

Audit Agenda



Tuesday 29 March 2022 at 7.30 pm

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 - 9)

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

4. PUBLIC PARTICIPATION

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

5. EXTERNAL AUDIT AUDITOR'S ANNUAL REPORT 2020-21 (Pages 10 - 32)

- Auditor's Annual Report 2020-21

6. EXTERNAL AUDIT ANNUAL AUDIT PLAN 2021-22 (Pages 33 - 54)

- Annual Audit Plan 2021-22

7. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT (Pages 55 - 111)

- SICA report
- Housing Rents report
- Key Financial Controls – Debtors and Arrears report
- Waste Management report

8. ANNUAL INTERNAL AUDIT PROGRAMME 2022-23 (Pages 112 - 123)

- Annual Internal Audit Programme 2022-23

9. STRATEGIC RISK REGISTER UPDATE QUARTER 3 2021-22

- SRR Q3 2021-22 report
- Appendix A- Strategic Risk Register Q3 2021-22

10. WORK PROGRAMME

To consider items to be brought to future Audit Committee meetings.

Standing Items

Apologies for Absence
Declarations on Interest
Minutes and Actions
Public Participation
External Audit
Internal Audit
Work Programme

Agenda Item 3

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON: 09 February 2022

ATTENDING

Councillors:

| | |
|-------------------------------|----------------------|
| Councillor Chapman (Chairman) | Councillor Elliot |
| Councillor Silwal | Councillor Townsend |
| Councillor SO.Mahmood | Councillor Symington |
| Councillor Birnie | |

Outside Representatives:

DBC Officers:

James Deane Corporate Director (Finance & Operations)
Nigel Howcutt Assistant Director (Finance & Resources)
Fiona Jump Group Manager (Financial Services) (FINANCIAL SERVICES)
John Worts Information Security Team Leader (Legal Governance Management)
M Sells, Member Support Officer

TIAA

Philip Lazenby

The Meeting commenced at. 19:30

| No. | AGENDA ITEM |
|-----|---|
| 1 | <p>APOLOGIES FOR ABSENCE</p> <p>There were no apologies received</p> |
| 2 | <p>MINUTES OF THE PREVIOUS MEETING</p> <p>The Minutes of the previous meeting were review and agreed with the following comments noted.</p> <p>NHowcutt advised that comments made by the Committee on the strategic risk register were fed back to Cabinet.</p> <p>NHowcutt confirmed that he did circulate the notes regarding Grant Thornton but that</p> |

| | |
|---|---|
| | <p>these would be recirculated to ensure this is received by all members.</p> <p>Cllr Townsend stated that he would like reassurance that the feedback to Cabinet reflected his comments.</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 Service Reports</p> <p>PLazenby presented the update, first looking at the procurement review, which looked at the processes and governance in place and considered the operational controls and availability of systems. 2 important and 2 routine recommendations were raised, all of which were accepted by management and a detailed response was provided on controls. The audit identified that procurement rules are being potentially circumvented though controls were identified as generally strong. It was noted that there is no formal oversight in place by way of reporting incidents to committees or Cabinet.</p> <p>Cllr Birnie noted that there is no mention of planning enforcement, which requires full attention given the issues raised by residents to councillors and that there is an estimated backlog of 3 years. Cllr Birnie also noted that the report incorrectly states that more information on ICT is in Appendix B and that this information is under Appendix C. Cllr Birnie commented that he found there was a lack of communication from ICT compared to the detailed management responses from Waste Management. NHowcutt noted the recommendation on page 16 of the report regarding the replacement of servers and advised that all servers have now been replaced and went through the public sector accreditation process. Whilst this action was delayed, it has now been completed and audited.</p> <p>PLazenby next looked to FOI, explaining that the review looked at if arrangements to ensure there is a consistent and coordinated approach was in place. 1 important and 2 operational recommendations were raised. PLazenby advised that the key issue was regarding HR being unable to get start dates from the system which meant that information on training could not be substantiated and this remains an open item.</p> <p>Cllr Silwal referred to page 24 of the report and asked for further clarification on purchase orders. NHowcutt advised that the council policy is that if there is no purchase order then there is no payment process, and that any orders should have a purchase order to allow anyone to confirm it has been received. This process is more efficient and it was found that some people off-site were putting through purchase orders after ordering. The audit process allowed the council to improve processes.</p> <p>PLazenby next looked to budgetary controls and confirmed there were 2 routine</p> |

| | |
|---|---|
| | <p>recommendations made regarding having appropriate policies and procedures in place, which are to be completed by the end of June.</p> <p>On NNDR, PLazenby confirmed that sample testing and review of documentary information confirmed that robust controls are in place and operating as intended with no recommendations made or findings of concern.</p> <p>On council tax, PLazenby confirmed that sample testing of discounts, arrears and write offs and a review of documentary information confirmed that robust controls are in place and operating as intended with no recommendations made or findings of concern.</p> <p>On housing benefit, PLazenby noted that review and testing of overpayments identified 1 significant overpayment that had been approved and written off but no significant recommendations were raised.</p> <p>Looking to waste management, PLazenby advised that the operational lead wasn't present and therefore the report would be resubmitted at the next meeting to be discussed in detail.</p> <p>Cllr Birnie queried how much the overpayment of housing benefits was. The response to this was inaudible.</p> <p>With regards to waste management, it was confirmed that neither Richard or Craig Thorpe were available to attend the meeting. Cllr Birnie commented that he felt the responses and mitigations offered to the queries raised were adequate. The response to this was inaudible.</p> <p>Cllr Symington noted that 283 members of staff have completed training and asked what percentage of staff have not completed it. PLazenby advised that he did not have this information but that this still remains incomplete from their perspective. Cllr Symington asked a follow-up question regarding not being able to get relevant HR system from the data and asked if this was an audit issue. NHowcutt confirmed that this is an audit issue and that they will present an implementation timetable at the next meeting setting out how they will retrieve this data, either through a direct system report or a manual operation.</p> <p>Cllr Townsend queried if the issue was being unable to get people's start dates. NHowcutt advised that the issue is that there are 2 systems and getting the information to match across the 2. This dual system is slowly moving to becoming 1, which will make audits easier going forward. PLazenby added that the problem would become less acute as training is cycled over a 3-year period</p> |
| 6 | <p>Internal Audit Performance Report SICA</p> <p>PLazenby presented the SICA report, noting that overall there were 4 substantial, 2 reasonable and 1 limited recommendations, none of which are likely to impact the annual audit. Progress against the plan was noted and 1 audit has been deferred to Q1. PLazenby advised that he didn't foresee any issues with the plan being completed but suggested that the focus be on delivering the plan against the presented schedule. It was noted that an additional audit on governance and risk management is underway and will</p> |

| | |
|---|---|
| | <p>look at how risks are approached.</p> <p>JWorts formally requested an extension to the end of July for the outstanding action on GDPR, noting that this is a particularly large piece of work and that they hope to soon present to SLT on using the information questionnaires and being self-serve.</p> <p>NHowcutt confirmed that they would present the internal audit programme for 2022/23 at the next meeting and requested that members submit any questions ahead of the meeting to allow for an informed debate.</p> <p>Cllr Symington noted that the audit on corporate health and safety is being deferred to Q1 and asked what the committee can do if management ask to defer more. PLazenby explained that the redesignated timeframe was agreed with the Section 151 officer and it was felt that the impact of deferring the audit was low due to it being deferred too early in the following year. It was noted that this year has been particularly challenging due to Covid and PLazenby commented that he felt the organisation had responded admirably to the large number of audits. A pushback of a critical audit would need to be discussed in detail by the committee and any pushback can be queried with the Section 151 officer. NHowcutt added that in his role he has to be comfortable that the internal audit programme offers assurance that operations are open, fair and transparent, and that he would take ownership of the deferral.</p> <p>Cllr Birnie noted that management responses are awaited on housing rents and asked what kind of responses they are expecting. NHowcutt explained that management have the right to respond to the draft report to provide information, feedback or recommendations.</p> <p>Cllr Townsend queried how much resource the internal audit requires. NHowcutt advised that the audit plan normally has 225 days per year, though next year will have 250 days due to the deferral. A number of days are also set aside for ad hoc work, additional training or support. Cllr Townsend asked if this would be one person's time for the year. NHowcutt stated that they commission 250 days and Tiaa then provide experts for each audit area. PLazenby added that he will bring people in depending on the nature of the audit. NHowcutt continued that PLazenby's team will identify what documentation they need for scrutiny and then it will be Dacorum officers that collate these items.</p> |
| 7 | <p>Public Sector Audit Appointments</p> <p>NHowcutt noted that he would be requesting approval to procure their external audit services from 2023 for the next 5 years through PSAA. It was noted that around 90% public sector bodies go through PSAA due to issues in the audit sector and that only 9% of local authorities were able to produce their audited accounts on time this year due to a number of firms struggling to meet demands. NHowcutt advised that there would be a greater risk going out individually and that going through PSAA is their only viable option. Opting in won't be a long-term solution and will be until the government addresses issues within the sector on resourcing, skills and delivering accounts.</p> <p>Cllr Birnie queried why they need to commit to 5 years. Cllr Birnie then looked to the presented fees, noting that the variation of £30,500 added to the audit fee (page 102, paragraph 39) doesn't reference the original fee, and he was unsure what the difference</p> |

| | |
|---|---|
| | <p>was between 2014/15 when the audit fee was £97,600 and 2020/21 when it was £56,480 (page 104, paragraph 48). NHowcutt explained when the last PSAA opt in was set up it was on the basis of making year on year savings, and that the core audit fee has been reduced by £41k since 2014/15. NHowcutt continued that external audit companies are increasingly unable to provide the service and have started adding additional fees to local authorities, and that he felt the PSAA have driven down prices to a point where they are undeliverable and unsustainable. The 5-year procurement is to provide commitment to external audit firms to ensure they invest in training and recruitment, and the PSAA are looking to increase the number of external audit firms that bid in the sector.</p> <p>Cllr Birnie asked if they have used the PSAA previously. NHowcutt confirmed that this is the re-opt in of the scheme they used previously and there is no change in approach. It was confirmed that they have no control over the fees fixed by the PSAA, though it is a government assigned body and that the government have provided an additional £50m to assist local authorities with the increase in fees. NHowcutt added that if costs increase significantly then he believes this cost will be picked up by the government.</p> <p>NHowcutt noted that if they choose not to opt in but are unable to procure external audit services then the PSAA will allocate them an external auditor and it therefore makes sense to be part of the process from the beginning. FJump added that the main option available to them was to procure services via the PSAA.</p> <p>Cllr Chapman supported the proposal.</p> <p>Cllr Townsend asked if the PSAA is a government agency or private company. FJump confirmed that it is a government organisation and that she didn't believe it makes a profit on its services.</p> |
| 8 | <p>Draft Treasury Management Strategy 2022/23</p> <p>NHowcutt commented that he felt the Committee was the right place to bring the treasury management strategy and advised that there are currently no proposed changes. The approach is based on security, liquidity and finding a yield on return through a cautious approach to ensure the organisation is not involved in high-risk investments, though they may need to be open to other opportunities if cashflow continues to be as high as it is now. NHowcutt noted that they project cash balances to be around £158m, a 50% increase year on year, and that they may therefore need to look at additional third-party counterparties to lend those funds to.</p> <p>Cllr Birnie queried who approves the third-party organisations. FJump explained that the council engages the services of treasury management advisors who provide information on counterparties on a monthly basis though any concerns or changes are raised on a daily basis.</p> <p>Cllr Townsend requested further information on the 50% increase in cash balance. NHowcutt advised that this was slightly misstated as they look at the cash balance as of 31st December and that this year it was particularly high due to the large number of upfront government grants and the capital programme has been impacted with £20-30m less spend. There are also a number of large payments going out from January-March that will bring this figure down.</p> |

| | |
|---|--|
| | <p>Cllr Townsend queried how much they would get as a result of interest rate increases. NHowcutt explained that the majority of gains are in the short-term as most investments are done at fixed rates due to the increased risk posed by variable rates, and there will therefore be no benefit on current fixed cash investments and the main impact will be on borrowing. The focus is therefore on managing the cashflow forecast.</p> <p>Cllr Symington commented on the strategy being brought to the Committee but that point 3 in the paper states that the council nominates Cabinet for scrutiny of the strategy before it is recommended to the full council and suggested that bringing it to the Committee was just a courtesy. NHowcutt responded that he saw it as more than a courtesy and that any comments made by the Committee would be fed up to Cabinet and that he also foresees more reports coming to the Committee in the next 6-9 months as rules and oversight responsibilities change.</p> <p>Cllr Townsend queried if it was in the Committee’s terms of reference to scrutinise policies. NHowcutt stated that he saw the Audit Committee as a body to scrutinise and advise on policy, and that recommendations would go to Cabinet or portfolio holders. PLazenby added that it’s not unusual for policies to be circulated to audit committees due to its interest in insight into risks and controls, and that audit committees can advise on how policies can be amended. It was noted that treasury management can be particularly high risk and that the Committee may be particularly interested in this area. Cllr Townsend commented that it would be useful to check if it is covered under their terms of reference.</p> <p>Cllr Chapman commented that he had spoken to 2 other local authorities who have a similar procedure and that any concerns can be passed to officers and Cabinet before going to the full council.</p> |
| 9 | <p>WORK PROGRAMME</p> <p>NHowcutt confirmed the following items to add to the work programme:</p> <ul style="list-style-type: none"> • To bring the internal audit programme for 2022/23. • To bring the annual accounts letter from Grant Thornton, including the value for money review. • To bring back the waste management internal audit report with participation from the service lead. • There being no further business, Cllr Chapman formally closed the meeting. |
| | There being no further business the meeting ended at 21:38 |
| | |



Overview and Scrutiny Committee

| | |
|--|--|
| Report for: | Audit Committee |
| Title of report: | External Audit Annual Report 2020-21 |
| Date: | 29 March 2022 |
| Report on behalf of: | Cllr Graeme Elliot, Portfolio Holder Finance & Resources |
| Part: | I |
| If Part II, reason: | N/A |
| Appendices: | Appendix A – External Audit Annual Report 2020-21 |
| Background papers: | None. |
| Glossary of acronyms and any other abbreviations used in this report: | None |

Report Author / Responsible Officer

Fiona Jump, Group Manager (Financial Services)



Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

| | |
|---|--|
| Corporate Priorities | Ensuring efficient, effective and modern service delivery |
| Wards affected | All |
| Purpose of the report: | 1. To present the Annual Audit Report of the External Auditors for 2020-21. |
| Recommendation to the decision makers: | 1. To note the Annual Audit Report of the External Auditors, attached at Appendix A. |
| Period for post policy/project review: | Not applicable. |

1 Background:

A new Code of Audit Practice came into effect from 1 April 2020 for audit years 2020-21 onwards. As part of the new Code is the introduction of the Auditor's Annual Report, which includes comments on the Council's Value for Money arrangements alongside the auditor's opinion on the financial statements.

The External Auditor's Annual Report for 2020-21 is attached at Appendix A to this report. Management responses to improvement recommendations are included within the 'Improvement Recommendations' section in this report.

Paul Cuttle, Grant Thornton Engagement Lead, will attend the meeting to present the report.

2 Financial and value for money implications:

These are contained within Appendix A.

3 Risk implications:

These are contained within Appendix A.

4 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report.

There are no Human Rights Implications arising from this report.

5 Conclusions

The External Audit Annual Report for 2020-21 sets out the External Auditor's commentary on the Council's Value for Money arrangements and their opinion on the Council's financial statements for 2020-21.

Auditor's Annual Report on Dacorum Borough Council

Page 12
2020-21

December 2021



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Page 13

| Section | Page |
|--|------|
| Executive Summary | 3 |
| Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources | 4 |
| Financial sustainability | 5 |
| Governance | 8 |
| Improving economy, efficiency and effectiveness | 11 |
| COVID-19 arrangements | 13 |
| Improvement recommendations | 14 |
| Opinion on the financial statements | 16 |
| | |
| Appendices | |
| A – The responsibilities of the Council | |
| B – An explanatory note on recommendations | |
| C- Use of formal auditor's powers | |

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

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Dacorum Borough Council (the 'Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

Financial sustainability

Governance

Improving economy, efficiency and effectiveness



Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering its financial position.



Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on finances but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.



Opinion on the financial statements

We have audited the financial statements of Dacorum Borough Council for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account and notes, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council's and of the Authority as at 31 March 2021 and of the Council's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has consistently demonstrated a track record of robust budget setting and delivery. We have reported previously that the processes in place incorporates an appropriate level of challenge and scrutiny from Committees to ensure budgets are achievable operationally, there is a good level of support from finance to ensure budgets are achievable from a resourcing perspective and timely and accurate budget monitoring throughout the year to ensure budgets remain relevant with risks identified quickly. The strong processes underpinning financial management has allowed the Council to consistently identify significant financial pressures and build these into short and medium term plans.

In 2019/20 the Council recorded a surplus outturn position on both the General Fund and Housing Revenue Account (HRA) of £153k and £1.2 million respectively. Covid-19 did not particularly impact the 2019/20 financial position. Covid-19 evidently had a major impact on the Council's operations in 2020/21 and will continue to do so in 2021/22 and beyond. Before the official declaration of a pandemic in March 2020 the Council had already approved its 2020/21 budget and its Medium Term Financial Plan (MTFS) for 2021-25.

These financial projections included minimal uses of reserves to deliver balanced budgets over the life the of the MTFS (£3.2m over the four year period). Consequently, despite a need to make savings £1.7m over the MTFS the Council's financial position was looking healthy with usable reserves as at 31 March 2021 of £101.2m.

Due to Covid-19, some services were suspended while staff were diverted to Covid related work including paying out Covid related support grants across the District. The Council required

£14.4m of funding from government to make up the shortfall on expected income relating to the Collection Fund to draw down on reserves (see below) to enable it to deliver a balanced budget.

The Council updated its medium-term financial plan in October 2020 covering the years to 2024/25 to account for Covid-19. Pre-Covid-19 saving targets of £1.7m over the period were revised upwards to £9.2m. This was to mainly offset income pressures rather than cover additional costs. The revised plan identified a need to draw down on £3.2m of reserves over the period.

In February 2021 the Council approved the creation of an Economic Recovery Reserve, containing £7.5m to fund the forecast Covid-related pressures over the medium-term. It only needed to draw down £2.5m of the £3.5m allocated for 2020/21 although the Council is still wary of future Covid-19 costs when crystalised to offset this initial underspend.

Given the uncertainty of the financial regime, the Council's budgets throughout the pandemic have been drawn up on prudent assumption on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also look at long term pressures on funding streams such as Council Tax, Business Rates and the Government funding settlement.

The future financing of local government is still unclear. A planned government long term spending review has been postponed from 2020 due to the pandemic and the current settlement only covers the 2021/22. The date of the long-term review is yet to be confirmed. The lack of information on future funding is a national issue but we note the Council has a track record of robust financial planning and budget management.

Financial plans are discussed at Finance Overview and Scrutiny Committee, Cabinet and Council. The Council has a history of transparency in financial matters and financial plans are

Financial sustainability

discussed with stakeholders through an annual consultation exercise, although Covid precluded having a public meeting in 2020. Review of Council papers indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures.

Whilst Covid-19 has clearly impacted the Council and its previous financial plans however it still has sufficient reserves to be able to fund such deficits in the short and medium term. The Council also has reasonable investments and low level of debt that with repayments are not expensive to services (£4.9m for 2020/21).

How the body plans to bridge its funding gaps and identifies achievable savings

An indicative savings target is issued to services following the update of the MTFS at the start of the budget setting process. Services submit savings proposals, which are then scrutinised by senior management and Members. As part of the process, services are expected to consider service implications of their proposals, so it is ensured that cost reductions do not adversely impact quality of services. The final budget including savings plans which is then approved by Council. Progress against savings targets are monitored on a monthly basis and reported to the Senior Leadership team and Cabinet. The Council maintains a savings tracker to manage the delivery of savings. Internal Audit undertook a review of "Benefits and Savings Realisation" in 2020/21 providing "Substantial" assurance and raising no recommendation for improvement. The Council has a history of delivering on savings and on its budget.

The revised MTFS highlighted a potential savings requirement of £9.2m between 2021-25 which is a substantial increase on the £1.7m planned pre Covid-19. In the situation where no immediate savings can be identified within the base budget then the Council will have to draw down reserves to bridge that gap. As above, the Council currently holds a healthy level of reserves. However, the financial outlook is unclear and many things may change that could mean future revisions up or down on what is now planned.

Savings plans are developed in conjunction with departments. Changes identified are incremental rather than transformational so that they will not put unnecessary pressure on services in the short term.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

The Council has financial planning process which ties in with corporate objectives. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies. We note the People Strategy elapsed in 2020 and will be updated once the Council's senior manager re-organisation is complete.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity in the finance team and budget holders in the services, clearly defined responsibilities for budget management and Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary. The Finance team is well established with significant experience of managing the Council's finances. The Council appears to have a positive financial culture and an appropriate 'tone from the top'. The ongoing management of the Council's financial position over recent years is evidence of this.

Budgets are monitored on a monthly cycle and the financial position is reported to Finance Overview and Scrutiny and Cabinet quarterly so any deviations from plan are quickly identified and appropriate actions taken to rectify.

The capital programme is overseen by Cabinet and the relevant Overview and Scrutiny Committee, while individual projects are subject of a robust planning and approval process and are overseen by project boards. Capital funding is targeted at property maintenance and service improvement. Planning is currently underway to redevelop Berkhamsted Leisure Centre.

The Council is currently assessing the benefits of establishing a Development Company (DevCo) to develop residential or commercial opportunities on existing Council owned land. The objectives of such a move are twofold -maximising revenue income and contributing to the delivery of local housing. There is a budget set aside for the DevCo to undertake

Financial sustainability

feasibility work. We understand the Council is therefore currently seeking external consultant support to help develop the new Commercial Strategy with a first phase high level plan to be complete in February 2022 and a detailed plan to be in place by April/May 2022. The Council will obviously need to ensure any new commercial approach is appropriately appraised, risk assessed and signed off within the governance structure. We've not seen any examples of poor decision making to suggest this is a particular risk to the Council.

The Council had £143m of operational assets and £65m of investment property as at 31 March 2021. To date the value of these assets have held up despite uncertainties arising from the pandemic. The Council's investment property delivered a £4m on income (net after direct operating expenses) in 2020/21. Many in the sector are needing to assess whether previous strategies take into account changes in risk and the differing ways of working and providing services that could become permanent due to Covid-19 e.g. the need for office space given a potential continuation of hybrid/home working. From an operational perspective Dacorum does not have a large number of assets and its investment portfolio is diverse and has delivered returns despite the pandemic. The opportunities for disposals or risks around existing investments are therefore not likely to be changed much due to Covid-19 in a way that it has for other local government bodies.

The Council's General Fund capital programme over the MTFS is £75.8m and is not yet funded. The Council has detailed plans on how the spending will be financed and includes a borrowing need of £25m. The need for such a plan will need to be kept under review to ensure it continues to meet the objectives of the Council.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

The pandemic has created challenges to routine financial management in 2020/21, with the temporary cessation of some services to deal with Covid demands and a changing profile of demands of other services. The Council had to be flexible and agile in terms of how it managed the changes in demand and needed to have sound reporting processes to understand what this meant for financial delivery. As noted already, the financial impact and potential income gaps moved significantly during 2020/21 until there was clarity on what funding would be received from government. The Council has needed to demonstrate flexibility and an understanding of its costs and service provision to manage the position as the pandemic has developed.

In terms of capturing the risks from the pandemic and discussing these within the governance structure, the Council has identified the risk of reductions in income and other factors leading to financial unsustainability within the Strategic Risk Register. The risk was recorded with an

initial risk score of "Red" and a mitigated risk score as "Amber" indicating that whilst the risk is being managed to a degree it cannot be eliminated without further work. **CONCLUSION**

CONCLUSION

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all element of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

We note risk management has not been reviewed by Internal Audit in recent years but we understand that a review of Governance and Risk Management processes is planned in the current year.

The Council Corporate Risk Register is reported to Audit Committee and Cabinet every quarter. Council minutes show there is detailed discussions of risks, the causes of risk and the Council approaches to mitigate those risks and not just debate around risk scores.

The Corporate Risk Register is limited to the top seven Council risks. Councils do allow for Audit Committee and Cabinet to be able to adequately discuss, challenge the identification of risks and the plans to mitigate these. Councils can choose various approaches to how risk is reported within their Governance structure. Some Councils chose to present very high level risk registers with the assurance more detailed documented are used by management to risks on a day to day basis. Dacorum has chosen to provide greater detail to members which feels reasonable when the number of risks is limited to seven.

The Corporate Risk Register's format is similar to that used across the sector with a 4x4 risk scoring matrix (more common is 5x5 but either approach is reasonable). It contains key

controls/mitigations and a RAG rating for each risk. Each risk is allocated a Senior Officer and linked to Council's Year Plan (Corporate objectives). The Council has also avoided the common pitfall of having current risk scores equal to or above the gross score with scores decreasing to indicate the impact of existing mitigating actions.

Whilst the format of the Corporate Risk Register does include numerous examples of good practice there are further opportunities available to further enhance its effectiveness. For example, the Corporate Risk Register should have a target score to provide an indication of what level of risk is tolerable and show how far the existing arrangements are from achieving this. Furthermore, the Corporate Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified would need to be SMART (specific, measurable, achievable, realistic, and timely).

The Council's Risk Strategy was last updated in November 2020. The strategy is comprehensive clearly documenting the Council's agreed risk appetite, roles and responsibilities and how risks are identified, assessed, monitored and controlled.

Internal Audit services have been provided by TIAA since April 2020. Although the agreed plan had to be adjusted because of the pandemic, the Internal Audit fieldwork was completed within the year and all reports and the Head of Internal Audit Opinion provided to the Council by June 2021. Progress reports highlighting key issues and findings on reviews are reported to Audit Committee periodically. The Head of Internal Audit Opinion concludes that the Council has reasonable and effective risk management, control and governance processes in place. Internal Audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure it remains effective and adequate. Review of the Annual Internal Audit Opinion indicates a wide breath of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

Governance

Counter fraud services are provided in-house. Counter fraud operations are underpinned by a code of conduct and a whistleblowing and a separate anti- fraud and corruption policy included within the Constitution. Fraud Awareness, Anti-Money Laundering and Whistle-blowing training are Compulsory Training Requirements for all staff. There were no fraud or irregularities identified, reported or investigated by Counter Fraud Services during 2020/21.

Internal audit presented no limited assurance report in 2020/21 and 2019/20 and no Priority 1 recommendations are raised indicating the strong controls framework operated at the organisation. It is clear from Audit Committee minutes that actions have been taken to address the small number of issues identified and the findings of internal audit is given appropriate attention.

The annual work plans for internal audit are currently approved and overseen by Audit Committee. From our attendance at Audit Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

How the body approaches and carries out its annual budget setting process

The financial landscape due to Covid-19 made 2020/21 a unique year for financial planning. Whilst future funding is unclear, a pre-Covid 19 medium-term financial plan was produced based on prudent assumptions about future income streams.

We've previously concluded the Council has effective arrangements in place, using analysis and scenario planning to understand its financial position and identify saving and investment options. Despite the pandemic there is no evidence the arrangements in place have been compromised. Budgets are discussed with budget holders, senior leadership and other stakeholders prior to approval at Committee level. It is also evident from a review of the 2021/22 budget that the impact of Covid-19 on budgets was factored in revised saving plans from October 2020.

A 'Budget Review Council's' (BRG) has been established to oversee the annual budget setting process and to scrutinise the budget proposals submitted by the Budget Holders. The BRG comprises of Chief Officers, Leader of the Council and other Cabinet Members and is chaired by the section 151 Officer. There have been no fundamental changes to the budget setting process for a number of years and contained within the Financial Regulations Annex 2, is the detailed process relating to the annual budget setting exercise for both capital and revenue.

How the body ensures effective processes and systems are in place to ensure budgetary control.

Budget managers have access to finance system and can review budgets at any time. All budget holders in the council have a specific named service accountant that supports specific service areas in the Council. The budget holders meet with their service accountants on a monthly basis to feed into the monthly corporate monitoring returns. Variances are highlighted and mitigation plans are created where applicable.

The monthly corporate revenue monitoring process means SLT discuss any ongoing variances and reflect on mitigation ideas or alternative plans for financial management and the outcome is reported to scrutiny and cabinet on a quarterly basis.

The Council has a strong history of financial control. In 2020/21 both budgetary control and key financial controls were provided with "Substantial" assurance by Internal Audit and Internal Audit raised no recommendation for improvement.

Budgets are reviewed at Cabinet meetings every quarter and review of minutes indicates that variances are adequately identified and explained.

The Finance team is duly qualified, stable and experienced. A recent temporary appointment for team leader in financial and regulatory accounting has been replaced by a permanent appointment to further stabilise the team.

Budget management arrangements are robust and we have found no areas of concern during our work.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made.

Council and Cabinet are attended by the Chief Executive and relevant Directors and Assistant Directors to help provide sufficient support and explanation to the members in discharge of their function.

Governance

It is evident from our review of papers that sufficient information is provided to your members and they hold senior management to account. The Council is engaged and provides appropriate levels of scrutiny to External and Internal Audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements

Covid-19 did impact on many organisations ability to make decisions in line with existing delegations (e.g. decisions often having to be made outside of Committee cycles) however we have not identified any indication that existing arrangements were overridden at the expense of appropriate scrutiny and challenge.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure that the Council meets the necessary standards and legislative requirements.

Our work has not identified any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

Officer and Member conduct is set in codes of conduct. As referenced previously, these documents have been current for some time and consideration should be given to their review. Members interests are currently published on the Council website and there is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. The gifts and hospitality register is retained by the Monitoring Officer and is available for inspection on request. A reminder of the rules and declaration requirements is sent to all members and officers annually. We found no evidence of adverse outcomes of interests not being declared.

CONCLUSION

We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a four year Corporate Plan running from 2024-25 which sets out the strategies, priorities and services for the period. As per the plan it 'outlines our vision and priorities for the next five years as well as providing a focus for service delivery and performance'.

As a framework the Council's approach to performance reporting is similar to others in the sector. The Overview and Scrutiny Committee receives quarterly updates on progress in delivering 36 Key Performance Indicators (KPIs) across three areas:

- Finance & Resources
- Corporate & Contracted Services
- Performance, People & Innovation

As we explain on page 14, Covid-19 has impacted on both the cycle with the actual achievement of performance. This was to be expected and the Council has still continued to collate its performance data and explain clearly where Covid-19 is specifically impacting on data during the year. As performance is reported quarterly and performance RAG rated, members were clearly aware of those KPIs impacted by Covid-19.

Each quarter the three performance reports include a summary paper explaining movements and other information of interest with an Appendix including details on KPI performance. The Appendix includes information on that quarter's performance, the previous quarter, the prior year and required actions when performance is not being met. The reports are clear and concise and minutes from the meetings indicate there is detailed discussion and challenge on performance. There are always different opportunities to present the type of information in different ways – examples such as incorporating various visual content like graphs and charts

however the existing format is sufficient to meet the needs of the Committee. One potential improvement however would be consider whether the report should include information on the accuracy of each KPI. This would include how the indicator is complied e.g. from an electronic system/manual and whether it has subject to any verification, audit or any other type of validation either internal or external).

Whilst there has not been a specific Internal Audit on performance data in recent years there are various reviews completed as part of the annual plan that will consider the quality and accuracy of performance information. These reviews will occasionally result in limited assurance ratings but in general the majority of reviews end up with substantive or reasonable assurance conclusions. The annual Audit Plan also includes a key financial control audit covering areas like accounts payable and receivable.

The Council currently uses the Rocket performance management system called "CorCouncil" to provide performance data. The Council is currently replacing this with a new system called "In phase" to go live in April 2022. As part of the implementation process the Council is reviewing its performance indicators to development a new performance dashboard.

We note the Council does not have a Data Strategy or policy. Such a strategy should set out how the Council is delivering transparency in a way which is safe, accurate and secure, and which complies with the relevant transparency regulations as well as the General Data Protection Regulations and the Data Protection Act 2018. The Strategy should define how good quality data is being collected and handled to inform evidence-based decision making. Protecting and managing information is a key risk area with significant associated financial and reputation impacts.

Improving economy, efficiency and effectiveness

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council liaises regularly with other Hertfordshire Districts and has a good knowledge for what others are doing and where good practice is in place. The Council regularly takes advantage of LGA peer reviews – the most recent one taking place in 2019. There is evidence that within services there is an awareness of comparative data and this is used as part of formal decision making e.g. development of business cases. The Council is part of the wider LG futures benchmarking group and have recently commissioned work to produce some local Hertfordshire wide analysis.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

There are two partnerships with service delivery partners in leisure and housing repairs. Also, a number of strategic partnerships such as the Wider Herts Council's or local authority delivery partners such as South West Herts joint strategic plan the Hemel Garden Communities. Review of Cabinet papers indicate regular reporting on progress with all partnerships except housing repairs. The leisure contract has been subject to close scrutiny in 2020/21 as the facilities were closed during the various lockdowns and there were significant financial impacts from this.

The Council also works with other agencies to co-ordinate and improve services and value for money.

How the body ensures it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits

The Council has a Commissioning and Procurement Strategy covering the period 2019- 2024. Commissioning & Procurement falls within the Chief Executive's department at the Council, supporting services across the organisation, including the delivery of the front line and back-office services. They work under the National Procurement Strategy for Local Government in England 2018. The National Procurement Strategy also provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy.

The Council spend approximately £70 million a year on obtaining a vast range of supplies, services and works from the external market. The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. We found no evidence that appropriate procurement processes were not followed during 2020/21.

The Council is establishing a project management office who oversee all projects. Dependent on the size and the nature of the project, monitoring may be carried out by Property Board, Finance Scrutiny Committee or Cabinet. A new governance structure of delivery boards and a corporate delivery board for high-risk project has recently been established.

CONCLUSION

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Page 24

Financial sustainability

Covid-19 has had a significant impact on the services Councils have been required to provide. The Council has needed to step in to support vulnerable residents with food, prescriptions and other needs, has been required to put in place measures to make public spaces secure and also support local businesses by administering government funded grants. At the same time the Council has to transition to remote working and deal with resourcing issues when staff were either unwell with Covid-19 or required to isolate.

The impact on finances to date has ultimately been limited due to government support but as we reported earlier in this report there were periods of uncertainty when it was unclear what support would be received. In February 2021 the Council approved the creation of an Economic Recovery Reserve, containing £7.5m to fund the forecast Covid-related pressures over the medium-term. It only needed to draw down £2.5m of the £3.5m allocated for 2020/21 although the Council is still wary of future Covid-19 costs with crystalise to offset this initial underspend.

There is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has reworked future budgets but will need to wait for clarity on what support will be forthcoming in the medium term. Fortunately the Council is in a strong financial position with reasonable levels of reserves for its size but these cannot be utilised indefinitely and saving targets, service provision and commercial strategies will need to be revisited.

Governance

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

As soon as these were lawful, the Council started holding members' meetings online. This allowed for Council and key Committees to continue to meet, discuss and continue to be involved in decision

making. Many corporate support staff began to working from home as the Council was required to transition to IT-enabled home working away from the office.

The Council was required to act in response the government's 'Working safely during Coronavirus' guidance issued in May 2020. This created a significant amount of work to ensure buildings and services were subject to health and safety measures to be Covid Secure. To maintain essential services, the Council procured and supplied necessary PPE.

The Internal Audit Plan was updated to reflect the changes, new systems and processes, and to provide additional assurances over revised arrangements. The delivery of the internal audit plan was impacted but has not affected the ability to provide a Head of Internal Audit's year end opinion. The changes to the plan were set out and approved by the Audit Committee.

Improving economy, efficiency and effectiveness

During the pandemic the Council has continued to measure performance against its four year Corporate Plan 2020-24. Despite the obvious impact of Covid-19 on performance the Council only missed 6 of its 36 KPIs. Those indicators that missed were either directly because of Covid-19 e.g. not making the car park income target or indirectly e.g. failure to answer all requests in the agreed time because of resource constraints.

CONCLUSION

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

Improvement recommendations



Governance

Recommendation One

Auditor judgement

As part of our audit we reviewed the version of the Corporate Risk Register presented quarterly to the Audit Committee and Cabinet. The current format is clear showing risk score, risk owners, current controls, potential consequences of risks and sources of assurance. However the current format of the Risk Register does not include a target score nor does not identify any further actions. It is therefore difficult to determine whether the existing controls are sufficient in managing the risk identified or whether further actions are required.

Summary recommendation

The Council should consider the following additions to the format of its Risk Register:

- Include a target score to provide an indication of what level of risk is tolerable and how far the existing arrangements are from achieving this.
- The Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified should be SMART (specific, measurable, achievable, realistic, and timely).

Management comment

A review of the Strategic Risk Register and reporting processes is scheduled for 22/23 and through this process a review of targets, target scoring and mitigations will be undertaken.
Strategic Lead: Nigel Howcutt



Improving economy, efficiency and effectiveness

Recommendation Two

The Council does not currently have a formal Data Strategy in place. Its good practice to have a formally published strategy or policy which sets out the Council's approach to ensure information is fit for purpose, with appropriate balance between the characteristics of good quality data (relevance, accuracy, timeliness, accessibility, coherence and comparability). Such a policy supports an organisation in enabling it to set expectations of staff and other organisations it works with regards to the treatment of data, whether from a collection or a decision making point of view.

The Council should consider producing a Data Strategy for approval within the Governance Structure.

An outline Data Strategy will be created, detailing data collection, utilisation and storage.
Strategic Lead: Jody Nason

The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation Three

Auditor judgement

The current performance reporting to the Overview and Scrutiny Committee is fit for purpose with clear and concise cover reports and Appendices detailing individual KPI performance. Members can see quarterly performance, prior year performance and receive explanations for those KPIs not on target. However the Council should consider as part of its next review of the process on whether there are further improvements that could be made relating to the accuracy of each KPI.

Page
26

Summary
Recommendation

We recommend the Council includes information on the accuracy of each KPI. This should include how the indicator is compiled e.g. from an electronic system/manual and whether it is subject to any verification, audit or any other type of validation (either internal or external). Other organisations use a scoring mechanism or dial to show the quality of the metric (with indicators subject to audit or external scrutiny and obtained via system reports scoring higher).

Management comment

A review of KPIs will be undertaken and concluded in February 2022, to identify changes and improvements to be made in the short term. Additionally, as part of the Service Planning Process, KPIs and outcome measures will be reviewed alongside the services. As part of this review the process for collation, collection and reporting of KPI's will be assessed. Strategic Lead: Jody Nason

The range of recommendations that external auditors can make is explained in Appendix B

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements in September 2021.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council in September 2021.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

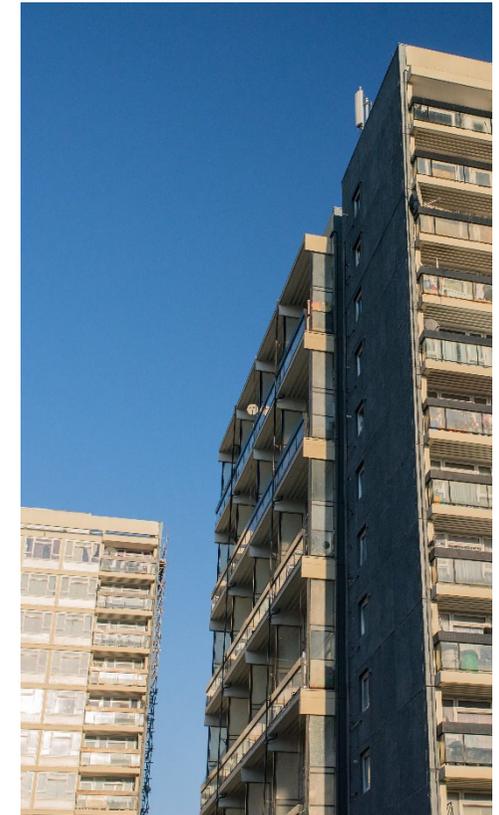
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

| Type of recommendation | Background | Raised within this report | Page reference |
|------------------------|---|---------------------------|----------------|
| Statutory | Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report. | no | n/a |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'. | No | n/a |
| Improvement | These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements. | Yes | 15-16 |

Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

| Formal power | Used by auditor in 2020/21 |
|--|----------------------------|
| <p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p> | Not required. |
| <p>Public interest report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p> | Not required. |
| <p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p> | Not required. |
| <p>Advisory notice</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. | Not required. |
| <p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p> | Not required. |



Overview and Scrutiny Committee

| | |
|--|--|
| Report for: | Audit Committee |
| Title of report: | External Audit Plan 2021-22 |
| Date: | 29 March 2022 |
| Report on behalf of: | Cllr Graeme Elliot, Portfolio Holder Finance & Resources |
| Part: | I |
| If Part II, reason: | N/A |
| Appendices: | Appendix A – External Audit Plan 2021-22 |
| Background papers: | None. |
| Glossary of acronyms and any other abbreviations used in this report: | None |

Report Author / Responsible Officer

Fiona Jump, Group Manager (Financial Services)



Fiona.jump@dacorum.gov.uk / 01442 228162 (ext. 2162)

| | |
|--|---|
| Corporate Priorities | Ensuring efficient, effective and modern service delivery |
| Wards affected | All |
| Purpose of the report: | 1. To present the External Audit Plan for 2021-22. |
| Recommendation (s) to the decision maker (s): | 1. To note the External Audit Plan for 2021-22. |
| Period for post policy/project review: | Not applicable. |

1 Background:

The External Auditor's Audit Plan for 2021-22 is attached at Appendix A to this report. The purpose of the plan is to summarise the External Auditor's approach to the 2021-22 audit process.

Paul Cuttle, Grant Thornton Engagement Lead, will attend the meeting to present the plan.

2 Financial and value for money implications:

These are contained within Appendix A.

3 Risk implications:

These are contained within Appendix A.

5 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report.

There are no Human Rights Implications arising from this report.

6 Conclusions

The External Audit Plan for 2021-22 sets out the External Auditor's approach to the 2021-22 audit process.

Dacorum Borough Council audit plan

Year ending 31 March 2022

Dacorum Borough Council
March 2022

Page 35



Contents



Your key Grant Thornton team members are:

Paul Cuttle

Engagement Lead

+44 (0)20 73835100

Paul.Cuttle@uk.gt.com

36

Ajay Jha

Audit Manager

T +44 (0)20 78652276

E Ajay.K.Jha@uk.gt.com

Section

| | |
|--|--|
| Key matters | |
| Introduction and headlines | |
| Significant risks identified | |
| Accounting estimates and related disclosures | |
| Other matters | |
| Materiality | |
| IT Audit Strategy | |
| Value for Money Arrangements | |
| Audit logistics and team | |
| Audit fees | |
| Independence and non-audit services | |
| Digital Audit | |

Page

| |
|----|
| 4 |
| 5 |
| 6 |
| 9 |
| 11 |
| 12 |
| 13 |
| 14 |
| 15 |
| 16 |
| 17 |
| 18 |

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Significant improvements from the Financial Reporting Council's (FRC) quality inspection

On 29 October, the FRC published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here: [FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

Our file review results

The FRC reviewed nine of our audits this year. It graded six files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year'. Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our results over the past three years are shown in the table below:

| Grade | Number 2018/19 | Number 2019/20 | Number 2020/21 |
|---|----------------|----------------|----------------|
| Good with limited improvements (Grade 1 or 2) | 1 | 1 | 6 |
| Improvements required (Grade 3) | 2 | 5 | 3 |
| Significant improvements required (Grade 4) | 1 | 0 | 0 |
| Total | 4 | 6 | 9 |

Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis. As auditors we have had to show compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Formalising our arrangements for the consideration of complex technical issues by Partner Panels.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

Conclusion

Local audit plays a critical role in the way public sector audits an society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds

Key matters

Factors

Council developments

The Council's financial position in 2021/22 continued to be challenging amidst the outbreak of new variants of COVID-19 which had a major impact on the Council's finances and services. The updated projection at quarter 3 presented to the February 2022 overview and scrutiny committee, cabinet and full council meeting is for a forecasted deficit of £.13m this year. The position included a drawdown of funding from the Economic Recovery Reserve (ERR) of £0.55m to cover Covid-related pressures. An additional government grant income of £0.52m has been received, including £0.25m of support relating to the administration of Covid19.

Recovery from Covid 19 pandemic

The outbreak of the COVID-19 coronavirus pandemic continued to have a significant impact on the Council's normal operations during the year. This has significant impact on budget pressures on different services that the Council renders.

The pandemic also had a knock-on effect on capital projects. On the quarter 3 capital budget monitoring presented in the February 2022 overview and scrutiny committee, cabinet and full council meeting, the projected expenditure for the full year is £37.34m, £5.77m less than the budget. The main reasons were Slippage of £1.08m on Planned Fixed Expenditure relating to the Asset Management contract. The HRA scheme on east wick row had a slippage of £1.58m. The scheme has been delayed due to challenges in finding an agreeable pre-commencement planning condition around a drainage solution with Herts County flood authority. This has led to a delay in units being delivered. There are also delays arising from contractor trading conditions. Overall there is estimated slippage of £5.10m in the HRA capital programme due to impact of covid 19.

In Q3 the council expects the Collection Fund deficit estimate of £0.96m on council tax as at 31 March 2022. The Dacorum Borough Council share of this deficit is £0.12m.

CIFA Code consultation

In February 2022, CIPFA / LASAAC took the unusual step of issuing an exceptional consultation on time limited changes to the Code of Practice on LA Accounting. Changes being consulted on are an adaptation to allow authorities to pause professional valuations for operational PPE for a period of up to two years from 2021/22 and deferring the implementation of IFRS 16 Leases for a further year to 2023/24.

The consultation is for a four-week period and closed on 3 March 2022. If the proposals are supported, formal approval processes would need to take place before any changes to the 2021/22 Code are confirmed. We will keep you updated on any developments in this regard and will revise our audit plan as we deem necessary.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in completing our Value for Money work.
- Where any actions have been agreed in respect of matters identified through previous audit work, either on the financial statements or in respect of work on arrangements to secure VFM, the planning report should include reference to consideration of progress against previously agreed recommendations.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of control, revenue and expenditure recognition – refer to page 6-7.
- We will continue to provide you with sector updates via our Audit Committee updates and will communicate separately any change in our audit approach.

Introduction and headlines

Purpose

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

Respective responsibilities

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

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently to maximise the outcomes that can be achieved.

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

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

Significant risks

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

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

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

Materiality

We have determined planning materiality to be £3m (PY £3m) for the Council, which equates to approximately 2% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.15m (PY £0.15m).

Value for Money arrangements

At the time of writing, our risk assessment regarding your arrangements to secure value for money is ongoing. We will report to the committee meeting any risk of significant weakness we identified from the results of our risk assessment.

Audit logistics

Our fee for the audit is to be confirmed. The fee published by the PSAA in March 2021 was £58,880 but does not take into account recurring annual variations arising from changes in the Code of Audit Practice, new auditing and accounting standards and regulatory requirements. We will update the Audit Committee with a proposed fee once prior year fee variations have been agreed with the PSAA. For comparison the proposed fee for 2020/21 was £86,980.

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

Significant risks identified

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

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|--|---|
| <p>The revenue cycle includes fraudulent transactions</p> | <p>Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and nature of the revenue streams at Dacorum Borough Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Dacorum Borough Council, mean that all forms of fraud are seen as unacceptable. | <p>We do not consider this a significant risk.</p> |
| <p>Risk of fraud related to expenditure recognition PAF Practice Note 10</p> | <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period.</p> <p>Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.</p> | <p>We will:</p> <ul style="list-style-type: none"> • Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period; • Inspect a sample of accruals made at year end for expenditure other than payroll but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and • Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. |

Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|--|
| Management over-ride of controls | <p>Under ISA (UK) 240 there is a non rebuttable presumed risk that the risk of management override of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions. |
| Valuation of the pension fund net liability | <p>Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£85.2m in your balance sheet as at 31.03.2021) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Hertfordshire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. |

Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|--|--|---|
| <p>Valuation of land and buildings</p> | <p>On 3 February 2022 CIPFA LASAAC launched a consultation on proposals for an update of the 2021/22 Code relating to the approach to measurement of operational property, plant and equipment. It is our understanding that the Council has responded to this consultation in favour of pausing the professional valuation for operational property, plant and equipment. Our assessment of this risk is made before any decision is taken regarding this proposal.</p> <p>You revalue your investment properties and high value land & building (over £1m) to a full valuation, along with some of the L&B under £1m as part of the 5 year valuation programme.</p> <p>The properties on the 5 year rota have a full valuation the year they come up for valuation, in all years they are considered as part of the market review.</p> <p>HRA dwellings will receive a desktop valuation this year, the beacon properties last had a physical inspection for the 2019/20 accounts</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We therefore identify the valuation of land and buildings, particularly revaluations and impairments, as a significant risk. Should changes arise to the Code following the consultation we will consider whether this impacts on our assessment of this risk.</p> | <p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuation was carried out; • Challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation; • Test revaluations made during the year to see if they had been input correctly into your asset register; and • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. |

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

Introduction

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

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

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

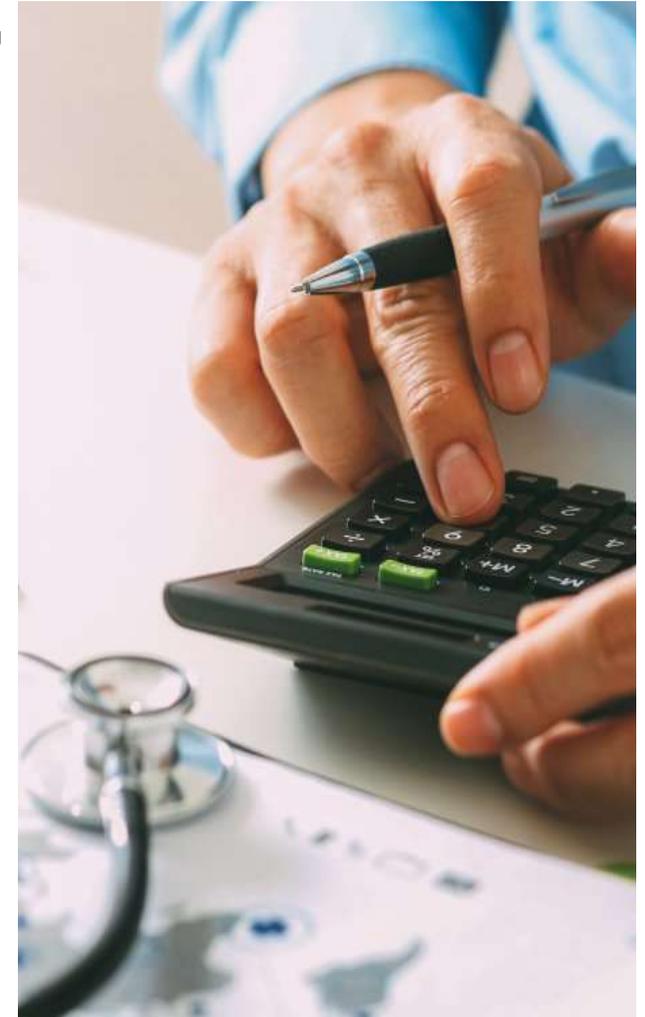
Specifically do Audit Committee members:

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

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022. Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, council dwellings and investment properties
- Depreciation
- Year end accruals
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates



Accounting estimates and related disclosures

The Council's Information systems

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

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

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

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

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

Estimation uncertainty

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

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

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

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

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

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

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

Planning enquiries

As part of our planning risk assessment procedures we have sent enquiries to management and to Audit Committee. We would appreciate a prompt response to these enquiries in due course.

Further information

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

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

Other matters

Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

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

Materiality

The concept of materiality

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

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £3m (PY £3m) for the Council, which equates to approximately 2% of your forecast gross expenditure for the year. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

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

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

Prior year gross operating costs

£153.9m Council
(PY: £150.5m)



■ Prior year gross operating costs

Materiality

£3m
Council financial statements materiality
(PY: £3m)



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

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

| IT system | Audit area | Planned level IT audit assessment |
|-----------|----------------|--|
| Unit4 | General Ledger | <ul style="list-style-type: none"> Streamlined ITGC design assessment |
| iTrent | Payroll | <ul style="list-style-type: none"> Streamlined ITGC design assessment |

We have not identified significant changes during the period affecting the IT controls of the Council and therefore no additional audit procedures will be completed.

Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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



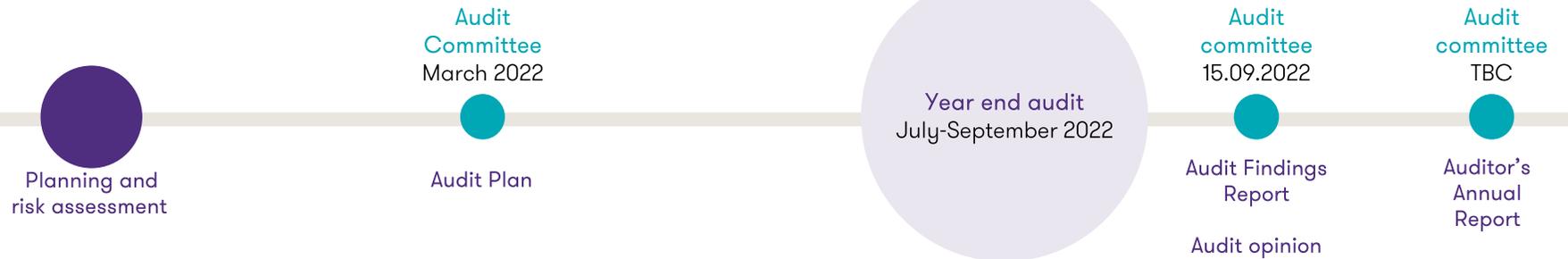
Governance

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

We have yet to conclude on our detailed Value for Money planning procedures. We will update the Audit Committee on the outcome of these planning procedures, our resulting risk assessment and our planned response to any identified risks of significant weaknesses in arrangements at a future Audit Committee meeting.



Audit logistics and team



Paul Cuttle, Engagement Lead

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



Ajay Jha, Audit Manager

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

Audited body responsibilities

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

Our requirements

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

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

Audit fees

In 2018, PSAA awarded a contract of audit for Dacorum Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £56,480. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit. Our fee for the 2021/22 audit is to be confirmed. The fee published by the PSAA in March 2021 was £58,880 but does not take into account recurring annual variations arising from changes in the Code of Audit Practice, value for money work, new auditing and accounting standards and regulatory requirements. We will update the Audit Committee with a proposed fee once prior year fee variations have been agreed with the PSAA. For comparison the proposed fee for 2020/21 was £86,980 although this amount is still to be approved by the PSAA.

For 2020/21 the Council received a grant to support additional fees relating to new accounting standards and the change to the VFM audit. The Council's share of the £15m pot identified by DLUHC for 2020/21 was £29,916 which was in excess of the additional fee of £23,000 we proposed. DLUHC reported in December 2021 that it would make similar levels of funding available for 2021/22 but the exact amount to be provided to the Council is to be confirmed.

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page 12 in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee.

| | Actual Fee 2019/20 | Proposed Fee 2020/21 | Proposed fee 2021/22 |
|---|--------------------|----------------------|----------------------|
| Scale fee published by PSAA | £56,480 | £56,480 | £58,880 |
| <i>Ongoing increases to scale fee</i> | £7,500 | £7,500 | |
| Annual increases due to regulatory changes, enhanced audit procedures, revised ISAs, Covid-19 | £9,600 | £8,000 | TBC |
| Additional work on Value for Money (VfM) under new NAO code | - | £15,000 | TBC |
| Total audit fees (excluding VAT) | £73,580 | £86,980 | TBC |

Assumptions

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

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

Relevant professional standards

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

Independence and non-audit services

Auditor independence

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

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

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

Other services

The following other services provided by Grant Thornton were identified.

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

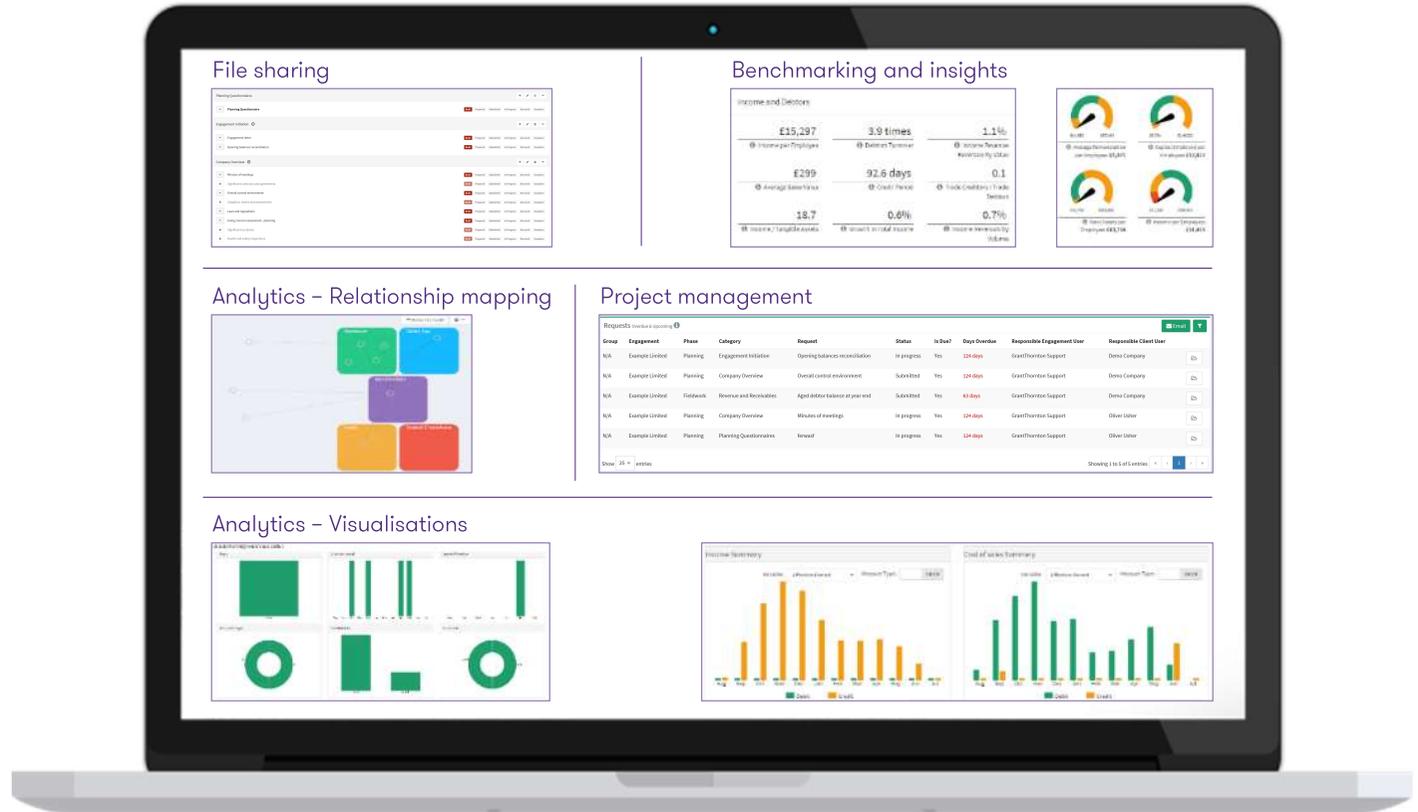
The service to be provided is not subject to contingent fees.

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

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

| Function | Benefits for you |
|--------------------|--|
| Data extraction | Providing us with your financial information is made easier |
| File sharing | An easy-to-use, ISO 27001 certified, purpose-built file sharing tool |
| Project management | Effective management and oversight of requests and responsibilities |
| Data analytics | Enhanced assurance from access to complete data populations |



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

Page 53

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



© 2022 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Dacorum Borough Council

Summary Internal Controls Assurance (SICA) Report

Page 55

2021/22

March 2022

Agenda Item 7

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 21st March 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 |
| Housing Rents | Reasonable | December 2021 | February 2022 | February 2022 | 0 | 4 | 2 | 2 |
| KFCs – Debtors & Arrears | Substantial | February 2022 | March 2022 | March 2022 | 0 | 0 | 2 | 0 |

The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. 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 B.

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 no Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous SICA. A follow up review of the recommendations noted in the table below, will take place in April 2022 and will be reported at the next Audit Committee.

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 |
| 2021/22 Freedom of Information | November 2021 | 0 | 0 | 0 | 0 | 1 | 0 |
| 2021/22 Procurement | January 2022 | 0 | 0 | 0 | 0 | 1 | 1 |
| 2021/22 Waste Management | January 2022 | 1 | 1 | 1 | 6 | 2 | 2 |

Frauds/Irregularities

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

Responsibility/Disclaimer

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

Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are available to the Audit Committee on request. Where a review has a 'Limited' or 'No' Assurance assessment the full report has been presented to the Audit Committee and therefore is not included in this Appendix.

| Review | Evaluation |
|----------------------------------|-------------|
| 2021/22 Housing Rents | Reasonable |
| 2020/21 KFCs – Debtors & Arrears | Substantial |

Housing Rents - Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

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

Page 59

KEY STRATEGIC FINDINGS

-  Review and testing of a sample of refunds, identified that Tenants are utilising their rent account as an alternative to a savings account.
-  There is a backlog in dealing with Current Tenant Arrears, due to the pandemic, which has led to not all arrears having been actively pursued.
-  Review and testing of Former Tenant Arrears, identified that arrears are not actively pursued or monitored. The debt could be deemed as legally statute barred.
-  The "unmatched suspense" account contains a balance totalling circa £9,000, with the earliest transaction dated 2010.

GOOD PRACTICE IDENTIFIED

-  There is adequate segregation of duties in place across all processes underpinning the rent management and arrears collection.
-  A pro-active approach is taken to identify abnormal transactions and adequate action taken on the identification of suspicious transactions.

SCOPE

The audit reviewed the following key areas: There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them; Recommendations from the previous audit report have been implemented; Rents due are being collected and promptly allocated to the correct rent accounts; Benefits awarded are being properly allocated to the correct rent accounts; and Case records provide a management trail and complete case history.

ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 0 | 4 | 2 | 2 |

Assurance - Key Findings and Management Action Plan (MAP)

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|---|---|----------|---|-------------------------------------|---------------------------------|
| 2 | Directed | <p>Review and testing of a sample of 10 refunds, identified that tenants were, in a number of instances, overpaying their housing rent, and in some cases were paying rent during the rent free period.</p> <p>Discussions held with the Housing Officers, indicated the possibility that a number of Tenants were effectively treating their rent account as a savings accounts.</p> | The Housing team must periodically review tenant accounts in credit; and note reasons, for such balances. Where it is identified that tenants are overpaying rent, the Housing team must take appropriate action. | 2 | <p><i>Rent recovery procedures concentrate on accounts in rent arrears and officers have not previously been expected to prioritise accounts in credit. The introduction of Income Analytics (IA) means accounts in credit are easier to monitor as below.</i></p> <p><i>Officers are required to check accounts with large credits balances using a 'filter' on Income Analytics. Lead Officers will also check these accounts to ensure large credits are being dealt with in the appropriate way.</i></p> <p><i>We recognise that some tenants prefer to have credit on their rent account in case of a change in circumstances, particularly in view of the financial impacts of utility price increases and inflation. We would not want to discourage these good behaviours but propose to review accounts with 6 weeks rent credit and above.</i></p> <p><i>Action – Lead Officers to add as a regular discussion point/check at staff supervisions.</i></p> | 31/01/22 | Lead Officers Rent and Income |

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|---|--|----------|---|-------------------------------------|--|
| 3 | Directed | <p>Review and testing of a sample of 10 Current Tenant Arrears (CTAs), identified that where the Housing Officers had made contact with the Tenants, an agreed payment plan was put in place. However, where there had been no contact with the tenant, there was no agreed action, in reducing the arrears.</p> <p>It was advised that the Housing Team have a backlog in dealing with such cases, due to resource constraints, which is currently under review.</p> | <p>Upon resolving the resource constraint issue, the Housing Team must ensure that Current Tenant Arrears are reviewed and appropriate actions agreed with the Tenant.</p> | 2 | <p><i>During testing there were at least two accounts identified where there was 'no contact' or any evidence of an agreed action in place to reduce arrears and these were identified as accounts managed by an employee where performance issues were identified and rectified.</i></p> <p><i>The Covid pandemic has affected tenant's ability to pay rent meaning officers are spending a lot more time offering intense support and this has greatly impacted their workload and ability to reach all accounts and tenants with arrears.</i></p> <p><i>Recruitment of two extra income officers will reduce the number of accounts on their 'patch' enabling officers to manage all their rent accounts whilst maintaining support needed for vulnerable tenants.</i></p> <p><i>Two Income Officer posts have been successfully recruited to.</i></p> | 30/04/22 | <p><i>Gill Swift</i> <i>Lead Officer</i> <i>Rent and</i> <i>Income</i></p> |

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|---|---|----------|---|---|---|
| 4 | Directed | <p>Review and testing of a sample of 10 Former Tenant Arrears (FTAs), identified that:</p> <ul style="list-style-type: none"> In one instance, a payment plan was put in place in October 2000, the tenant is paying £4 per month. However, there has been no review conducted post agreement, to assess whether the payments could be increased; In two instances, a payment plan was put in place, 2019 and 2020 respectively. However no payments have been made by the tenant to date. The last contact date noted on one of the tenant's account was May 2020 whereas the other tenant's account had no notes. In one instance, the tenant owes £6365.32 as well as accumulating arrears on a current property. It was noted that there were no notes on the tenant's account. | Where FTAs are not pursued, the debt may be legally deemed as 'statute barred'. It must be ensured that FTAs are actively pursued and tenant accounts must contain adequate notes to demonstrate debt has been pursued. | 2 | <p><i>Further investigation of FT accounts has shown that at times the system is failing to move accounts on to next arrears stage prompt therefore getting 'stuck' in the process. This system error is currently being resolved and in the meantime a review of all former tenant (FT) rent accounts in arrears is being conducted using an age of debt and balance based report</i></p> <p><i>Review the former tenant rent arrears recovery procedure to ensure fit for purpose. Bench marking with other organisations.</i></p> <p><i>Lead Officer to closely monitor the work carried out on FT accounts to ensure thorough notes are being made and correct procedures carried out to actively pursue arrears.</i></p> | <p>31/03/22</p> <p>30/06/22</p> <p>31/01/22</p> | Team Leader and Lead Officer |
| 5 | Directed | Review of the Financial ledger's suspense account, lists unmatched income and expenditure including housing rent payments. It was noted that it lists an unmatched balance totalling circa £9000, with the earliest transaction dating back to 2010. | Old balances be investigated for allocation or be considered for write-off. | 2 | <i>Review of suspense account to be carried out.</i> | 30/09/22 | Lead Officer/Senior Debit Control Officer |

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|---|--|----------|---|-------------------------------------|---------------------------------|
| 1 | Directed | The Council's Housing Policy review cycle requires Policies to be reviewed every 3 years. The "Rent Arrears and Write Off" Policy was last reviewed in 2017. | The 'Rent Arrears and Write Off' Policy be reviewed as per the review cycle, i.e. every three years. | 3 | <i>Policy to be reviewed Q1 2022.</i> | 31/05/22 | Team Leader |
| 6 | Directed | During the testing of CTAs, it was noted that the Housing Officers will send tenants text/e-mail reminders for missing weekly/monthly rent payments. However, this function is not utilised as often as it should be. | The Housing Team to generate a missed payments report and to send texts/e-mails to those tenants of the missed rent payment. | 3 | <p><i>Officers make excellent use of the bulk and individual text and emails function on Income Analytics (IA). Bulk information is sent at year end to remind tenants to update their UC journal and also during rent free weeks as a reminder to pay if in arrears.</i></p> <p><i>Over a period of 8 months from April to December 2021 officers sent a monthly average of 1100 texts and 450 emails via IA.</i></p> <p><i>Missed payments are monitored via an IA filter (report) - A weekly Bulk text/email to these accounts could be implemented however we would not want to move away from the ethos of contact and support for tenants, an automated message is a blanket approach regardless of tenant's circumstances and we would prefer to proceed with an element of caution.</i></p> | 30/06/22 | Lead Officers |

Operational - Effectiveness Matter (OEM) Action Plan

| Ref | Risk Area | Finding | Suggested Action | Management Comments |
|-----|-----------|---|--|---|
| 1 | Directed | Once the rent values are imported into the Housing system, rent letters are generated and a sample are checked. It was noted that there is nothing formally written to dictate the sample size to be selected for review nor the categories. | It is suggested that as a minimum, 5% for each tenure, is selected for the sample review to ensure that an adequate sample size is checked for data accuracy prior to the finalisation of the rent values. | <i>For rent letters, a sample size of 5% per tenure will be checked prior to the 22/23 issue to tenants.</i> |
| 2 | Directed | During audit testing of FTAs, CTAs and Refunds, it was noted that non-payment of rent or payment plans are not identified in a timely manner, as there are no specific reports in place which would flag such cases. | It is suggested that a report is created, which identifies accounts where rent payments and payment plans have not been received or where overpayments are constantly occurring. | <p><i>Such reports are available on Income Analytics (IA) and officers are expected to use these reports weekly to check exactly these issues.</i></p> <p><i>The increase in staff levels will afford officers more time to cover all rent accounts in arrears.</i></p> <p><i>Where payment plans are agreed officers must add voluntary arrangements to the system to ensure IA tracks the payments and picks up any missed payment and prompts a concern and moves the account to a higher risk level.</i></p> <p><i>Lead Officers will monitor this on rent accounts and discuss at 1:1's with staff.</i></p> <p><i>FTA's are now being monitored using a balance based report until a review of the FTA procedures is complete.</i></p> |

Page 64

KFCs Debtors & Arrears - 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

Assessed the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems.

For 2021/22, Accounts Receivable, Income Collection and Debt Recovery has been reviewed.

KEY STRATEGIC FINDINGS

- Sample testing and review of documentary information, identified that robust controls are in place and operating as intended. The audit noted some minor areas requiring improvement in order to enhance the control environment.
- The Debt Management Policy is reviewed by Finance however, the document review date is not updated post review.

GOOD PRACTICE IDENTIFIED

- As part of month end procedures, Aged debtors and reconciliations are compiled and reviewed.

ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 0 | 0 | 2 | 0 |

Page 65

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 | Review of the 'Debt Management Policy – Sundry Debt' (October 2017) and discussions held with the Lead Officer for Customer Accounts and Income (CA&I) and the Financial Services Team Leader, it was noted that the Policy is reviewed and updated however the document review date is not amended to reflect this. | It be ensured that the Debt Management Policy's version control table, is amended to note the latest review date. | 3 | <i>Accepted. The Debt Management Policy is reviewed on an annual basis. The date on the version control table is historically only updated when changes are made to the policy. Following the most recent review of the policy in 2022, the date of review on the document has been amended. We will do this annually following our annual review, even if no changes are made.</i> | <i>Completed</i> | <i>Team Leader, Financial Services</i> |
| 2 | Directed | Finance completes a 'Management Control and Reconciliation' monthly check list, when compiling the monthly balance sheet reconciliations. Review of the July 2021 Debtors reconciliation monthly check list, it was noted that whilst it had been signed off by the reviewing and preparing officer. However, the body of the checklist had not been completed. | It be ensured that the monthly reconciliation checklist is completed in full, prior to sign off. | 3 | <i>Accepted. It is normal practice to complete this checklist in full every month. Following this audit finding, we reviewed all other checklists for 2021/22 year to date and 2020/21. All I were fully completed.</i> | <i>Immediately (28/02/22)</i> | <i>Team Leader, Financial Services</i> |

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 completed | Draft to be issued at end of March 2022 |
| 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 | | Final issued March 2022 |
| 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 | | Final issued February 2022 |
| Empty Homes | 4 | Fieldwork in progress | |
| Planning Enforcement | 4 | | Draft issued March 2022 |
| Safeguarding & Prevention | 4 | Fieldwork in progress | |
| Governance & Risk Management | 4 | Fieldwork in progress | |

| System | Planned Quarter | Current Status | Comments |
|-----------|-----------------|----------------|-----------------|
| Follow Up | 3-4 | | Completed in Q4 |

KEY:

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



Internal Audit

FINAL

Dacorum Borough Council

Assurance Review of Housing Rents

Page 69

2021/22

February 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 audit reviewed the following key areas: There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them; Recommendations from the previous audit report have been implemented; Rents due are being collected and promptly allocated to the correct rent accounts; Benefits awarded are being properly allocated to the correct rent accounts; and Case records provide a management trail and complete case history.

KEY STRATEGIC FINDINGS

-  Review and testing of a sample of refunds, identified that Tenants are utilising their rent account as an alternative to a savings account.
-  There is a backlog in dealing with Current Tenant Arrears, due to the pandemic, which has led to not all arrears having being actively pursued.
-  Review and testing of Former Tenant Arrears, identified that arrears are not actively pursued or monitored. The debt could be deemed as legally statute barred.
-  The "unmatched suspense" account contains a balance totalling circa £9,000, with the earliest transaction dated 2010.

GOOD PRACTICE IDENTIFIED

-  There is adequate segregation of duties in place across all processes underpinning the rent management and arrears collection.
-  A pro-active approach is taken to identify abnormal transactions and adequate action taken on the identification of suspicious transactions.

ACTION POINTS

| Urgent | Important | Routine | Operational |
|--------|-----------|---------|-------------|
| 0 | 4 | 2 | 1 |

Page 70

Assurance - Key Findings and Management Action Plan (MAP)

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|---|---|----------|---|-------------------------------------|---------------------------------|
| 2 | Directed | <p>Review and testing of a sample of 10 refunds, identified that tenants were, in a number of instances, overpaying their housing rent, and in some cases were paying rent during the rent free period.</p> <p>Discussions held with the Housing Officers, indicated the possibility that a number of Tenants were effectively treating their rent account as a savings accounts.</p> | The Housing team must periodically review tenant accounts in credit; and note reasons, for such balances. Where it is identified that tenants are overpaying rent, the Housing team must take appropriate action. | 2 | <p><i>Rent recovery procedures concentrate on accounts in rent arrears and officers have not previously been expected to prioritise accounts in credit. The introduction of Income Analytics (IA) means accounts in credit are easier to monitor as below.</i></p> <p><i>Officers are required to check accounts with large credits balances using a 'filter' on Income Analytics. Lead Officers will also check these accounts to ensure large credits are being dealt with in the appropriate way.</i></p> <p><i>We recognise that some tenants prefer to have credit on their rent account in case of a change in circumstances, particularly in view of the financial impacts of utility price increases and inflation. We would not want to discourage these good behaviours but propose to review accounts with 6 weeks rent credit and above.</i></p> <p><i>Action – Lead Officers to add as a regular discussion point/check at staff supervisions.</i></p> | 31/01/22 | Lead Officers Rent and Income |

Page 71

PRIORITY GRADINGS

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

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

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

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|---|--|----------|--|-------------------------------------|--|
| 3 | Directed | <p>Review and testing of a sample of 10 Current Tenant Arrears (CTAs), identified that where the Housing Officers had made contact with the Tenants, an agreed payment plan was put in place. However, where there had been no contact with the tenant, there was no agreed action, in reducing the arrears.</p> <p>It was advised that the Housing Team have a backlog in dealing with such cases, due to resource constraints, which is currently under review.</p> | <p>Upon resolving the resource constraint issue, the Housing Team must ensure that Current Tenant Arrears are reviewed and appropriate actions agreed with the Tenant.</p> | 2 | <p><i>During testing there were at least two accounts identified where there was 'no contact' or any evidence of an agreed action in place to reduce arrears and these were identified as accounts managed by an employee where performance issues were identified and rectified.</i></p> <p><i>The Covid pandemic has affected tenant's ability to pay rent meaning officers are spending a lot more time offering intense support and this has greatly impacted their workload and ability to reach all accounts and tenants with arrears.</i></p> <p><i>Recruitment of two extra income officers will reduce the number of accounts on their 'patch' enabling officers to manage all their rent accounts whilst maintaining support needed for vulnerable tenants.</i></p> <p><i>Two Income Officer posts have been successfully recruited too.</i></p> | 30/04/22 | Gill Swift Lead Officer Rent and Income |

Page 72

PRIORITY GRADINGS

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

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

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

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|---|---|----------|---|---|---------------------------------|
| 4 | Directed | <p>Review and testing of a sample of 10 Former Tenant Arrears (FTAs), identified that:</p> <ul style="list-style-type: none"> In one instance, a payment plan was put in place in October 2000, the tenant is paying £4 per month. However, there has been no review conducted post agreement, to assess whether the payments could be increased; In two instances, a payment plan was put in place, 2019 and 2020 respectively. However no payments have been made by the tenant to date. The last contact date noted on one of the tenant's account was May 2020 whereas the other tenant's account had no notes. In one instance, the tenant owes £6365.32 as well as accumulating arrears on a current property. It was noted that there were no notes on the tenant's account. | Where FTAs are not pursued, the debt may be legally deemed as 'statute barred'. It must be ensured that FTAs are actively pursued and tenant accounts must contain adequate notes to demonstrate debt has been pursued. | 2 | <p><i>Further investigation of FT accounts has shown that at times the system is failing to move accounts on to next arrears stage prompt therefore getting 'stuck' in the process. This system error is currently being resolved and in the meantime a review of all former tenant (FT) rent accounts in arrears is being conducted using an age of debt and balance based report</i></p> <p><i>Review the former tenant rent arrears recovery procedure to ensure fit for purpose. Bench marking with other organisations.</i></p> <p><i>Lead Officer to closely monitor the work carried out on FT accounts to ensure thorough notes are being made and correct procedures carried out to actively pursue arrears.</i></p> | <p>31/03/22</p> <p>30/06/22</p> <p>31/01/22</p> | Team Leader and Lead Officer |

PRIORITY GRADINGS

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

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

| | | |
|---|----------------|--|
| 3 | ROUTINE | Control issue on which action should be taken. |
|---|----------------|--|

| Rec. | Risk Area | Finding | Recommendation | Priority | Management Comments | Implementation Timetable (dd/mm/yy) | Responsible Officer (Job Title) |
|------|-----------|--|--|----------|---|-------------------------------------|---|
| 5 | Directed | Review of the Financial ledger's suspense account, lists unmatched income and expenditure including housing rent payments. It was noted that it lists an unmatched balance totalling circa £9000, with the earliest transaction dating back to 2010. | Old balances be investigated for allocation or be considered for write-off. | 2 | Review of suspense account to be carried out. | 30/09/22 | Lead Officer/Senior Debit Control Officer |
| 1 | Directed | The Council's Housing Policy review cycle requires Policies to be reviewed every 3 years. The "Rent Arrears and Write Off" Policy was last reviewed in 2017. | The 'Rent Arrears and Write Off' Policy be reviewed as per the review cycle, i.e. every three years. | 3 | Policy to be reviewed Q1 2022. | 31/05/22 | Team Leader |

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 | During the testing of CTAs, it was noted that the Housing Officers will send tenants text/e-mail reminders for missing weekly/monthly rent payments. However, this function is not utilised as often as it should be. | The Housing Team to generate a missed payments report and to send texts/e-mails to those tenants of the missed rent payment. | 3 | <p><i>Officers make excellent use of the bulk and individual text and emails function on Income Analytics (IA). Bulk information is sent at year end to remind tenants to update their UC journal and also during rent free weeks as a reminder to pay if in arrears.</i></p> <p><i>Over a period of 8 months from April to December 2021 officers sent a monthly average of 1100 texts and 450 emails via IA.</i></p> <p><i>Missed payments are monitored via an IA filter (report) - A weekly Bulk text/email to these accounts could be implemented however we would not want to move away from the ethos of contact and support for tenants, an automated message is a blanket approach regardless of tenant's circumstances and we would prefer to proceed with an element of caution.</i></p> | 30/06/22 | Lead Officers |

Page 75

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 | Once the rent values are imported into the Housing system, rent letters are generated and a sample are checked. It was noted that there is nothing formally written to dictate the sample size to be selected for review nor the categories. | It is suggested that as a minimum, 5% for each tenure, is selected for the sample review to ensure that an adequate sample size is checked for data accuracy prior to the finalisation of the rent values. | <i>For rent letters, a sample size of 5% per tenure will be checked prior to the 22/23 issue to tenants.</i> |
| 2 | Directed | During audit testing of FTAs, CTAs and Refunds, it was noted that non-payment of rent or payment plans are not identified in a timely manner, as there are no specific reports in place which would flag such cases. | It is suggested that a report is created, which identifies accounts where rent payments and payment plans have not been received or where overpayments are constantly occurring. | <p><i>Such reports are available on Income Analytics (IA) and officers are expected to use these reports weekly to check exactly these issues.</i></p> <p><i>The increase in staff levels will afford officers more time to cover all rent accounts in arrears.</i></p> <p><i>Where payment plans are agreed officers must add voluntary arrangements to the system to ensure IA tracks the payments and picks up any missed payment and prompts a concern and moves the account to a higher risk level.</i></p> <p><i>Lead Officers will monitor this on rent accounts and discuss at 1:1's with staff.</i></p> <p><i>FTA's are now being monitored using a balance based report until a review of the FTA procedures is complete.</i></p> |

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 77

| 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 | - |
| IRM | 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. | Partially in place | 2,3, 4, 5 & 6 | 1 & 2 |

Other Findings



The Housing and Income officers are assigned properties, and are responsible for ensuring rents are paid and to pursue Current Tenant Arrears. The Housing Officers utilise the 'Income Analytics' system (IAS). The IAS is set up with default filters and generate reports, namely accounts in arrears, based on a risk profile from 0 to 5, where 5 is high risk, which is determined by the stage where the arrears process is at.

The Housing officers have some flexibility, to set their preferred parameters, in order to prioritise work load. Overall team performance is monitored by Lead Officers to ensure recovery targets are being met. The Former tenant Arrears (FTAs) Officer is responsible for the FTAs, who is aided by other members of staff who provide cover where needed.



The following monthly reconciliations are performed by the Finance team:

- Housing unit reconciliations between Orchard and Unit4; and
- Housing Benefit and rent receipts reconciliation.

Other Findings



Rents are set by tenure and approved as part of the annual budgetary control process. Annual rent values are applied to individual properties using an excel model (formula rent values). Once the model is finalised by Finance and all automated checks have been validated, the information is imported into the Orchard system (housing system) pending test runs to ensure data accuracy. Subsequent to the data import, system generated letters are sample checked.



Suspense accounts are reviewed on a weekly basis by the Rent and Income team with the aim of maintaining balances at a minimum, comprising of two accounts:

- Suspense account;
- Unmatched suspense account.



Discussions held with the Rent and Income Team Leader, it was noted that additional resources are being sought to deal with the backlog, namely to aid with faster processing and recovery of arrears. Rent accounts are regularly monitored for abnormal transactions and investigated if a suspicion for fraud arises followed by regulatory notifications.



Build-up of rent credits is primarily due to:

- Backdated Housing Benefit (HB) payments;
- Ongoing standing orders continuing alongside HB;
- Payments made during rent free periods;
- Water credits; and
- Intentional overpayments.



Audit testing was carried out as follows:

- A sample of 10 properties having had rent changes was selected from the rent review model to ensure data accuracy - no issues were noted.
- Reconciliations of property listings, housing benefit and rent receipts were reviewed - no issues were noted.
- A sample of 10 Current Tenant Arrears was selected, overall evidence of adequate correspondence and policy adherence was evident through the audit trail.
- A sample of 10 write offs was selected and no issues were identified with authorisation and audit trail.
- 10 former tenant arrears were selected and a number of issues were found (See Recommendation three).
- 10 new tenancies were selected and no issues were identified.
- Eight suspense account transactions were selected and no issues were identified however, the total unmatched balance within the unmatched suspense account amounted to approximately £9,000 with the earliest transaction dating back to 2010.



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 | - | - |

Page 79

Other Findings



Quarterly management accounts are presented to the Executive Leadership Team, which covers rent income in detail along with a KPI dashboard which includes key metrics relating to rent collection.



Total annual budget for 2021/22 for dwelling and non-dwelling rent income was set at £55,465,102 with outturn to the end of the year forecasted as £55,186,102, due to an adverse variance - increase in voids and associated costs during the year. The overall forecast outturn is a surplus for the year forecasted to be £559,000, as savings in repairs and maintenance costs may be realised.

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: | 13 th December 2021 | 11 th February 2022 |
| Final Report: | 11 th February 2022 | |

AUDIT PLANNING MEMORANDUM

Appendix B

| | | | |
|------------------------|-------------------------|--------------------|---------------------------|
| Client: | Dacorum Borough Council | | |
| Review: | Housing Rents | | |
| Type of Review: | Assurance | Audit Lead: | Auditor and Audit Manager |

| | |
|---|--|
| Outline scope (per Annual Plan): | <p>Rationale: Due to the high volume of transactions and the income involved this is a high risk area and subject to an annual audit. The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.</p> <p>Scope:</p> <p>To audit will review the following key areas:</p> <ul style="list-style-type: none"> • There are up to date documented procedures for all aspects of the rent, accessible to all staff who need them; • Recommendations from the previous audit report have been implemented; • Rents due are being collected and promptly allocated to the correct rent accounts; • Benefits awarded are being properly allocated to the correct rent accounts; and • Case records provide a management trail and complete case history. |
| Requested additions to scope: | (if required then please provide brief detail) |
| Exclusions from scope: | |

| | | | | | |
|----------------------------|------------|---------------------------|------------|--------------------------------------|--------------|
| Planned Start Date: | 01/11/2021 | Exit Meeting Date: | 11/11/2021 | Exit Meeting to be held with: | Sandra Mogan |
|----------------------------|------------|---------------------------|------------|--------------------------------------|--------------|

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? | Y (Covid-19 related) |
| Are there any particular matters/periods of time you would like the review to consider? | N |



Internal Audit

FINAL

Dacorum Borough Council

Page 82

Assurance Review of Key Financial Controls - Debtors and Arrears

2021/22

March 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

Assessed the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems.

For 2021/22, Accounts Receivable, Income Collection and Debt Recovery has been reviewed.

KEY STRATEGIC FINDINGS



Sample testing and review of documentary information, identified that robust controls are in place and operating as intended. The audit noted some minor areas requiring improvement in order to enhance the control environment.



The Debt Management Policy is reviewed by Finance however, the document review date is not updated post review.

GOOD PRACTICE IDENTIFIED



As part of month end procedures, Aged debtors and reconciliations are compiled and reviewed.

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 | Review of the 'Debt Management Policy – Sundry Debt' (October 2017) and discussions held with the Lead Officer for Customer Accounts and Income (CA&I) and the Financial Services Team Leader, it was noted that the Policy is reviewed and updated however the document review date is not amended to reflect this. | It be ensured that the Debt Management Policy's version control table, is amended to note the latest review date. | 3 | <i>Accepted. The Debt Management Policy is reviewed on an annual basis. The date on the version control table is historically only updated when changes are made to the policy. Following the most recent review of the policy in 2022, the date of review on the document has been amended. We will do this annually following our annual review, even if no changes are made.</i> | Completed | Team Leader, Financial Services |
| 2 | Directed | Finance completes a 'Management Control and Reconciliation' monthly check list, when compiling the monthly balance sheet reconciliations. Review of the July 2021 Debtors reconciliation monthly check list, it was noted that whilst it had been signed off by the reviewing and preparing officer. However, the body of the checklist had not been completed. | It be ensured that the monthly reconciliation checklist is completed in full, prior to sign off. | 3 | <i>Accepted. It is normal practice to complete this checklist in full every month. Following this audit finding, we reviewed all other checklists for 2021/22 year to date and 2020/21. All I were fully completed.</i> | Immediately (28/02/22) | Team Leader, 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 |
|---|-----------|---------|------------------|---------------------|
| 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.

Page 86
c

| 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 | 2 | - |

Other Findings



Review of the 'Debt Management Policy – Sundry Debt, dated October 2017, it was noted that whilst it contains adequate guidance/ procedures in dealing with debt, however it does not state the timeframes when pursuing debt. For example, as to when the 1st and 2nd reminder letters should be issued.

Discussions held with the Lead Officer for Customer Accounts and Income and the Financial Services Team Leader, it was stated that due to dealing with several departments/ sections, timeframes differed and hence this information was not documented in the Policy.



Debtor Invoices

Review and testing of a sample of ten invoices, identified that in all cases, the invoices had been raised in accordance with procedure, i.e. a debtor invoice request had been completed by the department/ section, and emailed to the Customer Accounts Team for processing.

Other Findings***Credit Notes***

Review and testing a sample of ten credit notes, identified that in all cases, the credit notes had been processed in a timely manner and primarily related to service charges.

***Refunds***

Review and testing of a sample of refunds, identified that in all cases, the refunds had been authorised in accordance with the Council's Scheme of Delegation.

***Aged Debtors***

Review and testing of a sample of ten aged debtor accounts over 90 days, identified that due to the Government's Memorandum on commercial debt, Councils cannot actively pursue such debt till April 2022. The debtor accounts reviewed noted some debt recovery activity however it was limited and infrequent.

***Debtor Reconciliations***

Review and testing of a sample of three monthly debtor reconciliations, May, July and November 2021, identified that in all cases the reconciliation had been reviewed and signed off. The July 2021 reconciliation noted a difference of £30,938.24, relating to a posting error in May 2021, which was corrected in July 2021.



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. | Out of Scope | - | - |
| 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 | - | - |

Page 88

Other Findings



The Debtor income forms part of the General Fund and is presented and reported to the Finance and Resources Overview and Scrutiny Committee and Cabinet, as part of the quarterly Management accounts.

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 2022 | 8 th September 2022 |
| Draft Report: | 28 th February 2022 | 11 th March 2022 |
| Final Report: | 15 th March 2022 | |

AUDIT PLANNING MEMORANDUM

Appendix B

| | | | |
|------------------------|--|--------------------|----------------------|
| Client: | Dacorum Borough Council | | |
| Review: | Key Financial Controls - Debtors and Arrears | | |
| Type of Review: | Assurance | Audit Lead: | Client Audit Manager |

| | | | |
|---|---|--|--|
| Outline scope (per Annual Plan): | Risk: SR1Rationale: This is the main financial ledger and an important system for the Council which is audited annually. Scope: To assess the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems. For 2021/22, Accounts Receivable, Income Collection and Debt Recovery will be reviewed. | | |
| 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. Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register. Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance. | 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. Financial constraint: The process operates with the agreed financial budget for the year. 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) | | |
| Exclusions from scope: | Restricted to the areas noted in the scope. | | |

Page 90

| | | | | | |
|----------------------------|------------------|---------------------------|--------------|--------------------------------------|----------------------------|
| Planned Start Date: | 6th January 2022 | Exit Meeting Date: | 9th Feb 2022 | Exit Meeting to be held with: | Customer Accounts T/Leader |
|----------------------------|------------------|---------------------------|--------------|--------------------------------------|----------------------------|

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

FINAL

Dacorum Borough Council

Assurance Review of Waste Management

Page 25

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 |

Page 08

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 |

Page 03

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) |
|------|-----------|---|--|----------|--|-------------------------------------|--|
| 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> |

Page 09

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) |
|------|-----------|--|---|----------|---|-------------------------------------|--------------------------------------|
| 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 |

Page 99

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 |
| 8 | 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 |

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>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> | 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 | 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. | On Going | Assistant Director (Neighbourhood Delivery) |

Page 98

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) |
|------|-----------|---|--|----------|---|-------------------------------------|---------------------------------|
| 11 | Directed | <p>Discussions were held with eight staff, comprising of two Supervisors, four Drivers and two Loaders, to ascertain their understanding of depot and fleet service, it was noted that:</p> <ul style="list-style-type: none"> • there is limited awareness of the Depot risk assessments and Waste Services Handbook; • only one staff member highlighted the need to complete an accident report; and • Lack of clarity over vehicle cleaning routines. A spot check carried out as part of the audit visit identified dirty vehicles. • Lack of clarity relating to duty supervisor license checks being completed on daily basis. Staff responses indicated that checks were not completed every day. | Managers to address and take appropriate action of the lack of awareness or understanding of staff, as noted opposite. | 2 | <p><i>The Waste Operations Manager is to hold a meeting with all the supervisors to ensure they are all au fait with the procedures and then ensuring in place across the service.</i></p> <p><i>Operations Manager has advised that all staff have been advised on the two locations that the risk assessment can be located.</i></p> <p><i>All drivers have been made aware of the requirement to complete an accident form.</i></p> <p><i>Drivers are paid to clean their vehicles once per week however vehicles need to be cleaned as and when required.</i></p> <p><i>Drivers licence and CPC cards are checked each morning before keys are issued to drivers.</i></p> | 30/09/22 | Operations Manager - Waste |

Page 99

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> |

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) |
|------|-----------|---|---|----------|---|-------------------------------------|---------------------------------|
| 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 |

Page 861

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 |

Page 803

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) |
|------|-----------|---|---|----------|--|--|------------------------------------|
| 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> |

Page 13

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 | <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> |

Page 895

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 10 of 10

| 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.

Page 08

| 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 | - | - |
| | 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 |

| | | |
|--|---|--|
| | <p>Outline scope (per Annual Plan):</p> <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. | |
| | <p>Detailed scope will consider:</p> <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 |
|----------------------------|------------|---------------------------|------------|--------------------------------------|---|

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 |



Overview and Scrutiny Committee

| | |
|--|--|
| Report for: | Audit Committee |
| Title of report: | Internal Audit Plan 2022-23 |
| Date: | 29 March 2022 |
| Report on behalf of: | Cllr Graeme Elliot, Portfolio Holder Finance & Resources |
| Part: | I |
| If Part II, reason: | N/A |
| Appendices: | Appendix A – Internal Audit Annual Plan 2022-23 |
| Background papers: | None. |
| Glossary of acronyms and any other abbreviations used in this report: | None |

Report Author / Responsible Officer

Nigel Howcutt , Chief Finance Officer



Nigel.howcutt@dacorum.gov.uk / 01442 228662 (ext. 2662)

| | |
|---|---|
| Corporate Priorities | Ensuring efficient, effective and modern service delivery |
| Wards affected | All |
| Purpose of the report: | 1. To present the proposed Internal Audit Plan for 2022-23. |
| Recommendation to the decision makers: | 1. To review and approve the 2022-23 Internal Audit Plan. |
| Period for post policy/project review: | Not applicable. |

1 Background:

The Internal Audit service has a rolling 3 year programme of works to provide assurance over processes and controls across the council. This programme has a mixture of internal Audit reviews that are undertaken;

- Annually,
- Biennially,
- Triennially.

The frequency of these audits is based on the risk and potential impact to the council of specific services, processes and systems being ineffective, as an example the review of core financial services is undertaken annually. Appendix A to this report outlines the 2022-23 proposed Internal Audit Programme

2 Financial and value for money implications:

There are no direct financial implications resulting from approval of the audit plan for 2022-23.

3 Risk implications:

The proposed Annual Audit Plan has been informed by a risk assessment to ensure that planned coverage for the year is focussed on key audit risks and supports a robust Head of Internal Audit opinion to be provide.

5 Equalities, Community Impact and Human Rights

A Community Impact Assessment is not required for this report.

There are no Human Rights Implications arising from this report.

6 Conclusions

The Annual Internal Audit Plan for 2022-23 sets out proposed areas of internal audit review for 2022-23.



Dacorum Borough Council

Page 14

Audit Strategy 2020/2023 and Annual Plan 2022/23

2022/23



iIn

March 2022

FINAL

OVERVIEW

Introduction

The Audit Plan for 2022/23 has been informed by a risk assessment carried out across our Local Government clients and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

Key Emerging Themes

This year will continue to be another challenging year for Local Government in terms of funding, managing additional recruitment and technological advancement. There are a number of operational issues that have also come to prominence; we have identified a number of key areas which require consideration when planning internal audit coverage.

“Multi-channel” resident engagement: Partly as a result of COVID-19 but also as process changes through improved technology, councils will need to embrace cutting edge technology. Adopting a multi-channel approach to resident engagement will enable council services to be more readily available, more accessible and more transparent.

Commercialisation: Councils are being driven towards being more self-sufficient and cost effective, with pressure to close funding gaps and rebalance budgets. Councils will already be operating in different financial and more commercial environments. The pandemic is likely to have brought significant unforeseen risks to these investments and their underlying assumptions.

Cyber Security: As more services move on-line, risks and vulnerabilities are likely to increase. Cyber security is as much about awareness and behaviours as it is about network security. Resilience needs to be regularly and stringently stress tested across the organisation to ensure it is operating effectively.

Council mergers: Reorganisation is very much back on the table with central government inviting submissions for locally-led proposals for unitary government. The merger process itself and the cost of any redundancies is likely to add to short-term financial pressures. Mergers don't just involve the transfer of assets but also liabilities and risks; there needs to be certainty that the outcome will lead to better public services and the identified efficiencies.

Financial Viability: As we emerge from the clutches of the pandemic and some degree of normality returns the supporting grant aid will end and local authorities will be faced with the reality of unbalanced medium term financial plans without including significant potential savings. Realisation of these savings could be challenging and if not achieved at the outset will fail to provide the funds needed to retail a balanced budget.

Staff Wellbeing: COVID-19 has led to mental health declines, increased work demands and feelings of loneliness due to remote working. Staff turnover is at an all-time high. Managing the wellbeing and associated risks is crucial to ensure a stable workforce.

Climate Change: Around 300 councils have declared a climate emergency. Councils are taking action to reduce their own carbon emissions and working with partners and local communities to tackle the impact of climate change on their local area.

Providing Assurance during the COVID-19 pandemic

From the outset, we successfully transitioned to new and remote ways of working without any diminution of the service and we recognise that many if not all of our clients have had to implement changes in the way that they work. We continue to consider any gaps in control or exposures that have arisen as a result of this. Whilst many measures have largely been relaxed, it is not inconceivable that further measures might be implemented to stem any increases in cases. We continue to adopt a hybrid approach with a mix of remote and on-site working and tailor this approach to client requirements and the nature of each assignment.

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2022/23 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the Local Government's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

INTERNAL AUDIT PLAN

Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2022/23, we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the Council and those within the sector and has been developed with senior management and Committee. Our approach is based on the International Standards for the Professional Practice of Internal Auditing which have been developed by the Institute of Internal Auditors (IIA) and incorporate the Public Sector Internal Audit Standards (PSIAS).

Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing the Local Government. We take in to account any emerging or heightened risks that are facing the sector, to ensure that the work of internal audit remains appropriately focused. Links to specific strategic risks are also contained in the Internal Audit Strategy.

Internal Audit Strategy and Plan

Following the risk prioritisation review, the Audit Strategy has been produced (Appendix A) and the Annual Plan (Appendix B) sets out the reviews that will be carried out, the planned times and the high-level scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Audit Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of each assignment within the Annual Plan includes: research; preparation and issue of terms of reference; site work; production and review of working papers; and reporting.

The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and Dacorum Borough Council . This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where the Local Authority agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the Chief Finance Officer and will be clearly set out in the terms of reference for the additional review(s).

Release of Report

The table below sets out the history of this plan.

| | |
|--------------------------------|-------------------------------|
| Date plan issued: | 31 st January 2022 |
| Date final plan issued: | 14 th March 2022 |

APPENDIX A: ROLLING STRATEGIC PLAN

| Review Area | BAF/Risk Ref | Type | 2020/21 | 2021/22 | 2022/23 |
|--|--------------|--------------|---------|---------|---------|
| Corporate Services and/or Council Wide Audit | | | | | |
| Business Continuity (rolled forward from 2020/21) | | Assurance | 10 | 10 | - |
| Community Safety Partnerships | | Assurance | 7 | - | |
| Human Resources – Absence Management | SR2 | Assurance | - | 10 | |
| Human Resources – Recruitment | SR2 | Assurance | - | 10 | |
| Corporate Health and Safety (<i>rolled forward from 2021/22</i>) | | Assurance | 10 | 10 | 10 |
| Planning | | Assurance | 10 | - | 10 |
| Governance and Risk Management | All | Assurance | 10 | 10 | 10 |
| Benefits/Savings Realisation | | Assurance | 10 | - | |
| Benchmarking (Topic to be agreed) | | Benchmarking | - | 10 | - |
| Communications | | Assurance | - | - | 10 |
| ICT | | | | | |
| Document Management System | | Assurance | - | - | 10 |
| ICT – Network Security (Remote Access) | SR4 | Assurance | - | 10 | - |
| GDPR/Information Governance | | Assurance | 10 | - | - |
| Cybersecurity | | Assurance | 10 | - | - |
| Financial Services and Resources Audit | | | | | |
| Key Financial Controls | SR1 | Assurance | 20 | 15 | 15 |
| Payroll | SR1 | Assurance | - | 10 | 10 |
| Budgetary Control | SR1 | Assurance | 8 | 8 | - |
| Council Tax | SR1 | Assurance | 8 | 8 | 8 |
| NNDR | SR1 | Assurance | 8 | 8 | 8 |
| Insurances (include staff owned vehicles on Council business) | | Assurance | - | - | 10 |

| Review Area | BAF/Risk Ref | Type | 2020/21 | 2021/22 | 2022/23 |
|---|--------------|------------|------------|------------|------------|
| Customer Services | | Assurance | - | 8 | - |
| Housing Benefits and Council Tax | SR1 | Assurance | 8 | 8 | 8 |
| Operational Audit – Law and Governance | | | | | |
| Procurement/Contracts | | Compliance | - | 10 | 10 |
| Freedom of Information | | Compliance | - | 8 | - |
| Operational Audit – Planning and Environment | | | | | |
| Empty Homes | SR5 | Assurance | 10 | 10 | 10 |
| Commercial Asset Management | SR1 | Assurance | 15 | - | 15 |
| Planning Enforcement | SR1 | Assurance | - | 10 | - |
| Operational Audit – Housing and Community Developments | | | | | |
| Housing Repair and Maintenance | | Assurance | - | - | 10 |
| Housing Allocations and Homelessness | | Assurance | - | - | 10 |
| Housing Rents | SR1 | Assurance | 10 | 8 | 8 |
| Safeguarding/Prevent | | Assurance | - | 10 | - |
| Waste Management | | Assurance | - | 15 | - |
| Management and Planning | | | | | |
| Follow Up | | Follow Up | 10 | 10 | 10 |
| Update Strategic Risks <i>(rolled forward from 2021/22)</i> | | | 5 | 5 | 5 |
| Audit Committee Training <i>(rolled forward from 2021/22)</i> | | | 5 | 5 | 5 |
| Adhoc <i>(Rolled forward from 2021/22)</i> | | | 25 | 5 | 5 |
| Annual Planning | | - | 4 | 4 | 4 |
| Annual Report | | - | 2 | 2 | 2 |
| Audit Management | | - | 10 | 13 | 13 |
| Total Days | | | 225 | 250 | 216 |

Page 18 of 18

APPENDIX B: ANNUAL PLAN – 2022/23

| Quarter | Review | Type | Days | High-level Scope |
|-------------------|-----------------------------------|-----------|------|--|
| 1 May 2022 | Corporate Health & Safety | Assurance | 10 | The review will ascertain and report on the systems and processes the council has in place to ensure compliance and provide assurance that these are designed and operating effectively in relation to health and safety and building safety compliance. |
| 1 May 2022 | Communications | Assurance | 10 | The review will focus on the following key areas of activity: <ul style="list-style-type: none"> • Communications arrangements following the Leadership restructure; • The strategy and policy for communications; • Roles and responsibilities as supported by details in Job Descriptions; • Awareness and training; • Monitoring, reporting and review; and • Future vision for structure and communications (vertical and horizontal). |
| 1 May 2022 | Housing Allocation & Homelessness | Assurance | 10 | The review will assess the Council's effectiveness on dealing with Housing Allocations and Homelessness. |
| 1 June 2022 | Insurances | Assurance | 10 | The review to provide assurance that the Council has effective and robust insurance procedures, to ensure that appropriate insurance cover is in place, and that processes are well defined and adhered to. |
| 2 July 2022 | Document Management Systems | Assurance | 10 | The review will assess: <ul style="list-style-type: none"> • Application Management and Governance; • System Security; • Interface Controls and Processing; • Data Input and Output; • Change Control; • System Resilience and Recovery; and • Support Arrangements. |
| 2 July 2022 | Payroll | Assurance | 10 | The review will provide assurance over the adequacy and effectiveness of current controls over Payroll. |

| Quarter | Review | Type | Days | High-level Scope |
|---------------------|-------------------------------|-----------|------|--|
| 2 August 2022 | Housing Benefit | Assurance | 8 | The review will focus on Housing Benefits Overpayments, namely identification of overpayments, monitoring, reporting, write off and adherence to policy and procedures. |
| 2 August 2022 | Commercial Management Asset | Assurance | 15 | <p>The review will consider, the following key areas:</p> <ul style="list-style-type: none"> • How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise; • The current portfolio of commercially rented properties and how these are managed/verified are accurate; • To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place; • To establish that the database of commercial properties is accurate and up to date; and • To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement |
| 2 Sept 2022 | Housing Repairs & Maintenance | Assurance | 10 | The review will assess the delivery of an effective repairs service to manage emergency, urgent and routine repairs in a timely but cost effective manner. |
| 3 Oct 2022 | Key Financial Controls | Assurance | 15 | Key financial controls will be reviewed on an annual basis covering main finance systems and processes, with a more detailed review of each finance area on a modular basis over a three-year period. For 2022/23, this will include Creditors and Payments |
| 3 Oct 2022 | Council Tax | Assurance | 8 | The review will focus on arrears management and adherence to policy and procedures. |
| 3 Oct 2022 | NNDR | Assurance | 8 | The review will focus on arrears management and adherence to policy and procedures. |
| 3 Nov 2022 | Planning | Assurance | 10 | To review s106 planning permissions and application of these funds. |
| 3 Nov 2022 | Housing Rents | Assurance | 8 | The review will focus on arrears management and adherence to policy and procedures. |

| Quarter | Review | Type | Days | High-level Scope |
|----------------------|---------------------------------|------------|------------|--|
| 4 Mid Jan 2023 | Procurement/Contract Management | Assurance | 10 | To determine whether Major Revenue and Capital Contracts entered into by the Council adhere to Policies and Procedures. |
| 4 Feb 2023 | Empty Homes | Assurance | 10 | Assess and report on the systems and processes the council has in place to ensure empty homes are kept to a minimum and compliance with procedures and provide assurance that these are designed and operating effectively. Including compliance with the Decent Homes policy. |
| 4 Feb 2023 | Governance & RM | Assurance | 10 | To review: <ul style="list-style-type: none"> • the Council's Governance arrangements (topic to be specified); and • Risk Management - arrangements for identifying and monitoring the mitigating controls with regards to the Council's business significant risk map. |
| 1 – 4 | Follow-up | Follow up | 10 | Follow-up of implementation of agreed priorities one and two actions from audit reports, ensuring the Housing Association are implementing recommendations, and providing reports to the Audit Committee. |
| 1-4 | Update Strategic Risks | | 5 | To aid the Council with their Strategic Risks |
| 1-4 | Audit Committee Training | | 5 | To provide Audit Committee Members training, on areas requested. |
| 1-4 | Adhoc | | 5 | Contingency for additional work |
| 1 | Annual Planning | Management | 4 | Assessing the Local Government's annual audit needs. |
| 4 | Annual Report | Management | 2 | Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement. |
| 1 – 4 | Audit Management | Management | 13 | This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Audit Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings). |
| Total days | | | 216 | |

APPENDIX C: INTERNAL AUDIT CHARTER

The Need for a Charter

The Audit Charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within Dacorum Borough Council (the 'Council') and defines the scope of internal audit activities. The establishment of the Audit Charter is a requirement of the Public Sector Internal Audit Standards (PSIAS) and approval of the charter is the responsibility of the Audit Committee.

The Role of Internal Audit

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the framework of governance, risk management and control. TIAA is responsible for providing assurance to Council's governing body (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of the risk management, control and governance processes.

Standards and Approach

TIAA work will be performed with due professional care, in accordance with the requirements of the PSIAS and the IIA standards which are articulated in the International Professional Practices Framework (IPPF).

Scope

All Council activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that Council management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions; however, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Audit Committee or the nominated officer (being the post responsible for the day-to-day liaison with TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of Council and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems; however, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day-to-day administrative purposes only, TIAA reports to a nominated officer within Council and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Audit Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with Council management.

Conflict of Interest

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and internal policies, the PSIAS/IIA standards and Council's requirements.

Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of Council and additional time will be required to carry out such testing. The Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

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

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

Liaison with the External Auditor

We will liaise with Council's External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

Reporting

Assignment Reports: A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and PSIAS/IIA standards.

Progress Reports: Progress reports will be prepared for each Audit Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

Follow-Up Reports: We will provide an independent assessment as to the extent that priority 1 and 2 recommendations have been implemented. Priority 3 recommendations are low-level/housekeeping in nature and it is expected that management will monitor and report on implementation as considered appropriate.

Annual Report: An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and PSIAS/IIA standards. The Annual Report will include a summary opinion of the effectiveness of Council's governance, risk management and operational control processes based on the work completed during the year.

Other Briefings: During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

Assurance Assessment Gradings

We use four levels of assurance assessments as set out below.

| | |
|------------------------------|--|
| 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. |

Data Protection

TIAA has policies, procedures and processes in place to comply with all associated regulation and legislation on information security, which is underpinned by mandatory annual awareness training for all staff. To carry out our role effectively, we need to obtain information that is reliable, relevant and sufficient to support our findings and recommendations. The collection of data, particularly sensitive personal data, is minimised and is not shared with unauthorised persons unless there is a valid and legal requirement to do so. We have clear policies on the retention of data and its appropriate, controlled disposal. TIAA has a fully robust Information Security Management System that meets all the requirements of ISO27001:2013.

Quality Assurance

TIAA recognises the importance of Internal Audit being controlled at each stage to ensure that we deliver a consistent and efficient Internal Audit service that is fully compliant with professional standards and also the conditions of contract. We operate a comprehensive internal operational quality review process to ensure that all Internal Audit work is carried out in accordance with these standards. These quarterly reviews are part of our quality management system which has ISO 9001:2015 accreditation.

Audit Committee Responsibility

It is the responsibility of the Council to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

By approving this document, the Audit Committee is also approving the Internal Audit Charter.

Disclaimer

The matters raised in this planning report, along with those raised in our audit and annual reports, are only those that came to the attention of the auditor during the course of our work 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.

Performance Standards

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

| Performance Measure | Target |
|---|--------|
| Completion of planned audits. | 100% |
| Audits completed in time allocation. | 100% |
| Draft report issued within 10 working days of exit meeting. | 100% |
| Final report issued within 10 working days of receipt of responses. | 100% |
| Compliance with TIAA's audit charter and PSIAS/IIA Standards. | 100% |