to be followed by tender evaluation and contract management training. A Procurement 'Do it on Dennis' intranet page was also being setup to include a number of guidance documents but this has been delayed pending a SharePoint and IT update. Supporting emails were seen, however a date for the completion of this had not been provided.	Further actions be undertaken to improve the Council's training arrangements, as follows: <ul style="list-style-type: none"> Assistant Directors to identify nominated leads in each area so Procurement can ensure these staff are appropriately trained; Completion of the Procurement intranet page be progressed in line with an agreed timescale, with matters escalated where necessary. 	3	<i>The Procurement Service has already undertaken a number of training sessions with identified officers who carry out tendering activities as part of the roles. I will investigate with the GM of Technology and Digital Transformation as to when the Sharepoint update will be concluded, so that the Procurement 'Do it on Dennis' page can be updated with the latest procurement guidance for officers to follow . This will be important, as the Government have recently published its response to the consultation on 'Transforming Public Procurement and the Council have adopted a new commercial approach which will impact on the advice and guidance that Procurement will be required to provide to officers.</i>	01/04/22	Ben Hosier Group Manager Procurement & Contracted Services

PRIORITY GRADINGS

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

Ref	Risk Area	Finding	Suggested Action	Management Comments
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.

Page 24
RM
2C

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

Other Findings

- Council Commissioning & Procurement Standing Orders and a Commissioning & Procurement Strategy are in place, covering the period 2019-2024. The Standing Orders reflect Public Contracts Regulations in terms of the World Trade Organisation Government Procurement Agreement procurement thresholds and definitions in line with Brexit and the UK being an independent member of the World Trade Organisation Government Procurement Agreement from 1 January 2021. A range of supporting guidance has also been developed.
- A 'No Purchase Order, no pay' policy is adopted by the Council to help reinforce procurement rules and process this requirement is clearly published on the intranet. However this does not stop Purchase Orders being raised retrospectively (as referred to in the recommendations above) A list of exempt suppliers is in place.
- A Contracts Register and Forward Procurement Plan are maintained. The Council is transparent in publishing its Contracts Register and spending data on its website.

Other Findings



Review and testing of the Council's procurement process and supporting evidence for a sample of 10 procurement awards, comprising of various different types of procurement exercises, namely:

- tenders subject to UK public procurement legislation;
- general tenders, competitive quote processes; and
- framework agreements.

In all cases, it was confirmed that the relevant process had been adhered to, and these were in accordance with the Council's procurement financial threshold requirements. The sample tested contained a number of awards which were given via an 'exception', whereby the competitive quotation was by-passed. As a result of this, the sample was extended to include a further competitive quote process review which confirmed that the exercise had been appropriately completed.



Testing confirmed there is evidence of the use of structured electronic procurement portals for competitive procurements which provides inbuilt automated controls, such as disallowing late bids and a detailed audit trail. Official Tender Requisition forms are completed to obtain the authority to commence the tender process. Tenders evaluations were held that supported decisions made. Award processes had been appropriately completed, including clarification log records, the issuance of letters to all bidders (successful and unsuccessful) with explanatory reasons and justification provided for the decision made. Associated contract documentation was supplied.



A variety of procurement documentation has been developed by the Council and standard formats were seen to be in use.



Officer and Portfolio Holder Decision Record Sheets had been completed where required. Official Procurement Certificates were also provided where necessary, that were appropriately authorised by the relevant Group Manager, in accordance with Section 5 of the Procurement Standing Orders. The documentation provided also demonstrated Finance, Deputy Monitoring Officer and Deputy Section 151 Officer comments, as well as key implications being put forward for consideration in decision making in terms of value for money, financial matters and risk.



There was evidence of communications with bidders where decisions were challenged. The auditor was informed the Council has never been taken to Court or settled out of Court.



Delivery Risk:

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

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
FC	Financial Constraint The process operates within the agreed financial budget for the year.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	4	-

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Other Findings

- The 2021/22 Quarter 1 Performance Report for Corporate and Contracted Services to the Finance and Resources Overview and Scrutiny Committee, contained a Procurement & Contracted Services update on Covid-19 and a summary listing the names of ongoing procurement exercises and projects.
- Quarterly highlight reports are provided to Group Managers, as evidenced for Quarter 1 2021/22, and follow up meetings are held by Procurement staff with key areas. Reports outline aggregate cumulative spend with suppliers over the past four years and matters requiring attention according to the process followed and amount spent, whether this is nearing or has reached requisite thresholds, as well as the procurement forward plan to promote the identification of procurements and early engagement to address these areas. Annual reports including the above were sent to Assistant Directors for 2020/21. Details of procurement processes exceptions are maintained.
- In terms of Brexit, documentation has been updated, such as the Procurement Standing Orders as referred to above. Public Contracts Regulations have been adopted. Management were aware of national changes likely to be delayed to April 2022. It was stated that prices have been increasing due to Brexit, as well as Covid-19 particularly for materials and construction, which may not return to normality therefore matters are being raised with internal clients as part of the specification process.
- Management stated Covid-19 has not had a large impact as the Council is typically service related, with little reliance on overseas materials. Procurement leads have liaised with key suppliers on matters such as staffing, repatriation to Europe, and considered wider new opportunities although tendering has not yet resulted in global options. An external consultancy explanatory paper of market changes has been shared across the Council. The Group Manager also stated the project to replace Berkhamsted leisure centre has considered projected cost increases and the impact of Brexit and Covid-19.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

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

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	23 rd June 2021	23 rd June 2021
Draft Report:	15 th October 2021	12 th January 2022
Final Report:	13 th January 2022	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Procurement		
Type of Review:	Assurance	Audit Lead:	Principal Auditor

Outline scope (per Annual Plan):	Rationale: Any form of procurement exercise/ activity must adhere to the Trusts Procurement rules and demonstrate value for money. Scope: To determine whether the Council's Standing Orders for Procurement are being adhered to across the organisation and whether Brexit rules will be introduced, if any, from 2021/22.		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	N/A		
Exclusions from scope:	N/A		

Planned Start Date:	18/06/2021	Exit Meeting Date:	29/09/2021	Exit Meeting to be held with:	Group Manager of Procurement and Contracted Services, Team Leader: Commissioning, Procurement & Compliance
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SELF ASSESSMENT RESPONSE

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



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Dacorum Borough Council

Assurance Review of Freedom of Information

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2021/22

November 2021

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Failure to adhere to the legislative requirements of the Freedom of Information Act 2000 may lead to penalties imposed on the organisation leading to reputational risk.

SCOPE

The review considered if the Council maintains a log of all information request sheets; Freedom of Information requests are fully replied to within the required timescale; the Council has produced and published policies and procedures for members of the general public on how to apply for information; and if information provided meets the requirements of the Freedom of Information Act and is considered by appropriate officers.

KEY STRATEGIC FINDINGS



Established arrangements are in place for rerecording, managing and responding to Freedom of Information (FOI) requests, which were operating as intended. Details were appropriately retained on the FOI database records.



For the 10 FOI requests examined, one had not met the 20 day response date due to staff absence. There was evidence of the Council reminder processes being undertaken.



Mandatory training relating to FOI is delivered by the Council, however the number of staff having undertaken the training, could not be provided.



For 2021/22 Quarter 2, 93% of FOI responses met the 20 day target. The ICO target is 90%, whereas the Council has set a 100% target, which is ambitious.

GOOD PRACTICE IDENTIFIED



Improvements were made to the existing FOI process, during the audit. For example, the introduction of a monitoring tracker for internal and ICO reviews (complaints).



Consideration was being given to introducing a new electronic system as part of wider customer and complaints transformation.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	2

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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>The Information Security Team Leader (ISTL) was unable to provide information relating to the number of staff who have attended the Mandatory GDPR (including Freedom of Information) during the year to date, In particular, for the following categories:</p> <ul style="list-style-type: none"> • new starters; • key officers (Assistant Director/Group Managers); or • staff who have attended a refresher training. 	<p>The ISTL to, periodically, request reports from Human Resources, on the number of staff, who have or have not attended the Mandatory GDPR Training, during the year.</p>	2	<p><i>HR have confirmed that it has been problematical to retrieve the information from the system (DORIS) in respect of the granular categories requested. On 29 April 2019 all staff were moved from EIS on to DORIS, and that would include existing staff and new starters.</i></p> <p><i>HR can only get certain data from DORIS, HR cannot get start dates. Only dates they were added to DORIS.</i></p> <p><i>Since April 2020, 283 staff have completed GDPR training.</i></p> <p><i>225 staff have attended with an added to DORIS date of 2019 (this could include new starters and existing) 80%</i></p> <p><i>37 staff have attended with a 2020 start year 13%</i></p> <p><i>21 staff have attended with a 2021 start year 7%</i></p>	<p><i>I cannot comment on an implementation date, as the training system (DORIS) is owned by HR, and due to the way the system operates, it might require consultation with the supplier to report on the granularity required in this report.</i></p>	HR Team Leader

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PRIORITY GRADINGS

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

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

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	The FOI Complaints procedure is noted on correspondence however a copy is not available on the Council's website nor is the Council's internal review process stated.	Consideration be given to making the FOI Complaints procedure available online and detailing the internal review process, on the Council's website.	<i>I agree that it would be useful to publish a paragraph on our website in respect of FOI Complaints (Internal Review and ICO). The ISTL has added this to his work plan. Expected date to complete is by end of Q4.</i>
2	Delivery	The FOI KPI, for responding to FOI requests within 20 days, has a target of 100%, which is felt is ambitious and may be unrealistic. The 2021/22 Quarter 2 Performance report, stated 93% achieved against the 100% target <i>(The Information Commissioner's Office (ICO) expects Local Authorities to comply with 90% of requests on time)</i>	Consideration be given to reviewing the 100% KPI target for responding to FOIs requests, to ensure it is realistic and achievable.	<i>Agreed – this has been problematical, and consideration should be given to lowering it to either 90 or 95%. ISTL will consult with Group Manager on this KPI. Expected date to complete – 31/12/21</i>

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ADVISORY NOTE

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

Findings



Directed Risk:

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

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

Other Findings

- Policies on Freedom of Information (FOI) and fees are in place, agreed by the Chief Executive, and last reviewed in July and January 2021. Detailed supporting procedural documentation is also available, including summary flowchart guidance on the process to be followed. Review of documentation confirmed appropriate 'clock stops' are flagged, where fees are required.
- The Council has published the FOI policy, a request form and guidance for members of the general public on how to apply for information on its website.
- The Council maintains a log of all FOI requests, which are recorded in a FOI database, maintained by the Legal Governance Paralegal and Information Security Team Leader, who are responsible for co-ordinating the process. The Council has a designated email address for FOI requests.
- The status of FOI requests is regularly monitored and tracked to assess progress against defined timescales and ensure requests are kept under review.
- Review of the FOI process followed for a sample of ten requests, confirmed that there is an appropriate process for recording and managing each request. Details and dates had been accurately recorded on the database. This also supports the accuracy of performance monitoring statistics, as to the timeframe for providing responses.

Other Findings



FOI requests are assigned to Assistant Directors, Group Manager and nominated officers. Each requires an initial assessment and determination, whether additional costs, over the £450 limit may apply as part of the process. Requests categorised as complex involve specialist FOI leads to ensure that information provided meets the requirements of the Freedom of Information Act.



Review of sample of ten FOI requests, confirmed each was allocated to an appropriate officer. In all cases the information to comply with the FOI request was readily available and would not take officers over the FOI cost limit, to retrieve, and thus an estimation of cost calculation was not necessary. Where a request related to other grounds for refusal, a clear explanation is provided which identified which exemption was applied.



Responses to the FOI requests are sent via email, with the FOI inbox copied into the responses. By copying in the Information Security Team Leader and the Legal Governance Paralegal, assurance can be provided that an appropriate response is provided and that the FOI requests are closed down on the database. Therefore an adequate audit trail for recording FOI requests is maintained. Testing confirmed an adequate response was sent, that addressed the questions raised in the request in an appropriate format for each of the ten requests reviewed.



There are adequate arrangements in place for monitoring compliance against the 20 working days target for complying with FOI requests. The FOI database includes for each request: the officer it has been assigned to, the date the FOI request was received, the date it is to be completed by, and the dates for any reminders that have been sent. Email reminders are sent ten and five working days before a FOI request is due to be completed. Sample testing identified one request not processed within the 20 day target, this date was missed due to staff absence, appropriate reminders had been sent.



It was confirmed that there are adequate arrangements in place for internal reviews, with all reviews carried out by an independent officer that has not been involved in the original FOI response. It was advised that the Information Commissioner's Office (ICO) have not received any complaints in relation to the Council's handling of FOI requests during this financial year. Review of the four ICO reviews received in 2020 confirmed there was adequate evidence of ICO advice being implemented. Details of the internal review process and the ability to refer the matter to the ICO are provided as part of the standard response template for all FOI requests.



In addition, Council arrangements were improved during the audit through the introduction of a monitoring tracker for internal and ICO reviews, hyperlinked from the main monitoring document to provide links to specific files; and establishment of a new reviews folder to provide clearer centralised record keeping arrangements. Suggested enhancements to the tracker that were raised by auditor were taken on board by the Information Security Team Leader, for instance to capture whether recommendations are raised for a review, and assurance over their implementation status until they are progressed to completion.



Delivery Risk:

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

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	2
FC	Financial Constraint The process operates within the agreed financial budget for the year.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

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Other Findings

- The FOI KPI has been set to achieve 100% compliance with the 20 day response timescale for FOI requests. Performance reporting is provided to senior management; namely the Assistant Director (Corporate and Contracted Services) and Monitoring Officer, Group Manager for Legal & Corporate Services and Portfolio Holder.
- As at 4th October 2021, the Quarter 2 performance report noted that 140 requests had been received, 93% of which had achieved the target (130 requests). The Information Commissioner’s Office (ICO) expects Local Authorities to comply with 90% of requests on time. Discussions with management highlighted reasons for missed responses were known and varied, although related to underlying staffing/ operational pressures. Work is undertaken to assist client departments, delegate from Group Managers to specific officers and offered central support from FOI leads.
- Quarterly performance information is available on the new ‘InPhase’ reporting portal which has replaced the existing system – ROCKET, during the audit. The auditor was informed that a glitch had been identified on the new system regarding the “updater comments” field, which is typically used to state which areas missed the FOI KPI target timescale but was found to be linked to a different KPI field. This has been fed back to the developer and since been resolved.
- Consideration was being given to introducing a new electronic system /portal as part of the wider customer and complaints transformation. The first phase due to be undertaken by the end of October 2021, with an action plan to implement, expected to follow. Expected benefits are to provide increased interaction and automation, possibly a landing page, auto-acknowledgements, the use of electronic-forms and potential creation of a case structure. The current database dates to 2005.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

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

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	10 th June 2021	14 th June 2021
Draft Report:	22 nd October 2021	10 th November 2021
Final Report:	10 th November 2021	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Freedom of Information		
Type of Review:	Assurance	Audit Lead:	Principal Auditor

Outline scope (per Annual Plan):	<p>Rationale: The Freedom of Information Act 2000 provides public access to information held by public authorities. It does this in two ways: public authorities are obliged to publish certain information about their activities; and members of the public are entitled to request information from public authorities.</p> <p>Scope: The review considered if the Council maintains a log of all information request sheets; Freedom of Information requests are fully replied to within the required timescale; the Council has produced and published policies and procedures for members of the general public on how to apply for information; and if information provided meets the requirements of the Freedom of Information Act and is considered by appropriate officers.</p>		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	Delivery	<p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>
Requested additions to scope:	N/A		
Exclusions from scope:	N/A		

Planned Start Date:	01/09/2021	Exit Meeting Date:	12/10/2021	Exit Meeting to be held with:	Information Security Team Leader
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SELF ASSESSMENT RESPONSE

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



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Dacorum Borough Council

Page 38 Assurance Review of Budgetary Control

2021/22

February 2022

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

CR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives – Inherent Risk Score (16) and Mitigated Risk Score (9).

SCOPE

The review assessed the adequacy and effectiveness of the Council's budgetary controls.

KEY STRATEGIC FINDINGS



There are policies, procedural documents and guidance in place the Council's budgetary system, such as, movement from reserves and budget adjustments/virements.



Budgetary controls are robust and operating as intended by management. For example, authorisation and approval, budget monitoring via monthly budget review meetings with budget holders and budget reports to the Senior Leadership Team, Committees, the Cabinet and Council.



The 2021/22 financial reserves were agreed as part of the annual budget setting process. They are subject to ongoing review, to ensure the level of reserves remain appropriate.

GOOD PRACTICE IDENTIFIED



Key risks to the Council finance and achievement of the approved budget are identified, managed and reported to relevant Committees across the Council.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	2	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>The Finance Department maintains a budget monitoring log which records information noted during the monthly budget meetings, held with the budget holders.</p> <p>Following the review of the log, it was noted that some sections of the log are blank.</p>	The Accountant (Finance & Operations) to ensure that all sections of the log are completed.	3	<i>The finance service have implemented a process to ensure all sections of the budget monitoring template are completed. For completeness it is worth noting that there are sections of this report that do not require completion every month or for every service area so a lot of these areas will be completed as not applicable.</i>	30/06/22	Group Manager Financial Services
2	Delivery	<p>In a few cases, monthly budget meetings did not take place, due to the budget holder being on leave or unforeseen circumstances.</p> <p>The Accountant (Finance & Operations) stated that in such instances, the budget is either discussed with a nominated deputy or the budget is emailed to the budget holder for comments. It was noted that evidence to support this action is not routinely maintained.</p>	Where the monthly budget holders meeting does not take place. It must be ensured that evidence of review performed is retained and the budget monitoring log updated accordingly.	3	<i>Data will be recorded accordingly. Divisional monthly reports are presented and approved by SLT on a monthly basis to ensure all budgets are signed off on a monthly basis. A review of budget monitoring meetings will also be undertaken in 2022/23.</i>	30/06/22	Group Manager Financial Services

PRIORITY GRADINGS

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

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

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No operational effectiveness matters were identified.				

ADVISORY NOTE

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

Findings



Directed Risk:

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

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

Other Findings



There are appropriate policies, procedural and governance documents in place with regards to the Council budgetary system, namely:

- the Financial Regulations (incorporates the Scheme of Delegation and Scheme of supplementary budgets);
- Virement Policy;
- supplementary budget policy;
- the Financial Planning and Budgeting Policy Framework; and
- the Budget timetable and templates.



The Section 151 officer, Overview and Scrutiny Committees, Budget Review Group, and the Senior Leadership Team were involved in the annual budget setting process.



The budget setting process is informed by the Council's Vision and Priorities, as stated in the Corporate Plan and the Service Strategies, and is linked to the Council's Medium Term Financial Strategy (MTFS).

Other Findings



The 2021/22 annual budget was presented to Cabinet on 9th February 2021 accompanied by the Corporate Director's (Finance & Operations) statement, which contains amongst other things, the explanation of the assumptions on which the budget was based including assumptions made in relation to loss of income due to covid.



Budget Risk Assessments were completed and the approved budget contains risks to key income streams and the key risks to the achievement of the budget are routinely identified and managed



The arrangements for monitoring the Council's annual budget is formalised and was being complied with by Finance.



Review and testing of a sample of virements confirmed that the Council processes were adhered to and a log of virements is maintained by Finance.



Delivery Risk:

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

Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
FC	Financial Constraint The process operates within the agreed financial budget for the year.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	2	-

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Other Findings



Regular monthly meetings are held between the budget holder and the assigned member of the Finance team, which is evident from review of the budget monitoring log.



The Budget report is presented and discussed at the monthly Senior Leadership meeting, whereas the Budget monitoring report is presented to the:

- Housing and Community Overview and Scrutiny Committee;
- Finance and Resources Overview and Scrutiny Committee; and
- Strategic Planning & Environment Overview & Scrutiny Committee.

Additionally, the budget report and Financial Monitoring report is presented to the Cabinet meetings.



The financial impact of Covid and the Council's responses to it were taken into consideration when compiling the 2021/22 budget.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

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

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	8 th September 2021	8 th September 2021
Draft Report:	12 th January 2022	2 nd February 2022
Final Report:	2 nd February 2022	

AUDIT PLANNING MEMORANDUM

Appendix B

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

Outline scope (per Annual Plan):	<p>Scope: The control objectives that will be considered as part of this audit include:</p> <ul style="list-style-type: none"> Formally approved budgets are set each year, taking into account all relevant income and expenditure All budget adjustments (including virements) are authorised The financial management system accurately reflects the agreed budgets Budgets are allocated to named individuals Budgets are adequately monitored The budget position is regularly reported Appropriate financial reserves are maintained in line with assessed risks. 		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

Planned Start Date:	18/10/2021	Exit Meeting Date:	02/12/2021	Exit Meeting to be held with:	Group Manager- Financial Services Accountant Finance & Operations
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SELF ASSESSMENT RESPONSE

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



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Dacorum Borough Council

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Assurance Review of National Non-Domestic Rates

2021/22

January 2022

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 – Funding and Income is not sufficient to deliver the Council’s Corporate Objectives

SCOPE

The review assessed the adequacy and effectiveness of the internal controls in place at the Council for managing national non-domestic rates.

KEY STRATEGIC FINDINGS

-  Sample testing of Reliefs, refunds and write offs, and review of documentary information, identified that robust controls are in place and operating as intended.
-  The Revenues section has not undertaken any form of enforcement action on arrears to date, as per Central Government guidance.
-  Annual review of Reliefs awarded to Rate Payers could not be performed, primarily, due to Covid. It is anticipated that this exercise will re-commence during the latter part of the 2021/22 financial year.

GOOD PRACTICE IDENTIFIED

-  National Non-Domestic Rates procedures/ guidance are located on a shared drive which can be accessed by the Revenues team.
-  The Revenues & Benefits Support Team upload the annual multiplier, as notified by the Ministry of Housing, Communities & Local Government, onto Northgate and perform testing prior to the issuance of the annual billing in March.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

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Assurance - Key Findings and Management Action Plan (MAP)

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

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PRIORITY GRADINGS

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

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

ADVISORY NOTE

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

Findings



Directed Risk:

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

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

Other Findings



The Revenues section has a suite of procedures/ guidance for National Non-Domestic Rates (NNDR) which staff can access via the shared server. The procedures are updated as and when required, namely, when there are changes to legislation/ regulation.



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



The Benefits and Revenues Support Team performed an extensive staff declaration exercise in April 2021 and it is proposed that annual staff declarations will be performed.



Award of Reliefs

Review and testing of a sample of 23 reliefs awarded to Ratepayers, comprising of Empty Properties (10), Extended Retail, Hospitality & Leisure Relief (5), Small Business Rate Relief (3) and Charitable relief (5), identified that in all cases the relief had been applied correctly and supporting evidence was retained on the Ratepayer's account to support the relief. In relation to the Empty Properties, five properties had been visited by the Inspectors to confirm status of the property.

Other Findings



Northgate Suspense Account

Review of Northgate's suspense account, it was noted that there were no balances listed at the time of the audit. Balances have been successfully allocated throughout the year.



Refunds

Review and testing of a sample of five NNDR refunds, identified that in all cases the refunds had been processed correctly, authorised and valid reasons had been noted for the refund.



Write offs

Review and testing of a sample of three write offs, it was identified that in all cases the write off had been authorised in accordance with the Council's Scheme of Delegation, appropriate reasons noted for the write off and Northgate updated for the write off.



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



Delivery Risk:

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

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

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Other Findings



The Revenue Section report on the NNDR collection KPI, annual target of 98.4%, which is monitored on a monthly basis and reported to the Finance and Resources Overview and Scrutiny Committee on a quarterly basis. Review of the 2021/22 Quarter 2 KPI report, it was noted that the actual outturn of the KPI stood at 46.7% which is similar to the same period last year (46.8%) however slightly below the current target of 47.3% for the period.



The NNDR budget forms part of the General Fund and is presented and reported to the Finance and Resources Overview and Scrutiny Committee, as part of the quarterly Management accounts. Review of the 2021/22 Quarter 2 (1st July 2021 to 30th September 2021) management accounts, reported that the General Fund is forecasting a year end deficit of circa £1m. The report cited the following explanation for the deficit:

'...a combination of £0.7m that is attributable to the ongoing effects of Covid-19, and £0.3m which is non-Covid related. The Covid pressures of £0.7m can be funded from the Economic Recovery Reserve which was specifically set up for this purpose'.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

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

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	8 th September 2021	8 th September 2021
Draft Report:	10 th December 2021	28 th January 2022
Final Report:	28 th January 2022	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	National Non-Domestic Rates		
Type of Review:	Assurance	Audit Lead:	Audit Manager & Auditor

Outline scope (per Annual Plan):	Risk: SR1Rationale: This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	None		
Exclusions from scope:	None		

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Planned Start Date:	25th October 2021	Exit Meeting Date:	16th November 2021	Exit Meeting to be held with:	Revenues Team Leader
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SELF ASSESSMENT RESPONSE

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



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Dacorum Borough Council

Assurance Review of Council Tax

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Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 – Funding and Income is not sufficient to deliver the Council’s Corporate Objectives

SCOPE

The review assessed the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.

KEY STRATEGIC FINDINGS

-  Sample testing of Discounts, arrears, refunds and write offs, and review of documentary information, identified that robust controls are in place and operating as intended.
-  The Revenues section has encountered a backlog of work due to revenue officers being deployed to assist with the Business Grants, funded by Central Government.
-  Annual review of discounts awarded to Tax Payers could not be performed, primarily, due to Covid. It is anticipated that this exercise will re-commence during the latter part of the 2021/22 financial year.

GOOD PRACTICE IDENTIFIED

-  Council Tax procedures/ guidance are located on a shared drive which can be accessed by the Revenues team.
-  The Revenues & Benefits Support Team upload the annual Council Tax Bandings/ parameters onto Northgate and perform testing prior to the issuance of the annual billing in March.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

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Assurance - Key Findings and Management Action Plan (MAP)

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

PRIORITY GRADINGS

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

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

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

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

ADVISORY NOTE

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

Findings



Directed Risk:

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

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

Other Findings

- The Revenues section has a suite of procedures/ guidance for Council Tax which staff can access via the shared server. The procedures are updated as and when required, usually, when there are changes to legislation/ regulation.
- The Strategic Risk Register lists 'SR1- Funding and income is not sufficient to deliver the Council's Corporate Objectives', which encompasses all income streams including Council Tax.
- The Benefits and Revenues Support Team performed an extensive staff declaration exercise in April 2021 and it is proposed that annual staff declarations will be performed.
- Property Valuation Reconciliations**
Review and testing of a sample of five weekly reconciliations between the District Valuation Office reports to Northgate system, identified that there is a recurring difference of two properties between both reports. The difference has arisen due to two properties (Band B) which have been duplicated and another property which has been deleted in error by the DVO.

Other Findings



Award of Discounts

Review and testing of a sample of 19 discounts awarded to Council Tax residents, comprising of Single Persons (five), Severely Mental Impaired (four), Students (five) and Empty Properties (five), identified that in all cases the discount had been applied correctly and supporting evidence was retained on the Tax payer's account to support the discount.



Northgate Suspense Account

Review of Northgate's suspense account, it was noted that there were no balances listed at the time of the audit. Balances have been successfully allocated throughout the year.



Refunds

Review and testing of a sample of 10 Council Tax refunds, identified that in all cases the refunds had been processed correctly, authorised and valid reasons had been noted for the refund.



Arrears

Review and testing of a sample of 10 arrears accounts (Bailiff stage (5) and Summon Stage (5), identified that:

Bailiffs

- In two instances, the Tax Payer had an agreed payment plan in place and payments are being made;
- In two instances, the bailiff is still pursuing the Tax Payer for payment ; and
- In one instance, the Tax Payer has applied for 'Breathing Space' (a 60 day period protection against any Creditor action in collecting debt).

Summons

- In four instances, the Tax Payer has an agreed payment in place and payments are being made; and
- In one instance, the Tax Payer account is with the Enforcement Agency.



Write offs

Review and testing of a sample of five write offs, it was identified that in all cases the write off had been authorised in accordance with the Council's Scheme of Delegation, appropriate reasons noted for the write off and Northgate updated for the write off.



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



Delivery Risk:

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

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

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Other Findings



The Revenue Section report on the Council Tax collection KPI, annual target of 98.4%, which is monitored on a monthly basis and reported to the Finance and Resources Overview and Scrutiny Committee on a quarterly basis. Review of the 2021/22 Quarter 2 KPI report, it was noted that the actual outturn of the KPI stood at 56.1% which is slightly higher than the same period last year (55.2%) however below the current target of 57% for the period.



The Council Tax budget forms part of the General Fund and is presented and reported to the Finance and Resources Overview and Scrutiny Committee, as part of the quarterly Management accounts.

Review of the 2021/22 Quarter 2 (1st July 2021 to 30th September 2021) management accounts, reported that the General Fund is forecasting a year end deficit of circa £1m. The report cited the following explanation for the deficit:

'...a combination of £0.7m that is attributable to the ongoing effects of Covid-19, and £0.3m which is non-Covid related. The Covid pressures of £0.7m can be funded from the Economic Recovery Reserve which was specifically set up for this purpose'.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	8 th September 2021	8 th September 2021
Draft Report:	10 th December 2021	28 th January 2022
Final Report:	28 th January 2022	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Council Tax		
Type of Review:	Assurance	Audit Lead:	Audit Manager & Auditor

Outline scope (per Annual Plan):	Risk: SR1Rationale: This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing council tax.		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	None		
Exclusions from scope:	None		

Planned Start Date:	25th October 2021	Exit Meeting Date:	16th November 2021	Exit Meeting to be held with:	Revenues Team Leader
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SELF ASSESSMENT RESPONSE

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



Internal Audit

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Dacorum Borough Council

Page 66 Assurance Review of Housing Benefits

2021/22

January 2022

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 – Funding and Income is not sufficient to deliver the Council’s Corporate Objectives.

SCOPE

The review assessed the adequacy and effectiveness of the internal controls in place at the Council for benefits.

KEY STRATEGIC FINDINGS



Sample testing of new claims, write offs, back dates, and review of documentary information, identified that robust controls are in place and operating as intended.



Review and testing of overpayments, identified an instance where an amount of £28,640 had been approved in November 2018, to be written off, however this has not been actioned to date.



Review and testing of a sample of 15 New Claims and 15 Change of Circumstances, identified that the target processing time of 17 and 10 days respectively, had not been met. Primarily, due to Claimants not responding to information requests, in a timely manner.

GOOD PRACTICE IDENTIFIED



Housing Benefit procedures/ guidance are located on a shared drive which can be accessed by the Benefits team.



The Revenues & Benefits Support Team upload the annual parameters, provided by DWP, onto Northgate and perform live testing prior to the data going live in April.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>Review and testing of a sample of 15 overpayment accounts, identified that in one instance, an overpayment totalling £28640, had been approved, in November 2018, to be written off, subject to receiving authorisation from the Portfolio Holder.</p> <p>The write off has not been processed to date. The Benefits section is aware of this overpayment.</p>	It must be ensured that the appropriate level of authorisation is obtained for the write off and that it is processed in 2021/22.	3	<i>The service recognises that this account has been awaiting processing for a long time. However there are higher priority tasks to be carried out during the remaining months of 2021/22, and so it will have to wait until the first quarter of 2022/23 to be picked up.</i>	30/06/22	Revenues & Benefits Support Team Leader

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PRIORITY GRADINGS

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

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

3 ROUTINE Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There are no Operational Effectiveness Matters raised during the audit.				

ADVISORY NOTE

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

Findings



Directed Risk:

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

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

Other Findings



The Housing Benefit guidance/ procedures are located on a shared drive, which is accessible by staff. The guidance/ procedures are updated as and when there are changes notified by the Department of Works or changes to legislation/ regulations.



The Benefits & Revenues Support Team are responsible for updating the annual Housing Benefit (HB) rates on Northgate. The Support Team undertakes live tests to confirm the new HB rates have been applied correctly, which is conducted at the same time as when the Revenue Annual Billing exercise is performed. A spreadsheet is maintained of the live testing, which records the test results and confirming that the calculations.



New Applications

Review and testing of a sample of 15 new HB applications identified, that in all cases a HB application form had been completed and some form of supporting evidence provided. It was noted that the time taken to process new claims exceeded the Council's target of 17 days, primarily due to applicants not providing requested information in a timely manner. In one case, it took 53 days, before the decision was taken to terminate the application, due to the applicant not responding to the Assessor's letters.

Other Findings



Change of Circumstances

Review and testing of a sample of 15 Change of Circumstances (CoCs), identified the Council's target of 10 days to process a CoC was not always met. The sample noted a range of 9 to 107 days in processing and the Team were informed of these changes by DWP, the Housing Team and other third parties.



Backdate Awards

Review and testing of a sample of six backdated awards, identified that in five cases, a good cause had been given and award made. In the remaining case the backdate was not granted due to good cause not demonstrated.



Write Offs

Review and testing of a sample of 15 write offs processed, during the period 1st April to 31st August 2021, identified that in all cases, the write offs had been authorised in accordance with the Council's scheme of delegation and valid reasons had been provided for the write. Northgate contained the write off notes and accounts



Overpayments

Review and testing of a sample of 15 overpayments, identified that in 14 instances, the overpayment is being recovered by the Department for Work and Pensions. The remaining account is assigned to be written off.



HB Payments

Review and testing of a sample of 13 HB payments to Claimants, identified that in all cases the payments had been made via BACs and agreed to the Claimant's account.



The Benefits and Revenues Support Team performed an extensive staff declaration exercise in April 2021 and it is proposed that annual staff declarations will be performed.



Delivery Risk:

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

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

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Other Findings



The Housing Benefit section has two KPIs relating to New Claims and Change of Circumstances processing times, annual targets of 17 days and 10 days respectively. Review of the KPI data as at 30th September 2021, it was noted that:

- New Claims processing time was 20.9 days for the month and 23 days Year to date; and
- Change of Circumstances processing time was 7.3 days for the month and 7.9 days Year to date.



The Housing Benefit budget forms part of the General Fund (GF) and is presented and reported to the Finance and Resources Overview and Scrutiny Committee, as part of the quarterly Management accounts.

Review of the 2021/22 Quarter 2 (1st July 2021 to 30th September 2021) management accounts, reported that the GF is forecasting a year end deficit of £1m, which may be funded from Reserves.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

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

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	8 th September 2021	8 th September 2021
Draft Report:	10 th December 2021	28 th January 2022
Final Report:	28 th January 2022	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Housing Benefits		
Type of Review:	Assurance	Audit Lead:	Audit Manager

Outline scope (per Annual Plan):	Risk: SR1Rationale: This is a key audit risk area. The full audits for the Revenues systems will be undertaken on a systematic basis, however, to provide assurance that the key revenue systems are adequately controlled an annual audit will be undertaken selecting a number of key revenue systems. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for benefits.		
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Detailed scope will consider:	Directed	Delivery
	Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.
	Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Financial constraint: The process operates with the agreed financial budget for the year.
	Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.

Requested additions to scope:	(if required then please provide brief detail)
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Exclusions from scope:	None
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Planned Start Date:	06/10/2021	Exit Meeting Date:	02/11/2021	Exit Meeting to be held with:	Benefits Team Leader
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SELF ASSESSMENT RESPONSE

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

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Internal Audit

FINAL

Dacorum Borough Council

Assurance Review of Waste Management

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2021/22

January 2022

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

N/A

SCOPE

The audit reviewed the management of Drivers and loaders, for the following areas:

- Driver's hours/ Log Books or Tachographs; Load management; Care of equipment; Parking; Reversing (banksman); Cleaning of equipment; Driver checks; Defect reporting; Understanding Fleet Compliance and processes; Spot checks conducted by Ops management, on: Log book records, Daily checks, Gate checks, Street checks, Seat belts, Vehicle condition/cleanliness of cab.

KEY STRATEGIC FINDINGS

-  There is a lack of compliance with regards to Waste Services (refuse collection) policies and process expectations as outlined by senior management relating to the adequacy of weights management, driver declarations and completion of documentation for vehicle checks, defect reporting and accident reports. Failure to comply undermines the assurance that the Council is meeting appropriate regulatory requirements.
-  There is no process within the Council to support Drivers to comply with medical license requirements (i.e. Eye tests) or to identify when tests are overdue. Proactive systems for monitoring Drivers are not in place and the onus is placed on Drivers to raise issues.
-  Operational management checks to identify and correct poor or incorrect working practices were not formalised or documented to ensure that all working areas were being checked and actions taken.
-  Digital tachographs are not in use to monitor driver hours. Assessment is underway to review costs for this facility but requires further support and development to realise in full.
-  Reliance is placed on manual paper based systems, electronic alternatives are required to improve the audit trail and support efficiencies achieved through paperless working,

GOOD PRACTICE IDENTIFIED

-  The Council are offering Loading staff the opportunity to undertake training to become Drivers.

ACTION POINTS

Urgent	Important	Routine	Operational
3	10	7	1

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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)
5	Directed	<p>On-board scales are used by Drivers to monitor vehicle load weights. Operational Managers check and investigate the causes of weight tickets, where loads have exceeded set thresholds.</p> <p>Review of overload records for the period April to October 2021, identified that in four instances, Drivers had not followed expected processes.</p> <ul style="list-style-type: none"> in one instance the Driver did not record the on-board weight and did not complete a defect report Two instances where defect reports were not completed, to report the vehicle scales as defective. One overweight instance was due to the driver being unfamiliar with the operation of the hire vehicle. <p>A reminder of weights and thresholds was circulated to staff on 3rd September 2021. In discussions, staff recalled different weight limits and thresholds, for example 24 tonnes or 24.5 tonnes limits.</p>	It is imperative that Managers ensure that staff are fully aware of and comply with vehicle weights limits, for all vehicles, prior to use and complete defect reports, as required.	1	<p><i>Any vehicle that significantly exceeds the set weight is issued with a defect number and the vehicle is recalibrate.</i></p> <p><i>There will be instances of drivers not following set down procedures but all drivers have been trained on their responsibilities.</i></p> <p><i>Drivers have been issue with a written instruction to remind them of the relevant weight limits.</i></p>	On Going	Operations Manager - Waste

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PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
13	Directed	<p>Driver Vehicle Checks and Defect Report sheets (DVCs) are completed at the start and end of routes. Review of the adequacy of completion of 11 DVCs, identified that:</p> <ul style="list-style-type: none"> in one instance, a defect was identified however, a defect report number was not recorded on the DVC in four instances, end of run defects recorded were not signed off by the Workshop In six instances, the daily fluid checks were being ticked off for the end of the route. The DVC form states that checks are required at start of use. 	Managers must iterate to all Drivers, the importance of performing the vehicle checks and completion of DVCs. demonstrating compliance with expected procedures.	1	<p>Reminder gone to all supervisors and spot checks need to take place.</p> <p>Transformation programme that is to take place aims to free up the supervisors time to carry out more checks to ensure drivers following procedure. Additionally, looking at whether an electronic recording of checks can be implemented.</p> <p>This has been raised with the Transport Manager and a further audit will be undertaken.</p>	<p>30/09/22</p> <p>31/01/22</p>	<p>Operations Manager – Waste</p> <p>Transport Manager</p>

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PRIORITY GRADINGS

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
314	Directed	<p>The Council does not use digital tachographs (Digi cards) to monitor Driver hours.</p> <p>In implementing the digital tachographs, this would cease the reliance of paper based recording systems, facilitate additional checks and monitoring on Driver hours to highlight Driver hour compliance issues.</p> <p>At the time of the review, quotations had been obtained for hardware and training costs for implementing this system.</p>	<p>The use of digital tachographs be progressed and implemented within a defined timescale. Adequate monitoring systems should be developed and implemented to provide regular assurance on Driver hour's compliance.</p>	2	<p><i>This forms part of phase 1 of the depot transformation programme that commences January 2022. A decision around the feasibility and cost of implementing digital tachographs will then be possible by end of Q3 2022.</i></p>	31/12/22	Group Manager - Environment
2	Directed	<p>The Drivers Handbook requires Council Drivers to formally declare their understanding of the Handbook and its requirements.</p> <p>Managers are aware of an ongoing issue which has prevented Drivers completing the declaration, which relates to vehicle security and whether Drivers are able to comply with the stated expectations in operation.</p>	<p>Action be taken by managers to address the Handbook content and ensure that Drivers complete the required declarations.</p>	2	<p><i>Alternative wording has been agreed which will be presented to drivers for their understanding and agreement before the Driver Handbook is reproduced.</i></p> <p><i>Planned to assess new technology which would allow the vehicle to be locked with the engine running.</i></p>	<p>30/09/22</p> <p>30/09/22</p>	Transport Manager/Operations Manager

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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	The 'Operational Transport Policy' states "Managers should obtain written evidence and declarations from Drivers that they are not employed in driving duties elsewhere, other than the Council." Evidence could not be provided to support compliance against this requirement. Reliance is therefore, placed on Drivers requesting approval to undertake additional driving duties. It was noted that there is no system in place to check or monitor this activity. The use of a Digi card (digital tachograph) would provide the means to undertake checks of out of hours driving.	Action be taken by managers to ensure that Drivers complete declarations in compliance with the Operational Transport Policy.	2	<i>This forms part of phase 1 of the depot transformation programme that commences January 2022. A decision around the feasibility and cost of implementing digital tachographs will then be possible by end of Q3 2022.</i> <i>Drivers are required as part of their Terms and Conditions to request permission to undertake alternative work. If drivers ask this is refused due to restrictions on their driver's hours.</i>	31/12/22	Group Manager - Environment
	Directed	A central record of Driver compliance monitoring checks is not in place. During the audit, two versions of the Driver Certificate of Professional Competence (CPC) monitoring schedule (a Word and an Excel document) were provided and it was unclear as to which version was the prime record.	A single central record of all Driver compliance checks (training, license, medical checks) be maintained and kept up to date.	2	<i>This has been reviewed and merged into one Word document.</i>	<i>Audit again for suitability end of Q2 2022 when CPC training has been completed.</i>	Operations Manager

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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)
9	Directed	<p>Review of the risk assessment for Waste Collection, it was stated that "Managers/Supervisors to complete regular crew monitoring checks and correct any poor working practices".</p> <p>General workplace monitoring of operational practices takes place, however the expected checks performed, issues arising and any actions taken are not documented.</p> <p>In discussions with Supervisors, it was stated that there was not enough time to complete checks or monitoring.</p>	It be ensured that operational monitoring checks are completed and actions to prevent re-occurrence are recorded. An assessment of resources to complete expected checks should be undertaken.	2	<p><i>Reminder gone to all supervisors and spot checks need to take place.</i></p> <p><i>Transformation programme that is to take place aims to free up the supervisors time to carry out more checks to ensure drivers following procedure. Additionally, looking at whether an electronic recording of checks can be implemented.</i></p>	30/09/22	Operations Manager - Waste
	Directed	<p>Key risks to Environmental Service delivery and priority actions are reported as part of the monthly Service Summary to Portfolio Holders.</p> <p>It was noted that there is no risk register in place, to formally document and manage the risks being identified and reported through the Service Summary.</p>	It be ensured that the planned service risk register is created and put in place. To record and manage risks raised in the monthly Service Summary report to the Portfolio Holder(s).	2	<p><i>Work is taking place with the new In Phase system to record the risk register for the service. Additionally, the Neighbourhood Delivery Board now has the risk register for the service as a standing agenda item.</i></p>	On Going	Assistant Director (Neighbourhood Delivery)

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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)
14	Directed	<p>A review of 11 accident forms, taken from the Accident Register, identified that:</p> <ul style="list-style-type: none"> in one instance, the form did not record the registration of the vehicle involved in the accident; the forms did not include an estimated repair cost; and The forms had not been signed by a Manager. 	It be ensured that all accident forms are completed in full and approved by the Operations Manager.	2	<p><i>Discussed at the depot health & safety meeting, and supervisors to complete the accident forms with the relevant person to ensure done correctly and followed up.</i></p> <p><i>Forms cannot include costs until accident has been assessed and quotes requested and received.</i></p> <p><i>Unable to find any form that has not been signed by the Operations Manager.</i></p>	<i>Operations Manager to discuss with Supervisors. January 2022</i>	<i>Operations Manager - Waste</i>
15	Directed	<p>The Council are facing cost pressures for increases in insurance premiums due to vehicle accidents. Of the 11 accident forms reviewed, four resulted in insurance claims totalling £6,248.38.</p> <p>The accident form does not prompt Managers to identify and record the root cause of the accident nor the actions required to prevent re-occurrence.</p>	<p>It be ensured that Managers record the root cause of the vehicle accident and note the actions to prevent re-occurrence, on the accident forms.</p> <p>Furthermore, a system to monitor compliance be developed and put in place.</p>	2	<p><i>Discussed at the depot health & safety meeting, and supervisors to complete the accident forms with the relevant person to ensure done correctly and followed up.</i></p> <p><i>Work is also taking place with Corporate H&S and Insurance to understand trends to direct action.</i></p>	<i>Now</i>	<i>Operations Manager - Waste</i>

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PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
19	Delivery	<p>Environmental services Key Performance Indicators (KPIs) are reported to the Strategic Planning and Environment Overview and Scrutiny Committee via the Performance Report.</p> <p>Review of the 2021/22 Q1 Performance report (June 2021), identified that two waste collection KPIs (WR01a- Justified Missed Waste collections (excluding assisted collections) and WR03 - Number of justified missed assisted collections), was rated Red due to exceeding the target.</p> <p>The KPI report did not include narrative to explain the missed targets or provide a remedial action plan to address this issue.</p>	The KPIs report to include explanations for those KPIs which are not performing along with a remedial action plan to bring the KPI back on track.	2	<p>KPIs corporately are being reviewed as part of the new service planning process, and will be directly relevant to corporate and service priorities.</p> <p>Narrative is provided to the Portfolio Holder on a monthly basis, and reports also go to the Overview and Scrutiny Committee on a quarterly basis. All show narrative it reasons differ from previous report.</p>	31/03/22	Group Manager (Environment)
1	Directed	<p>Policies and Procedures are communicated to staff via the annual refresher training programme. The 2020/21 Annual refresher training did not take place due to Covid. Training is planned to take place during 2021/22 winter downtime however dates have not as of yet been confirmed.</p>	It be ensured that the 2021/22 annual refresher training is delivered within the winter downtime.	3	Being undertaken from January to February 2022.	31/03/22	Operations Manager - Waste

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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)
6	Directed	A review of vehicle overload investigation reports, identified that a report had been completed in advance of discussions with the Driver. This was to ensure that it complied with report completion targets. It was noted that the report had not been updated once details of the overload had been ascertained by the Manager.	It be ensured that the overload investigation reports are completed in their entirety, namely containing the Manager's notes post investigation.	3	<i>The Operations Manager (Waste) is now required to sign them off as completed to ensure all areas are in place.</i>	Now	Operations Manager - Waste
12	Directed	A review of the training matrix, identified that two new members of staff, recruited in year, had not been listed.	It be ensured that all new staff are recorded on the training matrix on commencement.	3	<i>Two new members concerned could be added until they had completed the training. Now updated. Additionally, work taking place with Corporate H&S to identify and implement a corporate H&S Database that will include the training matrix for services.</i>	31/03/22	Operations Managers and Corporate H&S Manager
16	Directed	A review of five vehicle defect reports, identified that in three instances, vehicle details were incomplete - mileage not recorded, vehicle location not recorded, fleet number not recorded.	It be ensured that the requisite vehicle details/ information is recorded and noted in the defect reports.	3	<i>The Operations Manager (Waste) is now required to sign them off as completed to ensure all areas are in place.</i>	Now	Operations Manager - Waste
17	Directed	The defect report template contained in the Waste Services Handbook, is not the one used by the Service area.	The Waste Services Handbook be reviewed and updated to reflect the documentation in use.	3	<i>A review is to take place as part of the transformation programme (Phase 1).</i>	31/03/23	Group Manager - Environment

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)
18	Directed	<p>Depot duties are supported by waste management risk assessments. A review of five risk assessments (Waste Collection, Depot Activities, Tipping Waste, DSEAR and Installation and removal of Recycling frames) identified that:</p> <ul style="list-style-type: none"> • in three instances, the risk assessments for Tipping Waste, DSEAR, Installation and removal of recycling frames, was dated 2018 and was overdue for review. • Five hazards listed in the Waste Collection risk assessment and seven hazards listed in the Depot Activities risk assessment, did not state the nominated officer nor the completion date. • A low risk hazard listed in the Depot Activities risk assessment, had not recorded an action date. • A residual risk rating had not been assigned to hazards listed in the Tipping Waste risk assessment. 	All risk assessments be reviewed for completeness, ensuring all relevant information has been recorded. For example, the responsible officer, completion dates assigned to actions and residual risk ratings applied where required.	3	<i>A full audit of risk assessments at the depot has now been completed by Corporate H&S and a separate audit report and action plan produced. Actions are ongoing and will be monitored by the Corporate H&S Committee.</i>	30/09/22	Group Manager - Environment

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.
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
20	Directed	There is a significant reliance on paper documentation which should be replaced with electronic processes. To improve the quality and completeness of the audit trail, and potential efficiencies of paperless working.	The paper based system be reviewed and substituted with electronic systems and processes.	3	<i>Transformation programme that is to take place aims to free up the supervisors time to carry out more checks to ensure drivers following procedure. Additionally, looking at all back office systems.</i>	<i>From January 2022 onwards (Phase 1 of transformation programme)</i>	<i>Group Manager - Environment</i>

PRIORITY GRADINGS

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

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	<p>The Council has not developed a local organisational strategy for waste within Environmental Services.</p> <p>It was stated that national waste guidance was pending which will impact on the organisational delivery of services. Environmental Services is currently going through a transformational review. Service improvement process consideration could be given to developing a local waste strategy to underpin service developments and outcomes.</p>	A local waste strategy to underpin waste service developments and outcomes be considered.	<i>This is on the agenda for the Neighbourhood Board, as part of the waste reduction approach, capturing all elements including recycling. Work is already taking place to liaise with Herts Waste Partnership to see what there is in place at a County Level.</i>

ADVISORY NOTE

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

Findings



Directed Risk:

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

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Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	Partially in place	1, 2, 3, 4, 5, 6, 7, 8, & 9	1
RM	Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register.	Partially in place	10 & 18	-
C	Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	11, 12, 13, 14, 15, 16, 17, & 20	-

Other Findings



Dacorum Borough Council is part of the Hertfordshire Waste Partnership which was formed in 1992 and brings together ten borough and district councils in their capacity as waste collection authorities and Hertfordshire County Council as the waste disposal authority. A partnership strategy - The Hertfordshire Joint Municipal Waste Management Strategy, was noted to be in place.



Policies and procedures are in place in the form of:

- The Neighbourhood Delivery – Environmental Services Operational Transport Policy and Related Procedures which was dated 2021/22.
- The Drivers Handbook, detailing the expected responsibilities for all staff taking control of vehicles on official Council business
- The Waste Services Handbook, dated April 2020, which includes operational guidance in the forms of Do's and Don'ts for waste collection processes.

Other Findings

- 

Systems are in place for the management of Drivers hours within Domestic daily duty limits and working time directive through the completion of manual log books. These were seen to be in operation and signed by Supervisors. Discussions with Depot staff confirmed their awareness, and use of the log books, and reporting to Supervisors at the start of a shift.
- 

Staff receive training on parking and reversing on induction and refresher on an annual basis. While discussions with Depot staff confirmed their awareness of safe and considerate parking, reversing and use of reversing assistants four instances were noted where reversing was the cause of vehicle accidents.
- 

The License Bureaux Limited provide outsourced driving license verification checks, confirming that Drivers have the required categories of license. Outstanding Driver declarations were being followed up by the Transport manager to ensure that Drivers had completed the required information sharing declaration for licence checks to be performed.
- 

The Operational Transport Policy cross references to transport regulations and associated council policies.
- 

A review of a sample of four log books confirmed that documents were completed in full and signed by a supervisor. Hours recorded were within daily duty limits.



Delivery Risk:

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

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Ref	Expected Key Risk Mitigation	Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	Partially in place	19	-
FC	Financial Constraint The process operates within the agreed financial budget for the year.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	Partially in place		-

Other Findings

-  The Environmental Services Performance report is provided to the Strategic Planning and Environment Overview and Scrutiny Committee (SPEOSC). A review of the 2021/22 Q1 Performance Report presented to the SPEOSC Committee on 22nd September 2021, confirmed that assurances included waste management services including Refuse and Recycling - Domestic and Commercial Waste Collections.
-  The 2021/22 Q1 Budget Monitoring Report to Cabinet on 21st September 2021, highlighted a forecasted £1M cost pressure against the budget for the General Fund. Of this £400K relates to Waste Services cost and income pressures. Evidence was provided by the Group Manager to support that the underlying causes of this budget variance were understood. The transformation programme is set up to address ongoing budget pressures.
-  A key risk facing the Council is the loss of Drivers. Staffing levels and service delivery resilience has been highlighted through the Environmental Services Performance Report with actions to train loading staff to become LGV qualified and pay a retention premium to current staff.

Scope and Limitations of the Review

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

Disclaimer

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

Effectiveness of arrangements

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

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

Assurance Assessment

4. The definitions of the assurance assessments are:

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

Acknowledgement

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

Release of Report

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

Stage	Issued	Response Received
Audit Planning Memorandum:	9 th July 2021	12 th August 2021
Draft Report:	22 nd November 201	25 th January 2022
Final Report:	26 th January 2022	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Waste Management		
Type of Review:	Assurance	Audit Lead:	Principal Auditor

Page 94	Outline scope (per Annual Plan):	<p><u>Risk:</u> SR1</p> <p><u>Rationale:</u> There are concerns that staff, management and Vehicles (Waste) are not operating effectively and efficiently. The review will feed into the Council’s deep dive review of the Waste Management service department.</p> <p><u>Scope:</u></p> <p>To review the management of Drivers and loaders, in the following areas:</p> <ul style="list-style-type: none"> • Driver’s hours/ Log Books or Tachographs. • Load management • Care of equipment • Parking • Reversing (banksman) • Cleaning of equipment • Driver checks • Defect reporting • Understanding Fleet Compliance and processes • Spot checks conducted by Ops management, on: <ul style="list-style-type: none"> - Log book records - Daily checks - Gate checks - Street checks - Seat belts - Vehicle condition/cleanliness of cab. 	
	Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>Performance monitoring: There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>

Requested additions to scope:	(if required then please provide brief detail)
Exclusions from scope:	

Planned Start Date:	15/09/2021	Exit Meeting Date:	16/11/2021	Exit Meeting to be held with:	Richard Le Brun, Assistant Director (Neighbourhood Delivery) Craig Thorpe, Group Manager, Environmental Services
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SELF ASSESSMENT RESPONSE

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

Agenda Item 7



Report for:	Audit Committee
Date of meeting:	9th February 2022
Part:	1
If Part II, reason:	N/A

Title of report:	Re-Procurement of the External Audit Function 2023-28
Contacts:	Nigel Howcutt, Chief Finance Officer Fiona Jump: Group Manager Financial Services
Purpose of Report	To Consider the appropriate process for procuring external Audit Services for a period of 5 consecutive financial years starting April 2023.
Recommendation	To recommend to Council that Dacorum opt into the national auditor arrangement scheme, overseen by the Public Sector Audit Appointments (PSAA), for procurement of external Audit appointments for financial years 2023/24 to 2027/28.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u>
'Value for money' implications	<p>The proposed fees cannot be fully known until the procurement process has been completed, as the costs will depend on proposals from the audit firms. Given the widespread prevalence of fee variations, market uncertainty and the revision to an 80% quality weighting within the procurement, it is almost certain that the fee payable by the Council will rise.</p> <p>Opting-in to a national scheme provides a strong opportunity to ensure fees are as low as possible, whilst ensuring the quality of audit is maintained by entering in to a large scale collective procurement arrangement.</p> <p>If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it</p>

	<p>is not possible to state what, if any, additional resource may be required for audit fees for 2023/24.</p> <p>The scope of the audit will still be specified nationally, the National Audit Office (NAO) is responsible for writing the Code of Audit Practice which all firms appointed to carry out the Council's audit must follow. Not all audit firms will be eligible to compete for the work, they will need to demonstrate that they have the required skills and experience and be registered with a Registered Supervising Body approved by the Financial Reporting Council or bid under the proposed arrangements whereby those going through registration or being 'supervised' by an appropriate approved body would be eligible.</p>
Risk implications	<p>Failure to make arrangements for the provision of External Audit will mean section 17 of the Local Audit and Accountability Act 2014 will be invoked this will give power to the Secretary of State to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.</p>
Monitoring Officer	<p>Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements;</p> <p>Section 12 makes provision for the failure to appoint a local auditor: the Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.</p> <p>Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.</p>
S151 Officer	<p>This report is a S151 Officer Report and comments are included in the body of the report.</p>

Community Impact Assessment	Community Impact Assessment not applicable.
Health and safety Implications	N/A
Consultees:	Graeme Elliot: Portfolio Holder Finance and Resources. Bert Chapman: Audit Committee Chair Nigel Howcutt: Chief Finance Officer. Fiona Jump: Group Manager Financial Services.
Background papers:	Committee on Standards in Public Life (CfSPL) 'Local Government Ethical Standards' January 2019
Glossary of acronyms and any other abbreviations used in this report:	PSAA - Public Sector Audit Appointments NAO - National Audit Office IFRS - International Financial Reporting Standards FRC - Financial Reporting Council CIPFA/LASAAC – Chartered Institute of Public Finance Accounting / Local Authority Accounts Advisory Committee

1. **Background.**

2. On the 16th December 2021, the Government published information on a new package of measures to support the improved timeliness of local audit. This set out the background to the deterioration in performance in hitting audit deadlines by local bodies and a series of actions which are designed to abate the decline.
3. On 22 September 2021 PSAA invited all eligible bodies to become opted-in authorities for the five consecutive financial years commencing 1 April 2023 (the compulsory appointing period).
4. A decision to become an opted-in authority must be taken in accordance with the Regulations by the members of an authority meeting as a whole (Full Council).
5. All local government and police bodies will need to make a decision on the procurement method of their external audit arrangements for the period commencing from the financial year 2023/24 by Friday the 11th March 2022.
6. This report seeks a recommendation from the Audit Committee to Full Council to approve the submission of the form of acceptance notice to the Public Sector Audit Appointments (PSAA) to opt in to the national auditor appointment arrangements for the audit years 2023/2024 to 2027/2028.

7. **Challenges in the local audit sector**

8. On the 16th December 2021, the government published a set of measures to improve the timeliness of local audits. Within this document they set out that

their priorities for local audit are a strong and coordinated quality framework, a buoyant local audit market, and improved transparency and governance.

9. Local government audit plays a vital role in providing local authorities with accurate and reliable financial information to plan and manage their services and finances effectively. The timely completion of local audit also ensures local authority financial arrangements, including whether value for money is being achieved, are transparent to the taxpayer, and facilitates assurance for the public sector more broadly through the audit of the Whole of Government Accounts.
10. However, challenges remain around the timeliness of local audit which was one of the key issues highlighted by Sir Tony Redmond's independent review of local authority financial reporting and external audit. In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021.
11. As the National Audit Office (NAO) outlined in its 2020 report Timeliness of local auditor reporting on local government in England, a variety of complex factors are contributing to audit delays. Audit firms are struggling with a net loss of qualified staff, with many qualified accountants choosing to leave the audit sector entirely. For auditors that are choosing to stay within the profession, alternative audit opportunities are often perceived as more attractive than local audit, which is contributing a high turnover of staff within firms.
12. In addition, increasing workload and regulatory pressure on auditors have contributed to further delays. The NAO found that the additional requirements of new International Financial Reporting Standards (IFRS), along with increased expectations from the Financial Reporting Council (FRC) following high-profile corporate failures such as Carillion and Patisserie Valerie, had combined to produce a significant increase in audit work, particularly on asset and pensions valuations. In some cases, issues with the preparation of local authority accounts have led to delays in audits being signed off.
13. In Dacorum we have managed to publish both the draft accounts and fully audited accounts within the government statutory deadlines, although we are very much in the minority who have achieved this. It is the view of the NAO however, that some local authorities have diverted staff resources away from completing working papers and preparing accounts. In others, the quality of processes within the finance functions of some local authorities has affected their preparedness for audit. These issues, have, understandably, been exacerbated by the impact of the COVID-19 pandemic. From a Dacorum perspective, the unforeseen, additional and never before required work particularly in relation to valuations and pensions has been a significant factor in putting finance colleagues under strain.
14. Considering the complexity of the drivers behind audit delays, it is clear that a whole system response is needed, with local bodies, audit firms, regulatory

bodies and code setters needing to work collectively to implement solutions across the sector.

15. The government laid new regulations on 21 October 2021 to provide greater flexibility to the appointing person through, for example, extending the deadline for setting fee scales so that they can reflect the most recent market conditions, and streamlining the fee variation process under certain circumstances.
16. The government also provided £15 million of additional funding to local bodies for 2021/22 to support with the implementation of recommendations following the Redmond Review and the additional costs resulting from new audit requirements, including the new value for money reporting arrangements. In addition, the statutory deadline for publishing audited local authority accounts was extended to 30 September from 31 July from 2020/21 for 2 years.
17. At a recent Local Audit Liaison Committee meeting in the autumn, it was noted by members that, while in the past, ensuring the quality of the final audit had been the priority, timeliness had worsened to the extent it had become a quality issue.
18. In response, a set of additional measures were committed to by government and other key stakeholders which were set out in the December 16th update. The sections of this update, together with the key commitments are set out below.

Section 1: Measures relating to audit firms and timely completion of audit

19. Financial Reporting Council to publish updated Key Audit Partner guidance by spring 2022, including new routes for an experienced Registered Individual to become a Key Audit Partner
20. Government to work with CIPFA to further develop the proposal for a new local audit training diploma in local government financial reporting and management aimed at different levels of auditor, and a new technical advisory service that could provide support to firms, and in particular new entrants

Section 2: Measures relating to local bodies and quality of accounts preparation

21. DLUHC to provide further funding of £45 million over the course of next Spending Review period to support local bodies with the costs of strengthening their financial reporting and other Redmond recommendations and increased auditing requirements.
22. CIPFA to publish strengthened guidance on audit committees by April 2022. The guidance will emphasise the role that audit committees should have in ensuring accounts are prepared to a high standard, alongside broader changes including appointment of independent members. Following consultation, consider making the guidance, committees and the independent member statutory.
23. DLUHC to provide via the Local Government Association a sector grant for a number of targeted training events for audit committee chairs

Section 3: Proposed measures relating to accounting and audit requirements

24. National Audit Office (NAO) rolling over of amendments to allow for altering the timing of elements on the Value for Money arrangements work and enable more focus on fully delivering opinions on the financial statements
25. CIPFA/LASAAC is undertaking a project to improve the presentation of local authority accounts to inform the development of the 22/23 Accounting Code and comply with International Financial Reporting Standards and statutory accounting principles
26. HMT to undertake thematic review of financial reporting valuations for noninvestment properties to inform development of the Accounting Code from 22/23 onwards
27. The government has asked CIPFA/LASAAC to consider the merits of a time limited change to the Accounting Code for 21/22
28. Delaying implementation of standardised statements and associated audit requirements

Section 4: Longer-term measures to help stabilise the market and address long-term supply issues

29. PSAA to progress their proposed procurement strategy for the next round of local audit contracts from 2023/24
30. Extending the deadline for publishing audited local authority accounts to 30 November 2022 for 21/22 accounts and the 30 September date for 5 years from 2023/24 – 2027/28.
31. NAO to prepare for a re-laying of the Code of Audit Practice 2020 in parliament, so that it will apply for the whole of the next appointing period
32. Developing an industry-led workforce strategy, working with the system leader and audit firms, to consider the future pipeline of local audits, and associated questions related to training and qualifications

Appointment of an External Auditor

33. In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
34. Acting in accordance with this role, PSAA is responsible for appointing auditors and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts they enter into with the audit firms.
35. The previous procurement on behalf of more than 480 bodies (98% of those eligible to join the national scheme) was very successful, attracting very competitive bids from firms. As a result the PSAA were able to enter into long

term contracts with five suitable firms and to make auditor appointments to all bodies.

36. That arrangement is coming to an end and once again the PSAA invited the Council to opt in, along with all other authorities, so that PSAA could enter into a number of contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.
37. The Council has three options, being;
 - 1) To undertake a complete procurement process itself and appoint its own auditor, or
 - 2) Undertake a joint procurement with other bodies, or
 - 3) To opt into a national collective scheme.
38. The earlier sections of this report paint a picture of an audit industry under enormous pressure and of a local audit system which is experiencing its share of the strain and unavoidable instability as impacts cascade down to the frontline of individual audits.
39. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must be paid for. As a result, many more fee variation claims have been received than in prior years. In Dacorum, additional fees of £30,500 relating to changing audit requirements were proposed in Grant Thornton's 2020/21 Audit Plan.
40. None of these problems are unique to local government audit. Similar challenges have played out throughout other sectors where increased fees and disappointing responses to tender invitations have been experienced during the past two years.
41. The PSAA believes the audit market will continue to be relatively unstable and difficult to predict for a further period of time as the Government continues to develop and implement its policy response to the four independent reviews – Kingman, CMA, Brydon, and Redmond; as further regulatory pressure is applied; and as firms respond and adapt. It is their view that organisations attempting to procure audit services of an appropriate quality during this period are likely to experience markedly greater challenges than pre-2018. There is little evidence to suggest a contrary view.
42. Local government audit will not be immune from these difficulties. It is the view of the PSAA that bodies which opt into PSAA's national scheme will be in a better position than those which choose to make their own separate arrangements. This is on the presumption that firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.
43. The PSAA have led a sustained drive to improve the national scheme. During the past three years they have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties including:
 - a. Proactively and constructively engaging with the numerous high-profile industry reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;

- b. Commissioning an independent review of the design and implementation of the appointing person role to help shape thinking about future arrangements;
- c. commissioning an independent review of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market;
- d. working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- e. the establishment of a Local Audit Quality Forum;
- f. using an advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on their work, discuss audit-related developments, and listen to feedback;
- g. maintaining contact with those registered audit firms that are not currently contracted with the PSAA, to build relationships and understand their thinking on working within the local audit market;
- h. undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since April 2015; and
- i. sharing their experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

PSAA Auditor Procurement Process

44. The objectives of the PSAA procurement are to maximise value for local public bodies by:
- securing the delivery of independent audit services of the required quality (80:20 in favour of quality over price);
 - awarding long term contracts to a sufficient number of firms (estimated between 7-10 – up from the current 5) to enable the deployment of an appropriately qualified auditing team to every participating body;
 - encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
 - encouraging audit suppliers to submit prices which are realistic in the context of the current market;
 - enabling auditor appointments which facilitate the efficient use of audit resources;
 - supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
 - establishing arrangements that are able to evolve in response to changes to the local audit framework.
45. In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body, there are fall-back options to extend one or more existing contracts for the period spanning 2023/24 and 2024/25.
46. As set out previously in this report, one of the most concerning features of the local audit system since 2018 has been the large number of audit opinions which have been delayed beyond the target timetable set out in the Accounts & Audit Regulations, and the disruption and reputational damage that results

for all parties as a result of those delays. The NAO published a report on this matter in March, 2021. The report concludes “The increase in late audit opinions, concerns about audit quality and doubts over audit firms’ willingness to continue to audit local authorities all highlight that the situation needs urgent attention. This will require cooperation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.” To support the drive for market sustainability, PSAA are supporting the following options:

1. accepting consortia bids including those that involve firms which are seeking to enter the market by gaining experience working in partnership with an existing registered supplier;
 2. accepting bids from firms that are currently proceeding through the local audit registration process; and
 3. Inclusion of one or two lots specifically aimed at seeking to encourage additional capacity into the market, mostly likely through some form of joint working arrangement between more experienced suppliers and new entrants or less experienced suppliers.
47. Additional costs may arise as an inevitable consequence of striving to bring new suppliers into the market. If additional costs were to occur, they would be borne by the scheme as a whole rather than by an individual audited body or a sub-set of bodies. Audit Pricing
48. Audit fees must ultimately be met by individual audited bodies. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. Regardless of the additional costs incurred by local authorities as fee variations, the PSAA national scheme has reduced the costs of local audits significantly. The core audit fee for Dacorum was £97,800 in 2014/15 whereas the scale fee quoted in the 2020/21 Audit Plan is £56,480- £41,320 less.
49. Additional fees (fee variations) are part of the legal framework. They only occur if auditors are required to do substantially more work than anticipated, for example, if local circumstances or the Code of Audit Practice change or if the Regulator (the FRC) increases its requirement on auditors.
50. If the changes that relate to audit fees, proposed in MHCLG’s consultation on the Appointing Person Regulations, are ultimately approved and implemented, PSAA will be able to manage the scale of fees and fee variations more flexibly. This will enable scale fees to be determined taking into account the outcome of more recently completed audits, and fee variations to be managed differently depending on whether they are driven by national or local factors.
51. Within the national scheme the PSAA review and assess each fee variation proposal. This uses the knowledge and experience of their team in order to assess each submission, comparing with similar submissions in respect of other bodies/auditors before reaching a decision. Should the Council procure directly, this would fall upon our internal resources and expertise to undertake.
52. Audit developments since 2018 have focused considerable attention on audit fees. The drive to improve audit quality has created significant fee pressures as auditors have needed to extend their work to ensure compliance with

increased regulatory requirements. Changes in audit scope and technical standards, such as the requirement in the new Code of Audit Practice 2020 for the auditor to provide a VFM arrangements commentary, have also had an impact. Summary of the options available

53. As a result of the position described in this report, the Council has three options:
1. To undertake a complete procurement process itself and appoint its own auditor, or
 2. Undertake a joint procurement with other bodies, or
 3. To opt into a national collective scheme that PSAA is developing.
54. The option to undertake an individual procurement provides the Council with the independence to select a supplier itself. However this will require the time, effort and skill of having to undertake a procurement and appointment process. It will also involve specifying the service required, inviting tenders, evaluating tenders. In addition a single procurement will lack the buying power to significantly influence quality and price.
55. There would also be a need to establish an independent auditor panel. In order to make a stand-alone appointment the auditor panel would need to be set up by the Council itself. The members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which audit firm to award a contract for the Council's external audit.
56. The option of a joint procurement with a small number of Councils exists. Whilst previously this option was superseded by the national collective arrangement attracting better economies of scale, it would give the authorities a more direct relationship with the audit firm and allow some pooling of costs and expertise. At this stage it is understood that all Hertfordshire districts, Hertfordshire County Council and the Hertfordshire Police and Crime commissioner are likely to opt in to the PSAA collective arrangement and would thus not be inclined to join a smaller local joint procurement.
57. The option to take advantage of the national collective scheme is beneficial to the Council for a number of reasons. Although the Council loses some influence on the final outcome and will gain from:
- PSAA will ensure the appointment of a suitably qualified and registered auditor and expects to be able to manage the appointments to allow for appropriate groupings and clusters of audits where bodies work together;
 - PSAA will monitor contract delivery and ensure compliance with contractual requirements, audit quality and independence requirements;
 - Any auditor conflicts at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon;
 - It is expected that the large scale contracts procured through PSAA will bring economies of scale and attract keener prices from the market than a smaller scale competition;

- The overall procurement costs would be expected to be lower than an individual smaller scale local procurement;
- The overhead costs for managing the contracts will be minimised though a smaller number of large contracts across the sector;
- There will be no need for the Council to establish alternative appointment processes locally, including the need to set up and manage an 'auditor panel', and;
- A sustainable market for audit provision in the sector will be easier to ensure for the future.

Recommendation:

58. The compelling financial and non-financial benefits of the collective purchasing arrangement together with the contract management benefits of utilising the PSAA, option 3 - To opt into a national collective scheme that PSAA is developing is the recommended method.



Report for:	Audit Committee
Date of meeting:	9th February 2022
Part:	1
If Part II, reason:	N/A

Title of report:	Treasury Management Strategy 2022/23
Contacts:	Nigel Howcutt, Chief Finance Officer Fiona Jump: Group Manager Financial Services
Purpose of Report	To Review and Scrutinise the proposed 2022/23 Treasury Management Strategy, that will form part of the 2022/23 budget.
Recommendation	To review and recommend to cabinet the implementation of the 2022/23 Treasury Management Strategy.
Corporate objectives:	Ensuring efficient, effective and modern service delivery.
Implications:	<u>Financial</u>
'Value for money' implications	<p>The Council defines its treasury management activities as:</p> <p><i>The management of the organisation's borrowing, investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.</i></p> <p>The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.</p> <p>The Council acknowledges that effective treasury management will provide support towards the achievement of the Council's business and service objectives. It is therefore committed to</p>

	the principles of achieving value for money in treasury management and employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
Risk implications	<p>The council has a very low risk treasury management strategy and the investment policy follows DLUHC's, and CIPFA guidance as detailed in section 4 of the following report.</p> <p>The council only invests in highly creditworthy counterparties and follows advice and updates on these counterparties provided by the council's treasury management advisers "Link".</p> <p>The council's treasury management principles are based on Security first, liquidity second and finally yield.</p> <p>The security of investment is the key priority, with the risk to principal investments almost entirely removed by the proposed treasury management strategy. Only in extreme macro-economic events would the council be at risk and it is worth noting that the pandemic did not result in any lost investments but did significantly reduce returns on investments.</p>
Monitoring Officer	
S151 Officer	This report is a S151 Officer Report and comments are included in the body of the report.
Community Impact Assessment	Community Impact Assessment not applicable.
Health and safety Implications	N/A
Consultees:	<p>Audit Committee</p> <p>Nigel Howcutt: Chief Finance Officer.</p> <p>Fiona Jump: Group Manager Financial Services.</p> <p>Link Treasury Management advisers.</p>
Background papers:	Treasury Management Strategy 2021/22 February 2021 Cabinet Agenda.
Glossary of acronyms and any other abbreviations used in this report:	<p>PSAA - Public Sector Audit Appointments</p> <p>NAO - National Audit Office</p> <p>IFRS - International Financial Reporting Standards</p> <p>FRC - Financial Reporting Council</p> <p>CIPFA/LASAAC – Chartered Institute of Public Finance Accounting / Local Authority Accounts Advisory Committee</p>

Background.

1. As part of the Councils statutory requirements there is a requirement to produce an annual Treasury Management strategy that includes;
 - a. Treasury Management Policy,
 - b. Treasury Management Reporting processes,
 - c. Treasury Management Strategy,
 - d. Prudential Indicators
 - e. Borrowing requirements, and
 - f. Investment Strategy.
2. The following attached Treasury Management Strategy 2022/23 outlines these principles and the executive summary below is a brief synopsis.

Executive Summary

3. The attached draft Treasury Management report for 2022/23 provides the statutory required details on how the treasury function will operate in 2022/23.
4. The 2022/23 Treasury Management Strategy does not propose any changes to the current 2021/22 Treasury Management Strategy, policies and approach including prudential indicators.
5. During 2021/22 the security of the council's investments has remained strong but the treasury management function has had a challenging financial year in regards to cash management and return on investments.

Cash Balances

6. The level of cash balances during 2021/22 have increased significantly year on year and as of the end of December 2021 cash balances were at £158m, an increase of £57m.
7. Cash balances have increased due to 3 main reasons;
 - Pre-payment of significant business rates relief from central government,
 - Significant slippage of the capital programme over the last 2 years due to the impact of the pandemic.
 - Significant capital receipt received for Maylands at the start of 2021.

Return on Investments.

8. As a result of the pandemic interest rates have been reduced to historically low levels. The current England base rate, as of December 2021, is at 0.25% following a prolonged period at 0.10%.
9. This has had a profound impact on the returns on cash investment the council has been able to achieve. In the first half of 21/22 the council has achieved a rate of return of 0.07%, year on year a reduction of 0.33% and a reduction of more than 0.7% on 2019/20 performance.

2022/23 Treasury Management Strategy.

10. The challenge at the start of 2022/23 is to ensure the large cash balances are invested securely and safely to spread any risk exposure the council would be open to in line with current policy.
11. To ensure the service has capacity to do this we will expand the volume of counterparties that we invest cash deposits, to spread the investments. This is in line with the current and the proposed treasury management strategy and is something Dacorum has historically done.
12. As per the treasury management policy with S151 approval we are empowered to invest with counterparties outside the UK that have a minimum sovereign credit rating of AA- from Fitch (or equivalent) as appropriate, with durations following the same colour coded criteria, as set out in 4.2. of the treasury Management strategy.



Dacorum Borough Council

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual
Investment Strategy

2022/23

1. Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means cash raised during the year will meet cash expenditure. A primary function of the Treasury Management service is to ensure cash flow is adequately planned, with cash being available when needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially, before considering investment return.

The second main function of the Treasury Management service is funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure the Council can meet its capital spending obligations. Longer term cash management may involve arranging long or short term loans, or using longer term cash flow surpluses, or restructuring debt to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity and hence the councils ability to meet spending commitments as they fall due, either on day-to-day revenue or in the medium term for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.2 Clauses to be formally adopted

1. Dacorum Borough Council will create and maintain the following for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
 - Suitable treasury management principles and practices (TMPPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
2. Full Council will receive reports on its treasury management policies and activities, including, as a minimum, a mid-year review and an annual year end report.

Responsibility is delegated to the Section 151 Officer for the implementation and regular monitoring of its treasury management policies and practices, and for the execution and administration of treasury management decisions. They will act in accordance with the policy statement and TMPPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

3. This organisation nominates Cabinet to be responsible for ensuring effective scrutiny of the treasury management strategy, policies and monitoring before recommendation to Full Council.

1.3 Treasury Management Policy Statement

The Council defines its treasury management activities as:

The management of the organisation's borrowing, investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

1.4 Reporting requirements

Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes requires all local authorities to prepare a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to service provision
- an overview of how the associated risk is managed
- the implications for future financial sustainability

Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy Statement (this report) - The first, and most important report, covers:

- the capital plans (including prudential indicators);

- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid- year treasury management report – This is primarily a progress report and will update members on the capital position and amend prudential indicators and policies as necessary.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny – The above reports are required to be adequately scrutinised before being recommended to the Council. The Cabinet undertakes this role.

1.5 Treasury Management Strategy for 2022/23

The strategy for 2022/23 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

1.6 Training

The CIPFA Code requires the responsible officer ensures Councillors with responsibility for treasury management receive adequate training. The training needs of treasury management officers are regularly reviewed.

1.7 Treasury management consultants

The Council uses Link Group, Treasury Solutions as its external treasury management advisors. The Council recognises the value in employing external

providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure the terms of their appointment and methods by which their value are assessed are properly agreed and documented, and subject to regular review.

The Council recognises responsibility for treasury management decisions remains with the organisation at all times and will ensure undue reliance is not placed upon our external service provider.

2. The Capital Prudential Indicators 2022/23 – 2025/26

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plan is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital expenditure

The first prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the capital expenditure plans and financing. Any shortfall of resources results in a borrowing need. Members are asked to approve the capital expenditure forecast:

Capital expenditure	2020/21 Actual £m	2021/22 Q3 Forecast £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
General Fund	9.373	10.259	22.854	27.424	15.233	8.122
HRA	17.027	21.617	67.920	65.619	55.111	45.558
Total	26.400	31.876	90.774	93.043	70.344	53.680
Financed by:						
Capital grants & S106	1.554	3.602	5.002	5.882	3.313	0.741
Capital receipts & reserves	20.184	23.424	71.823	35.413	23.049	23.964
Revenue contribution to Capital	4.662	4.850	3.129	2.707	0.350	0.350
Borrowing-General Fund	0	0	0	17.415	14.142	7.031
Borrowing-HRA	0	0	10.821	31.626	29.490	21.594
Net financing need for the year	26.400	31.876	90.774	93.043	70.344	53.680

The financing need excludes other long-term liabilities, such as leasing arrangements. Capital Expenditure excludes Capital loans to other bodies.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's underlying borrowing need. Capital expenditure, which is not immediately paid for, increases the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes long term liabilities like finance leases. Whilst these increase the CFR, and therefore the Council's borrowing requirement, they include a borrowing facility so the Council is not required to separately borrow.

The Council is asked to approve the CFR projections below:

	2020/21 Actuals £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Capital Financing Requirement						
CFR – non housing	12.945	18.60	19.26	36.33	49.79	55.84
CFR – housing	335.928	332.45	341.90	371.21	397.37	414.52
Total CFR	348.873	351.051	361.159	407.549	447.156	470.365
Movement in CFR		2.178	10.108	46.390	39.607	23.209
Movement in CFR represented by:						
Net financing need for the annual approved Capital Programme		0.000	10.821	49.041	43.632	28.624
Net financing need for the year-Loans for Capital Purposes		5.990	(0.010)	(0.010)	(0.010)	(0.010)
Accounting changes in lease treatments		0.000	1.000	0.000	0.000	0.000
Minimum Revenue Provision & HRA Debt Repayment		(3.812)	(1.702)	(2.642)	(4.015)	(5.405)
Movement in CFR		2.178	10.108	46.390	39.607	23.209

2.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the Capital Financing Requirement through a charge to revenue known as the minimum revenue provision (MRP). DLUHC regulations require the full Council to approve an MRP Statement in advance of each year. A variety of options for calculating MRP are allowed so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

The MRP policy will be:

Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations;

This option provides for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but a charge for depreciation must be made. Repayments included in finance leases are applied as MRP.

MRP Overpayments/Voluntary Revenue Provisions - DLUHC MRP Guidance allows that any charges made over the statutory minimum revenue provision (MRP), can be reclaimed in later years if deemed necessary or prudent. In order for MRP to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made. Up until the 31 March 2022, the total VRP overpayments are forecast at £0.481m.

The Council has and may provide loans to Parish Councils and other public sector bodies for capital purposes. The Capital Financing Requirement (CFR) will increase by the principal amount of the loan. The loan will be repaid in full and may include interest. The repayment of principal is classed as a capital receipt, and the CFR will reduce accordingly. As this is, a temporary arrangement and the funds will be returned in full, there is no need to set aside prudent provision to repay the debt liability in the interim period, so there is no MRP charge.

2.4 Core funds and expected investment balances

The use of funds to finance capital expenditure or to support the revenue budget will have an ongoing impact on investments, unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances and anticipated day to day cash flow balances.

Year End Resources	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Fund balances / reserves	32.717	34.531	30.618	26.548	27.949	28.984
Capital receipts	46.180	43.694	6.493	0.000	0.000	0.000
Provisions	8.319	5	5	5	5	5
Other	0	0	0	0	0	0
Total core funds	87.216	83.225	42.111	31.548	32.949	33.984
Working capital		5	5	5	5	5
(Under)/over borrowing		(1.183)	(11.997)	(29.399)	(29.034)	(28.396)
Expected investments		87.042	35.114	7.149	8.915	10.588

2.5 Affordability prudential indicators

Prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

2.6 Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long-term costs net of investment income) against the net revenue stream.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
General Fund	1.11%	0.84%	0.98%	1.04%	1.02%	1.01%
HRA	20.78%	19.71%	18.79%	19.06%	19.21%	20.78%

2.7 HRA ratios

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA debt £m	335.93	332.45	331.08	360.39	386.55	403.70
HRA revenues £m	54.916	57.762	60.157	62.771	67.037	68.809
Ratio of debt to revenues %	612%	576%	550%	574%	577%	587%
Number of HRA dwellings	10,140	10,106	10,086	10,220	10,441	10,442
Debt per dwelling £	33,129	32,896	32,825	35,264	37,022	38,661

3. Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council.

The treasury management function ensures the Council's cash is organised in accordance with the relevant professional codes, so sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31 March 2021 and for the position as at 31 December 2021 are shown below for both borrowing and investments.

	TREASURY PORTFOLIO			
	Actual 31.3.21	Actual 31.3.21	Current 31.12.21	Current 31.12.21
Treasury investments	£0	%	£0	%
Banks	52,467	47%	67,248	42%
Building societies - rated	39,000	35%	51,000	32%
Local authorities	0	0%	0	0%
DMADF (HM Treasury)	0	0%	19,000	12%
money market funds	21,000	19%	21,000	13%
Total managed in house	112,467	100%	158,248	100%
Total managed externally	0	0%	0	0%
Total treasury investments	112,467	100%	158,248	100%
Treasury external borrowing				
PWLB	353,502	100%	353,502	100%
Total external borrowing	353,502	100%	362,383	100%
Net treasury investments / (borrowing)	(241,035)	0	(204,135)	0

The Council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

There are a number of key indicators to ensure the Council operates its activities within well-defined limits. One is that the Council needs to ensure its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/23 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures borrowing is not undertaken for revenue purposes or to generate a profit. The Council complies with this indicator.

	2020/21 Actual £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
External Debt						
Debt at 1 April	358.441	353.502	349.680	347.974	376.962	416.934
Expected change in Debt	(4.939)	(3.822)	(1.705)	28.988	39.971	23.848
Other long-term liabilities	0.188	0.188	1.188	1.188	1.188	1.188
Actual gross debt at 31 March	353.690	349.868	349.162	378.150	418.122	441.969
The Capital Financing Requirement	348.873	351.051	361.159	407.549	447.156	470.365
Under / (over) borrowing	4.817	(1.183)	(11.997)	(29.399)	(29.034)	(28.396)

3.2 Treasury Indicators: Limits to borrowing activity

- a) The operational boundary. This is the limit beyond which external debt is not normally expected to exceed.

Operational boundary	2021/22	2022/23	2023/24	2024/25	2025/26
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	353.502	349.680	376.962	416.934	440.781
Other long term liabilities	0.188	1.188	1.188	1.188	1.188
Total	353.690	350.868	378.150	418.122	441.969

- b) **The authorised limit for external debt.** This represents a limit beyond which external debt is prohibited and needs to be set or revised by full Council. It reflects the level of external debt, which, while not desired, could be afforded in the short term, but is not sustainable long term.

Under section 3 (1) of the Local Government Act 2003, the Government can control the total of all councils' plans or those of a specific council. The Council is asked to approve the following authorised limits to 2025/26:

Authorised limit	2021/22	2022/23	2023/24	2024/25	2025/26
	Estimate £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Debt	400	400	400	420	450
Other long term liabilities	10	10	10	10	10
Total	410	410	410	430	460

The table below shows projections of CFR and borrowing:

Capital Financing Requirement including leases						
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m	£m
HRA CFR	335.928	332.448	341.898	371.215	397.370	414.522
GF CFR	12.945	18.603	19.261	36.334	49.786	55.843
Total CFR	348.873	351.051	361.159	407.549	447.156	470.365
External Borrowing	353.502	349.680	347.974	376.962	416.934	440.781
Other long term liabilities	0.188	0.188	1.188	1.188	1.188	1.188
Total Debt	353.690	349.868	349.162	378.150	418.122	441.969
Authorised Limit*		410	410	410	430	460
Operational Boundary		353.690	350.868	378.150	418.122	441.969

3.3 Maturity Structure of borrowing

These gross limits are set to reduce the /Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0.0%	2.0%
12 months to 2 years	0.0%	2.0%
2 years to 5 years	0.0%	5.0%
5 years to 10 years	2.0%	12.0%
10 years and above	5.0%	90.0%
Maturity structure of variable interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0.00%	1.00%
12 months to 2 years	0.00%	2.00%
2 years to 5 years	0.00%	2.00%
5 years to 10 years	0.00%	0.00%
10 years and above	0.00%	0.00%

3.4 Borrowing strategy

The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, specifically in relation to refinancing, delaying capital expenditure and taking on new borrowing. Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The Council will not borrow more than, or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure value for money and that the Council can ensure security of such funds.

Risks associated with any borrowing in advance will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Prospects for Interest Rates

The Councils Treasury Advisors provided the following view for interest rates in 20th December 2021. The Bank Rate is the Bank of England base rate of interest.

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes increases in quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and in quarter 1 of 2025 to 1.25%. However, due to the ongoing high level of uncertainty prevailing on several different economic fronts such as Covid and inflation, it is likely that these forecasts will need revising within a relatively short timeframe.

3.7 Investment and borrowing rates

- Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. The overall balance of risks to economic growth in the UK is now to the downside, including risks from Covid and its variants - both domestically and their potential effects worldwide.

Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels.

- In November, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme.

3.8 Debt rescheduling

Debt rescheduling involves the Council paying off its debt prior to the agreed maturity date. The rescheduling of current borrowing in the Council's debt portfolio

is unlikely to occur. There is still a significant difference between premature redemption rates and new borrowing rates, so premature redemption of debt is likely to result in additional cost to the Council under present conditions.

If any rescheduling and/or early repayment of existing debt is considered prudent, this will be reported to Cabinet at the earliest meeting following completion of the repayment.

3.9 New financial institutions as a source of borrowing and / or types of borrowing

The Council's current source of borrowing is the PWLB. Other borrowing sources available to the Council to finance its capital programme are:

- Local authorities
- Financial institutions
- Municipal Bonds Agency

This Authority may make use of these alternative sources of borrowing as and when appropriate.

4. Annual Investment Strategy

4.1 Investment policy

The DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

The Council's investment policy has regard to the following: -

DLUHC's Guidance on Local Government Investments ("the Guidance")

CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")

CIPFA Treasury Management Guidance Notes 2018. The Council's investment priorities will be security first, liquidity second and then yield.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of a concentrated risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its Treasury advisors Link Asset Services to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
- Other information sources used will include the financial press and share prices in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- Dacorum Borough Council has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in Appendix 1 under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year, or have less than a year left to run to maturity if originally they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
 - **Non-specified investments** are those with a high credit quality, but lower than specified investments, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- Non-specified investments limit. The Council has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.
- Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table described in paragraph 4.2.
- Transaction limits are set for each type of investment in Appendix 1.
- The Council will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 4.5).
- Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.2).
- The Council has engaged external consultants, (see paragraph 1.7), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the

context of the expected level of cash balances and need for liquidity throughout the year.

- All investments will be denominated in sterling.
- a result of the change in accounting standards under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (MHCLG (DLUHC) allowed a statutory temporary override to delay implementation of IFRS 9 for five years ending March 2023 to allow English local authorities time to adjust their portfolio of all pooled investments. There is no currently no impact for the Council).

The Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.7). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

Dacorum uses the creditworthiness service provided by the Link Group. This service employs a modelling approach using credit ratings from the three main credit rating agencies.

The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of credit default swap spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:

- Yellow 5 years
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (Nationalised or semi nationalised UK Banks only)

- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalent) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of Link's creditworthiness service. If a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition the Council will use market data and market information, information on any external support for banks to help support its decision making process.

4.3 Country limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors. The Section 151 Officer will determine approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch (or equivalent) as appropriate, with durations following the same colour coded criteria, as set out in 4.2. Officers will remove counterparties from this list should ratings change in accordance with this policy. Counterparties will only be added with approval from the Section 151 Officer.

4.4 Local Authority Counterparties

In light of some Local Authorities issuing s114 notices (issued by an authority's s151 office is of the view that expenditure of the authority is likely to exceed the resources available to meet that expenditure), the Council has taken advice in respect of Local Authority counterparties. This states that local authorities continue to represent a low risk investment. The Council will continue to include Local Authority counterparties in its list of potential investment counterparties.

4.5 Investment strategy

In-house funds: Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations: Links forecast in paragraph 3.3 includes a forecast increase in bank rate in the first quarter of 2022/23.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

2022/23	0.50%
2023/24	0.75%
2024/25	0.100%
2025/26	1.25
Later years	2.00%

Investment treasury indicator and limit

Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	2022/23	2023/24	2024/25
Principal sums invested for longer than 365 days	20% of portfolio	20% of portfolio	20% of portfolio

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits (overnight to 100 days) in order to benefit from compounding of interest.

4.6 Treasury Management Counterparty Limits.

The Investment limits for counterparties is set as part of the annual Treasury Management Strategy. The counterparty limits were increased in 2021/22, no changes have been made for 2022/23. The Council is asked to approve the limits in the table below:

Table 1: Counter Party Limits .

Average Forecast DBC Investment balance 2022/23: £122m

Counterparty Limits		
Colour Band (duration)	Limit £m	Current limit as a % of total average investment balance*
Green (3 months)	9	7.38%
Red (6 months)	11	9.02%
Orange (1 year)	12.5	10.25%
Purple (2 years)	12.5	10.25%
Blue (1 year, incl. NatWest own Bank)	14.5	11.89%

*the Council is able to invest in 'yellow' banded counterparties (duration up to 5 years), which are not shown in this table. These include investments with the DMO and MMFs.

4.7 Investment performance / risk benchmarking

These benchmarks are simple guides to minimise risk; so may be breached from time to time, depending on movements in interest rates and counterparty criteria.

The purpose of the benchmark is that officers will monitor the position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported to Cabinet, with supporting reasons in the mid-year and annual report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to historic default tables is 0.013%.

Liquidity – in respect of this area the Council seeks to maintain:

- Maximum bank overdraft - £0.25m
- Liquid deposits of at least £5m available with a week's notice.
- Weighted average life benchmark is expected to be around 100 days

Yield - local measures of yield benchmarks for investments is to achieve internal returns above the 7 day SONIA (Sterling Overnight Index Average) rate .

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.8 Transactional Limits

There may be occasions that the council is in receipt of large income transactions from land and property sales etc. In instances such as these, every effort is made to ensure the council remains within the counterparty limits as set by the Treasury Management Strategy. Due to the nature of these types of transactions, a provision of 'one working day' is given in order to allow for any surplus funds to be

redistributed from the Councils bank to available counterparties as per the creditworthiness policy in 4.2.

4.9 External fund managers

The Council does not currently use fund managers. If deemed appropriate in the future, the decision go through Cabinet for recommendation to Full Council.

4.10 Non - Treasury Investments

The Council recognises investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful management. Such activity may include loans to support service outcomes, investment in subsidiaries and investment property portfolios and is covered by the Council's normal approvals processes for revenue and capital expenditure. The Council's portfolio of investment properties are managed as part of the Council's asset management strategy.

Appendix 1: Credit and Counterparty Risk Management

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the below categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Specified Investments: All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

	Minimum Credit criteria / colour band	Use
Debt Management Agency Deposit Facility	Yellow	In-house and Fund Managers
Term deposits – UK Government (including other local authorities)	Yellow	In-house and Fund Managers
Term deposits – banks and building societies	See 4.2	In-house and Fund Managers
Term deposits – housing associations	See 4.2	In-house and Fund Managers
Certificates of deposit issued by banks and building societies	See 4.2	In-house and Fund Managers
UK Government Gilts	Yellow	In-house and Fund Managers
Money Market Funds (CNAV)	AAA	In-house and Fund Managers
Money Market Funds (LVNAV)	AAA	In-house and Fund Managers
Money Market Funds (VNAV)	AAA	In-house and Fund Managers
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house and Fund Managers
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house and Fund Managers
UK Government Treasury bills	Yellow	In-house and Fund Managers

Term deposits with nationalised banks and banks and building societies

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
UK part nationalised banks	See Link's Creditworthy list	In-house and Fund Managers	£14.5M per institution	12 months

Non-specified Investments: These are any investments which do not meet the specified investment criteria. A maximum of the lower of 20% of the portfolio, or £20m will be held in aggregate in non-specified investment.

	* Minimum Credit Criteria	Use	Max. maturity period
Term deposits – UK Government and Other Local Authorities	Yellow	In-house and Fund Managers	5 years
Term deposits – housing associations	See 4.2	In-House and Fund Managers	5 years
Term deposits – banks and building societies	See 4.2	In-house and Fund Managers	5 years
Certificates of deposit issued by banks and building societies	See 4.2	In-house and Fund Managers	5 years
Gilt Funds	UK sovereign rating	In-house and Fund Managers	5 years
UK Government gilts	Yellow	In-house and Fund Managers	5 years
Bonds issued by multilateral development banks	AAA	In-house and Fund Managers	5 years

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions. To ensure the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 2- Treasury Management Principle 1: Risk Management (Extract from Treasury Management Principles and Practices)

Treasury Management Practice 1: Risk Management

The responsible officer will, in accordance with the procedures set out in TMP6 Reporting Requirements and Management Information Arrangements:

- *Design, implement and monitor all arrangements for the identification, management and control of treasury management risk;*
- *Report at least annually on the adequacy/suitability thereof;*
- *Report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect;*

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in this document.

1. Liquidity Risk Management

Dacorum Borough Council (DBC) will ensure it has adequate, though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available which are necessary for the achievement of its business/service objectives.

DBC will only borrow in advance of need where there is a clear business case for doing so, and will only do so for the current capital programme or to finance future debt maturities.

Liquidity risk is the risk cash will not be available when required. This can jeopardise the ability of the Council to carry out its functions, or disrupt those functions being carried out in the most cost-effective manner. The Council will ensure its cash flow forecasting gives as accurate a picture as possible of income and expenditure, and the resulting daily cash balances.

Amounts of Approved Minimum Cash Balances and Short-term Investments

The Treasury Management team shall seek to minimise the balance held in the Council's main bank accounts at the close of each working day, to minimise credit interest foregone and overdraft interest payable. Borrowing and lending shall be arranged, in conjunction with 'auto-sweeping' of balances, to achieve this aim.

Investment of Short-Term Funds

Each morning the Bank's forecast figures for the day are aggregated with any other anticipated cash flows (e.g. cash courier receipts, RTB funds flows income) to produce a consolidated forecast balance for the end of the day. Any short-term credit balance will be either:

- Transferred in to the Council's Call Account with its bankers NatWest plc (RBS);
or

- Placed in a Business Reserve Account with selected approved counterparties who offer this facility;
- Placed into a Money Market Fund.

All funds lodged in these ways are instantly available if required.

The Council receives interest if its consolidated balance on any particular night shows a credit balance.

Bank Overdraft Arrangements

A £0.25m net overdraft facility is available with the Council's bankers. Overdraft charges are only applicable if the Council's consolidated balance on any particular night is overdrawn, and charged in line with the Bank Contract.

Short-Term Borrowing Facilities

Short-term borrowing is very rarely required. If undertaken, this is done through brokers on the London Money Market, or Public Works Loan Board. Approved borrowing limits are set out in the Treasury Management Strategy Statement.

Insurance/Guarantee Facilities

There are no specific insurance or guarantee facilities as the above arrangements are regarded as adequate to cover all unforeseen occurrences.

2. Interest Rate Risk Management

DBC will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements, as described in TMP6 Reporting Requirements and Management Information Arrangements.

The Council will achieve this objective by the prudent use of its approved financing and investment instruments, methods and techniques. This will be done primarily to create stability and certainty of costs and revenues, whilst at the same time retaining a sufficient degree of flexibility to take advantage of unexpected (potentially advantageous) changes in the level or structure of interest rates. The above is subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

Interest rate risk is the risk unexpected changes in interest rates expose the Council to greater costs or a shortfall in income than budgeted. The Council will minimise this risk by seeking expert advice on forecasts of interest rates from treasury management consultants and discussing with them its strategy for the coming year for the investments and debt portfolios. It will also determine appropriate limits and trigger points as set out below.

The limits and strategy are set out in the annual Treasury Management Strategy Statement including details on the approved interest rate exposure limit, trigger

points and guidelines for managing changes to interest rate levels and minimum/maximum proportions of variable/fixed rate debt and interest. The strategy is produced before the start of each financial year and will be periodically reviewed during the year to see whether any modifications are required in the light of actual movements in interest rates.

Forward Dealing

Consideration will be given to dealing on forward periods dependent upon market conditions. Investments may be agreed weeks or months in advance if market conditions suggest this is appropriate. Any forward deals, whose maturity date is over one year hence at the time the investment is agreed, will only be undertaken with the approval of the Section 151 Officer. Occasionally investments are agreed a few days in advance for administrative convenience (e.g. due to annual leave).

Callable Deposits

The Council will use callable deposits. The credit criteria and maximum periods are set out in the Schedule of Specified and Non-Specified Investments included within the Treasury Management Strategy Statement.

3. Exchange Rate Risk Management

Dacorum Borough Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

Exchange rate risk is the risk unexpected changes in exchange rates expose the Council to greater costs or a shortfall in income than budgeted. The Council has a minimal exposure to exchange rate risk as it has no powers to enter into loans or investments in foreign currency for treasury management purposes. It will seek to minimise what risk it does have by using the policies below.

Approved Criteria for Managing Changes in Exchange Rate Levels

As a result of the nature of the Council's business, the Council may have an exposure to exchange rate risk from time to time. This will mainly arise from the receipt of income or the incurring of expenditure in a currency other than sterling.

The Council will adopt a full hedging strategy to control and add certainty to the sterling value of any foreign currency transactions above £10,000 in value (at the prevailing exchange rate). This will mean the Council will eliminate all material foreign exchange exposures as soon as they are identified.

Where there is a contractual obligation to receive income or make a payment in a currency other than sterling at a date in the future, forward foreign exchange transactions will be considered, with professional advice, to comply with this full cover hedging policy for material foreign currency transactions. Unexpected receipt of foreign currency income will be converted to sterling at the earliest opportunity unless the Council has a contractual obligation to make a payment in the same

currency at a date in the future. In this instance, the currency will be held on deposit to meet this expenditure commitment

4. Credit and Counterparty Risk Management

Dacorum Borough Council regards the primary objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, the Council will ensure its counterparty lists and limits reflect a prudent attitude towards counterparties with whom funds may be deposited. Furthermore, the Council will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments, Methods and Techniques and listed in the schedule to this document.

The Council also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

Credit and counterparty risk is the risk of failure by a third party to meet its contractual obligations under an investment, loan or other commitment, especially due to deterioration in its creditworthiness, which causes the Council an unexpected burden on its capital or revenue resources.

As a holder of public funds, the Council recognises its prime responsibility to always put first preserving the principal of the sums it invests. Consequently, it will optimise returns commensurate with the management of the associated risk.

Criteria to be used for Creating/Managing Approved Counterparty Lists/Limits

The Council places a strong reliance on its treasury adviser Link Group to help manage credit and counterparty risk. Link has much greater market expertise and direct access to market knowledge than the Council. None the less, the Council recognises all advice provided by its treasury adviser is precisely that, and full responsibility for all counterparties used, and investments placed, rests entirely with the Council.

The three elements to managing credit and counterparty risk are:

- 1) Determining '*Specified and 'Non-Specified' Investments* criteria;
- 2) Determining '*Approved Lending Policy*', which sets out minimum credit criteria, duration and monetary amount limits;
- 3) Managing the *Approved Lending List* (or list of counterparties).

Specified and Non-Specified Investments

The Council will determine through its Treasury Management Strategy the credit criteria for various investment instruments in the 'Specified' and 'Non-Specified' Investments categories. Specified Investments are sterling investments of not more than one year maturity (or the ability to be repaid within one year), meeting the minimum 'high' rating criteria and require '*minimal procedural formalities*'. Non-specified investments are any other type of investment. The maximum amounts

and maturity periods along with the overall limits are set out in the Treasury Management Strategy Statement.

Lending Policy

The Lending Policy is based on Link guidance. This uses different ratings combinations and allocates those meeting the minimum criteria a colour as set out in the Treasury Management Strategy Statement. The Council has allocated each of these colour bands a maximum duration and amount. Any changes to the Treasury Management Statement require approval of Full Council.

Money Market Funds

Money Market Funds will be used in line with the Council's Treasury Management Strategy. Funds used will be reviewed on at least an annual basis in March, unless market conditions, trends and external advice suggests reviews should be undertaken sooner.

Approved Lending List

The list of approved counterparties is derived from applying the limits in the Treasury Management Strategy to the weekly ratings list of deposit takers provided by Link. The list includes domestic and foreign banks, building societies, supranational institutions and multi-lateral development banks. It is supplemented by a ratings alert service for changes to the ratings of individual counterparties. If the Council uses external fund managers, they will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however the fund managers may use a subset of the derived counterparty list.

The Regulatory and Financial Accounting Team is responsible for maintaining the Approved Lending List on the Council's Investment System and for ensuring any changes are communicated to the fund manager, where appropriate.

A full copy of the Council's approved counterparties, along with their individual amount and duration limits, will be included in the Treasury Management Annual Report.

5. Refinancing Risk Management

The Council will ensure its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Council as can reasonably be achieved in the light of market conditions prevailing at the time.

The Council will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over-reliance on any one source of funding if this might jeopardise achievement of the above.

Refinancing risk is the risk when loans or other forms of capital financing mature, they cannot be refinanced where necessary on terms reflecting assumptions made in formulating the budget.

Debt / Other Capital Financing Maturity Profiling, Policies and Practices

The Council holds debt that arose from the Housing Self Financing in March 2012. This transaction was subject to detailed reports and approvals, and a specific audit. Debt has been acquired over a thirty year period as fixed term loans from the Public Works Loan Board (PWLB).

The Council acquired new borrowing in May 2015 to support General Fund Capital Expenditure. Borrowing activities and strategies and limits are identified within the Treasury Management Strategy Statement.

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

- the generation of cash savings at minimum risk;
- to reduce the average interest rate;
- to amend the maturity profile and /or the balance of volatility of the debt portfolio.

Rescheduling will be reported to Cabinet at the meeting immediately following its action.

Projected Capital Investment Requirements

Regular updates are made to the Authority's revenue and capital budget projections. These projections identify the key capital items (both expenditure and income) forecast for forthcoming years, and this analysis is used to ensure the Council will have sufficient funds available in forthcoming years. In addition, the responsible officer will draw up a capital strategy report which will give a longer term view.

Capital expenditure and long-term liabilities definition will follow recommended accounting practice.

Policy Concerning Limits on Revenue Consequences of Capital Financing

The Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue forecasts for the forthcoming year and the two following years and the impact these will have on council tax and housing rent levels. It will take into account affordability in the longer term beyond this three year period. The Council will use the definitions

in the Prudential Code for borrowing, capital expenditure, financing costs, investments, net borrowing, net revenue stream, and other long-term liabilities.

Whenever major capital projects are planned, a full examination is undertaken of the potential revenue impact. Issues considered include revenue costs/benefits resulting directly from the project, and the impact on revenue of interest receipts foregone as a consequence of undertaking the capital investment.

Capital Receipts Generated by the HRA

For each Right to Buy council house disposal, the Council must pay a proportion to Central Government. The Council retains the '1-4-1' receipt, which can be used to fund 40% of new build expenditure within 3 years. Any unused '1-4-1' receipts are to be returned to Government.

The Council also has the ability to utilise 100% of its non- Right to Buy Housing receipts and a small proportion of right to buy council house sales relating to adjusted allowable debt and the local authority's share capital. Receipts under £10,000 are not subject to pooling.

6. Legal and Regulatory Risk Management

Dacorum Borough Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[4] Credit and Counterparty Risk Management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council also recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

Legal and regulatory risk is the risk either the Council or a third party it is dealing with in its treasury management activities, acts outside of its legal powers or regulatory requirements and as a result the Council incurs loss.

References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

Legislation

Statutes

- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.

- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Act 2003
- Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003
- Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004, 2006, 2007, 2008, 2009, 2010, 2012, 2013, 2017, 2018, 2019
- Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004
- Local Government and Public Involvement in Health Act 2007 s238 (2) – power to issue guidance; to be used re: MRP
- The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- Localism Act 2011
- Accounts and Audit Regulations 2015
- Statutory Guidance on Investments 2018
- Statutory Guidance on MRP 2018
- Exiting the European Union financial services: The Money Market Funds (Amendment) (EU Exit) Regulations 2019

Guidance and codes of practice

- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2017
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2017 & Guidance Notes 2018
- CIPFA Local Authority Capital Accounting - a reference manual for practitioners latest year Edition
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2002
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: A statement of recommended Practice
- PWLB circulars on Lending Policy
- The UK Money Markets Guide. Formally the Financial Conduct Authority's Code of Market Conduct

Dacorum Borough Council

- The Council's Standing Orders;
- The Council's Financial Regulations;
- The Council's Scheme of Delegation;
- The Council's Treasury Management Strategy;

- The Council's Treasury Management Practices – Principles & Practices;

Procedures for Evidencing the Council's Powers / Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation as follows:

Investing: Local Government Act 2003, section 12;

Borrowing: Local Government Act 2003, section 1;

Required Information from Counterparties Concerning their Powers / Authorities

Lending shall only be made to counterparties on the Council's Approved Lending List. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by various credit agencies and the Council's own data.

Statement on the Council's Political Risks and Management of these Risks

The Chief Financial Officer shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to, and manage appropriately, political risks such as a change of the majority Group, in the Leader of the Council or a change of Government.

Monitoring Officer

The Monitoring officer is the Assistant Director Corporate and Contracted Services. The duty of this officer is to ensure treasury management activities of the Council are lawful.

Chief Financial Officer/ S151 Officer

The Chief Financial Officer and S151 Officer is the Assistant Director Finance and Resources. The duty of this officer is to ensure financial affairs of the Council are conducted in a prudent manner and report to the Council if he/she has concerns as to the financial prudence of its actions or its expected financial position.

The Deputy S151 Officer is the Group Manager (Financial Services), who can deputise fully for the S151 Officer.

7. Fraud, Error and Corruption, and Contingency Management

Dacorum Borough Council will ensure that it has identified any circumstances that may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

Fraud, error and corruption risk is the risk the Council may fail to employ adequate systems, procedures and other arrangements which identify and prevent losses through such occurrences. The Council will:

- a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks;
- b) Fully document all its treasury management activities so there can be no possible confusion as to what proper procedures are;
- c) Ensure staff will not be allowed to engage in treasury management activities until they have had proper training in procedures; and are then subject to an adequate and appropriate level of supervision
- d) Ensure records are maintained of all treasury management transactions, so there is a full audit trail and evidence of the appropriate checks being carried out.

Details of Systems and Procedures to be followed, Including Internet Services

Authority

The Council's Financial Regulations sets out the Council's delegation arrangements with regard to Treasury Management. These are summarised in *TMP5*.

Investment and Borrowing Transactions

Adequate and effective cash flow forecasting records are maintained on the Council's Investments system to support any decisions made to place investments.

A detailed register of all investments is maintained within the Council's Investments system. This system includes full details of counterparty limits, along with other information including investment amounts, value and maturity dates, interest rates, and gross interest receivable.

All transactions placed through brokers or via direct dealing are confirmed, showing details of the transaction. Written confirmation is received from both broker and borrower and checked against the dealer's records. Any discrepancies are immediately reported to the Team Leader Financial and Regulatory Accounting for resolution. The Council does not send any confirmations of its own.

Regularity and Security

All lending, for investment purposes, is only made to counterparties on the Council's Approved Lending List. This list provides individual authorisation limits for each counter party.

Investments are paid direct into the appropriate counterparty's bank account (as advised by the broker or counterparty as appropriate), and investments are repaid direct from the counterparty into the Council's General Account.

Counterparty limits are set for every institution that the Council invests with.

Brokers have been provided with a list of named Council officials who are authorised to place investments on the Council's behalf.

The Council's Bank holds a list of Council officials who are authorised signatories. The list of authorised bank account signatories has been agreed with the Council's current bankers, and updates of this list are notified to the bank as appropriate when current authorised signatories leave, or new signatories join.

Notifications of amendments are only accepted by the bank if they are signed by an existing (non-departing) authorised signatory. The only member of the treasury management team that is an authorised signatory is the Team Leader Financial and Regulatory Accounting. There is a separation of duties in the section between the officer placing the deals and the officer checking counterparty confirmations. In addition, if an authorising officer were to create a payment transaction online, the transaction would still need the usual approval by one/two other authorising officers.

All investments are paid by CHAPS instruction through the online banking system. This is undertaken by two of the authorised bank account signatories and the officer agreeing an investment cannot be one of the signatories for that particular investment.

Checks

The Investment System balances are reconciled to the balance sheet ledger codes at the end of each month and at the financial year-end. The System includes comprehensive reconciliation checks back to the Council's banking system to ensure all investments transactions are correctly recorded and processed.

An investment income listing is produced every month and reported on the Council's performance system.

Emergency and Contingency Planning Arrangements

All computer files are backed up on the server to enable files to be accessed from remote sites.

The Council's Investment and banking systems are both internet based so can be accessed from any site or computer, subject to the user having the appropriate access and security information.

Insurance Cover Details

The Council has Crime insurance cover provided by Travelers Insurance Co Ltd. This policy covers loss resulting directly from any crime committed by any employee or any third party. The total limit of indemnity provided is £1,000,000, a policy excess of £100,000 for each and every claim applies.

The Council also has Officials Indemnity cover with Aspen Insurance UK Ltd. This provides cover in respect of the Council's legal liability to pay claimant's damages and costs for financial losses arising as a result of the negligent acts or accidental errors and omissions of Council employees, occurring in the course of their duties.

The limit of indemnity is £5,000,000, a policy excess of £75,000 for each and every claim applies.

The Council has Business Interruption cover as part of its property insurance with Protector Insurance. This covers additional costs of working and loss of revenue if an insured event occurs.

8. Market Risk Management

Dacorum Borough Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

Market risk is the risk through adverse market fluctuations in the value of principal sums, the Council borrows and invests, its stated policies and objectives are compromised, against which it had failed to protect itself adequately. The Council currently has very little exposure to investments whose capital may fluctuate (Money Market Funds, gilts, Corporate Deposits), and will only undertake such activities on discussion with the S151 Officer and Portfolio Holder (Finance & Resources), and if the current Investment Strategy allows such investments.

Appendix 3 – Link Asset Services’ Approved Lending List – UK Banks and Financial Institutions

Country	Counterparty	Approved Duration	DBC Current Limit (M)
U.K	Al Rayan Bank Plc	6 months	11
U.K	Bank of Scotland PLC (RFB)	6 months	11
U.K	Barclays Bank PLC (NRFB)	6 months	11
U.K	Barclays Bank UK PLC (RFB)	6 months	11
U.K	Close Brothers Ltd	6 months	11
U.K	Goldman Sachs International Bank	6 months	11
U.K	Handelsbanken Plc	12 months	12.5
U.K	HSBC Bank PLC (NRFB)	12 months	12.5
U.K	HSBC UK Bank Plc (RFB)	12 months	12.5
U.K	Lloyds Bank Corporate Markets Plc (NRFB)	6 months	11
U.K	Lloyds Bank Plc (RFB)	6 months	11
U.K	NatWest Markets Plc (NRFB)	6 months	11
U.K	Santander Financial Services plc (NRFB)	6 months	11
U.K	Santander UK plc	6 months	11
U.K	SMBC Bank International Plc	6 months	11
U.K	Standard Chartered Bank	6 months	11
U.K	Coventry BS	6 months	11
U.K	Leeds BS	100 days	9
U.K	Nationwide BS	6 months	11
U.K	Skipton Building Society	6 months	11
U.K	Yorkshire BS	100 days	9
U.K	National Westminster Bank PLC (RFB)	12 months	14
U.K	The Royal Bank of Scotland Plc (RFB)	12 months	14

Appendix 4: Treasury management roles and scheme of delegation

Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy;
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;

Cabinet

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- approving the selection of external service providers and agreeing terms of appointment;
- approving the use of non-UK counterparties as appropriate;
- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term time frame;
- ensuring the capital strategy is prudent, sustainable, affordable in the long term and provides value for money;
- ensuring due diligence has been carried out on all investments and is in accordance with the risk appetite of the authority.
- *ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing*

- *ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources*
- *ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities*
- *provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees*
- *ensuring that members are adequately informed and understand the risk exposures taken on by an authority*
- *ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above*
- *creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following (TM Code p54): -*

Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;

Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.