

Audit Agenda



Wednesday 26 July 2023 at 7.30 pm

Conference Room 2 - The Forum

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

Membership

Councillor Birnie
Councillor Douris
Councillor Elliot

Councillor S Hobson
Councillor Reynolds (Vice-Chair)
Councillor Stewart (Chair)

For further information, please contact Corporate and Democratic Support on 01442 228209 or email member.support@dacorum.gov.uk

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

2. DECLARATIONS OF INTEREST

To receive any declarations of interest

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

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

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

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

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

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

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

3. MINUTES AND ACTIONS (Pages 3 - 9)

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

4. PUBLIC PARTICIPATION

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

5. STRATEGIC RISK REGISTER Q4 2022-23 (Pages 10 - 32)

6. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT AND AUDIT PLAN UPDATE (Pages 33 - 66)

7. EXTERNAL AUDIT ANNUAL AUDIT PLAN 2022-23 (Pages 67 - 90)

8. AUDIT COMMITTEE GOVERNANCE UPDATE (Pages 91 - 107)

9. WORK PROGRAMME (Pages 108 - 109)

10. ANY OTHER BUSINESS (AOB)

11. AUDIT COMMITTEE TRAINING - ROLES & RESPONSIBILITIES

DACORUM BOROUGH COUNCIL

AUDIT COMMITTEE MINUTES

14 JUNE 2023

Present:

Councillors: Stewart (Chair)
Freedman
Douris
Stevens
Elliot
Birnie

Officers: F Jump Head of Financial Services
N Howcutt Chief Finance Officer
C Silva Donayre Strategic Director, Corporate & Commercial
T Angel Democratic Support Officer

Others: Philip Lazenby (TIAA)
Paul Cuttle (Grant Thornton)

The meeting began at 7.30 pm

1. APOLOGIES FOR ABSENCE

Apologies were noted from Cllrs Reynolds and S Hobson, who were replaced by Cllrs Stevens and Freedman.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES AND ACTIONS

Cllr Birnie referred to page 5, paragraph 4, noting that they were supposed to be discussing an external appointee at this meeting though this was not on the agenda. The Chair queried where the revised terms of reference as discussed in the minutes were and whether the suggestion that an independent member join the Committee had been actioned.

F Jump confirmed that the terms of reference were brought to the Committee in March and suggested that this be brought to the July meeting when they have a full complement of Audit Committee members so this can be discussed as part of a wider piece on training and responsibilities.

F Jump suggested that the proposal on independent appointees be brought to the July meeting for further discussion.

Cllr Douris asked if the individual Committee should update and approve its own terms of reference or if this has to be formally agreed at full Council. F Jump confirmed that they

would need to be formally approved by full Council though they should be agreed by the Committee first.

N Howcutt advised that at the July meeting they would look further at the Committee's roles and responsibilities, noting that the Audit Committee is accountable to Council and can make recommendations to Council.

The minutes of the previous meeting were formally approved, though it was noted that no councillors were present at the previous meeting.

4. PUBLIC PARTICIPATION

There was no public participation.

5. INTERNAL AUDIT ANNUAL REPORT 2022/23

Cllr Elliot noted the robustness of financial controls and that it is a tribute to officers involved. Cllr Elliot also noted the financial sustainability of the Council.

The Chair supported the comments made by Cllr Elliot and commended the report.

Cllr Douris referred to the suggested recommendations within the report and queried why they were just suggestions. P Lazenby advised that this refers to the SICCA, the progress report, which wasn't being presented at this meeting. P Lazenby confirmed that the suggested recommendations could be transferred to 'must'. Cllr Douris advised that 'should' would be more appropriate as this would encapsulate the suggested recommendation concept. P Lazenby confirmed that this update could be made if preferred by the Committee.

P Lazenby presented the internal annual audit report, noting that this covers audits that have taken place over the last 12 months and summarise recommendations, observations and concerns as well as attribute an overall opinion in terms of satisfaction for the internal controls presented. The observations are in respect of the areas that auditors have been asked to look at, which will be discussed in more detail at the next meeting, and the Committee should raise areas of concern in respect of key risks that the organisation faces as these are the areas that an opinion can be provided on.

P Lazenby noted a reasonable level of assurance for the controls they were asked to review, as detailed on page 1 of the report, with only one report showing limited assurance. 17 audits were provided, 16 of which had a level of assurance attributed, and when benchmarked against other organisations, DBC is comfortably in the reasonable level. On corporate health and safety receiving limited assurance, P Lazenby advised that this was a known area of business.

Cllr Elliot queried what 'discreet projects' refer to as mentioned in Annex C. P Lazenby advised that this is where there is a level of hypothecation with money set aside and can't be used for other areas.

Cllr Freedman commented on the approach to the internal audit function and suggested that the approach taken last year would be the same as previous years with a focus on the council's consistency of operations. Cllr Freedman stated that they have not exploited the

value added function that internal audit should bring with more pronounced changes or threats that are being considered, such as the number of senior staff positions that have changed in recent years. Cllr Freedman suggested that the internal audit process should come along with other strategic discussions to ensure this input is being given whilst these are being considered.

P Lazenby advised that TIAA is not a consultancy firm that has been engaged and are an audit organisation, and whilst they can provide added value, their time is primarily to support the overall level of assurance provided and changing this would need to be supported by the organisation with a clearly agreed scope.

N Howcutt explained that the Committee approves the annual audit programme before it goes to Cabinet and Council for further approval and any focuses for audits is discussed by the Committee. N Howcutt noted that additional audit risk training was provided to the Committee and officers last year and will likely be taken up again this year, and if the Committee feels there is an area that requires focus, this can be included in the plan as an ad hoc item or be scheduled for next year as part of the rolling programme. C Silva Donayre added that this is also discussed by SLT so these areas can be reviewed further. N Howcutt added that the Committee need to consider if they are receiving the level of assurance they require and that the auditors can also help provide other areas for consideration.

Cllr Freedman commented that internal and external audits reviewing performance on established goals could potentially miss the opportunity for added value and that he was comfortable that the decisions on areas to focus on is being made.

The Chair referred to the separate paper outlining the areas chosen. N Howcutt confirmed that this was signed off by the Committee in February or March and that the Committee would pick up the cycle in February 2024.

Cllr Stevens queried where business resilience and continuity sits within the assurance programmes. The Chair advised that this was audited last year and was therefore not selected for this year. F Jump confirmed that another audit on business resilience will therefore be due next year. P Lazenby added that internal audit is not the only level of assurance that should be received. N Howcutt noted that there are also 3 other overview and scrutiny committees and that the internal audit will also provide a further view. N Howcutt advised that if the Committee does not feel it is receiving the correct level of assurance then this needs to be addressed.

The Chair queried when the final internal audit report will be provided. P Lazenby explained that the report is not typically issued as a final report until received by the Committee, though they will not be receiving the 2 final outstanding reports and he would discuss this further with N Howcutt. N Howcutt advised that agenda item 6 contains 2 of the final audit reports for last year and that this would be discussed outside of the meeting. P Lazenby suggested that the level of assurance was unlikely to change from the reports that have been effectively finalised.

Cllr Douris commented that he was dispirited that the internal audit report could not be signed off and suggested that the 2 outstanding reports be approved by the Committee so

that the final internal audit report could be signed off. Cllr Birnie disagreed, noting that the Committee needs sufficient time to thoroughly scrutinise documents and that 3 days was not sufficient time to give the reports proper consideration. Cllr Birnie agreed that agenda item 6 be postponed until the July meeting.

The Chair noted the reference to 94% on page 3 of the report and asked if this means that the governance and risk management item remains in progress due to delays caused by elections. P Lazenby confirmed that the governance audit was moved forward due to the elections. The Chair noted that the report could not be signed off until this was received.

The Chair queried what NNDR stands for. N Howcutt confirmed that this refers to national non-domestic rates.

The Chair noted the reference to 216 days on page 1 of the report and 201 days in the summary report. P Lazenby advised that this comes from audit dates being moved into different years and that a full breakdown could be provided if required.

The Chair noted that the approval of the internal audit report depends on the approval of the SICA report. P Lazenby noted that the governance review is also outstanding, though a paragraph on governance has been included in the report to state this has been reviewed sufficiently throughout the year, though the 2 outstanding reports need to be signed off to support the finalisation of the report.

The Chair asked if returning to the internal audit report in July would cause any operational issues. It was confirmed it would not.

Cllr Douris referred to the limited assurance on corporate health and safety and asked if it being rolled forward from 2021-22 was due to Covid and why it only received limited assurance. P Lazenby confirmed that it was originally scheduled to take place in the previous year but an incident occurred in the Berkhamsted area that resulted in a high profile piece of work being undertaken, so the audit was deferred whilst this went through. N Howcutt advised that there are reports and paperwork that can be circulated on the incident if required.

The Chair noted that the Committee would review the 2 outstanding reports at the July meeting.

6. SUMMARY INTERNAL CONTROLS ASSURANCE (SICA) REPORT

Item deferred to the next meeting due to the late arrival of papers.

7. EXTERNAL AUDIT ANNUAL REPORT

P Cuttle presented the update, noting that external auditors provide outputs in the year on financial statements and the auditor's annual report, which covers the responsibility to provide commentary around value for money arrangements. Statutory recommendations tend to be more serious and these can be issued at any time. The report largely focuses on

any key recommendations where significant weaknesses are identified or any improvements are raised.

P Cuttle confirmed that no statutory recommendations were raised for the year and no key recommendations were identified. The document is for information and provides the Committee with assurances on messages that should be received through other forums and sources. Areas highlighted are around financial sustainability and that DBC is well placed despite the challenging environment with a good level of reserves and saving plans are lower than some other councils. The Council are urged to not be complacent regarding its financial position.

P Cuttle advised that none of the 3 recommendations were significant and that not acting upon the first 2 recommendations would not impact the Council's ability to deliver its services. On the third recommendation regarding procurement, this should be implemented to help with transformation and savings programmes that the Council is looking to deliver.

The Chair stated that it would be beneficial for the agenda to state if documents are for information or approval.

Cllr Douris commented on councils that have had financial issues and noted that these were due to a failure of the Audit Committee to challenge what has been presented by officers. Cllr Douris noted that they are receiving the validation of the work completed by officers over the years and that the action is therefore to be aware of what is said in the report. On the internal audit, Cllr Douris suggested that if a manager objected to a recommendation to the report then they would be summoned to the Committee to explain this further.

Cllr Birnie advised that the audit is historic and can't look forward to what the new administration may look to do. P Cuttle commented that there is a degree of forward-looking work in terms of financial statements.

N Howcutt explained that all internal reports come with a recommendation on what the Committee will do and this can also be included on external reports. N Howcutt noted that most reports that come to the Committee are for review, scrutiny and challenge to gain assurance. On looking ahead, N Howcutt noted that auditing is carried out on an annual basis and part of the audit is to review the medium-term financial strategy, which is the sustainable strategy for the next 3-5 years, and the auditors have assessed whether this is robust, and the governance structure in place should provide assurance that decisions are in the right governance framework.

Cllr Stevens commented that he would hope N Howcutt, as the Section 151 officer, would be able to raise if he was not comfortable signing off a report. N Howcutt confirmed that all reports that go to Cabinet have Section 151 comments included and that if he felt actions were making the Council financially unsustainable then there are other measures that he would be duty bound to put in place.

Cllr Freedman referred to comments on the external report, noting that whilst it contains positive news, it should be critiqued where necessary. Cllr Freedman noted the procurement arrangements and monitoring of contract terms, as highlighted in both the external report and

internal report recommendations. Cllr Freedman agreed that these areas should be improved.

The Chair commented that questions could be submitted ahead of the meeting to allow officers to prepare and suggested that they not page-turn the report during the meeting. N Howcutt advised that the previous committee had discussed having as many questions raised ahead of the meeting, particularly those of a more technical nature, to allow officers to prepare their answers, and he recommended that they find a balance between pre-submitted questions and organic scrutiny and challenge during the meeting. N Howcutt suggested that this would likely evolve and that the Chair could take a lead on how he would like to proceed.

The Chair referred to the recommendation as detailed in the previous minutes regarding submitting questions before meetings and that he would like to see some discipline around questions to ensure that officers can arrive prepared.

Cllr Douris advised that most overview and scrutiny committees have a coversheet to the agenda that includes a recommendation and key highlights. Cllr Douris noted that this was not included in the meeting's agenda coversheet and recommended that the coversheet be provided going forward. N Howcutt confirmed that all internal reports will use an identical template and that a coversheet can be provided for the internal and external audit reports. Cllr Douris suggested that this would be helpful, particularly given the new members of the Committee.

The Chair queried who owns the recommendations made within the external report and if any other scrutiny committees would cover these. F Jump advised that a number of recommendations relate to reports that will go to other scrutiny committees so there will be further follow-up.

Cllr Elliot noted that the external report is an unqualified report and that the Committee did not need to spend further time going into it in detail.

Cllr Douris proposed that the Committee accept the auditor's report and note the comments made within. The Committee approved the proposal.

The Chair asked if there was any other business.

F Jump commented on the next meeting, noting that the deferred items will be included in the agenda and it was recommended that there also be a focus on training, roles and responsibilities and the Committee's terms of reference. The Committee approved the recommendation.

Cllr Douris suggested that any training be flagged to Cllr Taylor, Chair of the Member Development Steering Committee. N Howcutt advised that it has already been highlighted in the member induction that training will take place as part of the Audit Committee in addition to providing other training sessions.

There being no further business, the meeting was formally closed.

Agreed actions

- To bring Committee terms of reference to July meeting for discussion. (F Jump)
- To bring proposal on independent appointees to July meeting. (F Jump)
- To update 'suggested' recommendations to 'should'. (P Lazenby)
- To discuss publishing of final internal report and receiving 2 final outstanding reports. (P Lazenby & N Howcutt)
- To ensure all reports have a coversheet. (N Howcutt)
- Update to the format of the agenda – when submitting reports, explain what is required of the committee (e.g., For Information – please acknowledge receipt and provide clarification questions only. For Review – please review and provide comments and corrections for consideration. For Acceptance – please sign off this document as acceptable or otherwise provide corrections.)
- Include a question sheet with each document asking committee members to provide written questions for consideration. Assuming documents are issued 10 working days before the meeting then questions need to be returned 3 working days before the meeting, for officers and agents to be able to prepare replies. Question Sheet to include:
 - Document title
 - Date of Meeting
 - Reviewers name
 - Table with 4 columns: Page number plus paragraph number; Question; Response; Responder name

The meeting ended at 8.44 pm.



Report for:	Audit Committee
Title of report:	Strategic Risk Register Q4 2022-23
Date:	26 th July 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	Appendix B is a part II appendix. The appendix contains information relating to the financial or business affairs of the Council. Local Government Act 1972, Schedule 12A, Part 1, paragraph 3.
Appendices:	Appendix A- Strategic Risk Register Update Q4 2022-23 Appendix B- Cyber- attack/ data breach Update Q4 2022-23 Appendix C- Risk scoring methodology
Background papers:	Audit Committee February 2023 Agenda item 7 Strategic Risk Register Update
Glossary of acronyms and any other abbreviations used in this report and appendices:	CEE- Climate and Ecological Emergency CLT- Corporate Leadership Team DLUHC- Department for Levelling Up, Housing and Communities. HRA – Housing Revenue Account. The Council’s Housing Landlord function. HTIP- Housing Transformation and Improvement Programme. A review of operational practices within the Housing service. SLT- Strategic Leadership Team. VCS- Voluntary and Community Sector. VFM- Value for Money.

Report Author / Responsible Officer

Fiona Jump, Head of Financial Services



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Corporate Priorities	Ensuring efficient, effective and modern service delivery
Wards affected	All
Purpose of the report:	1. To provide committee with an update against the risks identified in the Council's Strategic Risk Register as at Q4 2022-23.
Recommendation to the decision maker:	1. To provide comments and feedback on the report for consideration by Cabinet when they review the Q4 2022-23 update on the Strategic Risk Register.
Period for post policy/project review:	An update on the Council's Strategic Risk Register is provided to Audit Committee and Cabinet on a quarterly basis.

1 Background

Robust risk management supports the delivery of the Council's corporate plan objectives. The Council has a legal obligation to ensure that it has sound risk management arrangements in place.

A review of the significant strategic risks impacting the delivery of the Council's six key corporate plan priorities was undertaken during 2022-23. This review involved Members, the Strategic Leadership Team (SLT), and Corporate Leadership Team (CLT) and the Council's internal auditors. A revised set of strategic risks were produced as follows, to be reported on from quarter 4, 2022-23:

Risk	Risk Owner
Failure to ensure compliance with statutory and legislative requirements.	Chief Executive
Failure to work with Strategic Partners to deliver Corporate priorities	Chief Executive
The Council is subject to a successful cyber- attack and/ or data breach.	Strategic Director (People and Transformation)
We are unable to deliver effective services to residents due to an inability to retain and recruit sufficient competent and skilled resources.	Strategic Director (People and Transformation)
We do not plan in or deliver action early enough to ensure achievement of the CEE statement.	Strategic Director (People and Transformation)
Inability to manage and deliver safe and good quality affordable homes	Chief Housing Officer
Weakening of the Council's Financial Resilience.	Strategic Director (Corporate and Commercial Services) / Chief Finance Officer
Failure to Deliver Place Shaping and Regeneration ambitions.	Strategic Director (Place)

Each risk is owned by a member of the Council's Strategic Leadership Team. Each quarter, they will provide an assessment of the likelihood and impact/ consequence associated with each risk, together with narrative context. This is explained further below.

2 Strategic Risk Register Update Q4 2022-23

Q4 2022-23 is the first update provided on the Council's revised Strategic Risk Register. Future updates on the Strategic Risk Register will provide an assessment of any movement from the previous quarter's position

Appendix A provides a detailed update on the Council's strategic risks as at Q4 2022-23.

Appendix B is a part 2 appendix providing an update on the strategic risk relating to cyber- security and data breach. There is evidence that those intending to target the cyber security arrangements of an organisation typically look at documents such as organisation risk registers, where security measures are set out. For this reasons, Appendix B is a part 2 document.

3 Risk scoring and current risk status

Appendix C provides an explanation of the scoring system used by the Council to provide a numerical assessment of the status of each strategic risk.

The Council uses a 4x4 risk scoring matrix. The likelihood that a risk will occur is scored from 1 to 4 (1 being very unlikely, 4 being almost certain). Likewise, the impact/ consequence of a risk is also scored from 1 to 4, (1 being low impact, 4 being significant impact). Both scores are then multiplied together to give an overall score.

For example: likelihood (4) x impact (4) gives an overall risk score of 16.

An overall risk score of 1 indicates low likelihood/ impact of a risk; a score of 16 indicates high likelihood/ impact of a risk.

The Council provides and assessment of three different types of risk score:

- 1) Inherent risk score. This is the risk score if no controls to manage the risk impact or likelihood were in place. It is expected that the inherent score would be relatively high for all strategic risks.
- 2) Target risk score or risk appetite score. This is the risk score that this organisation is prepared to accept, to be achieved by the controls that the Council puts in place to manage the impact and likelihood of each risk.
- 3) Current risk score. This is the risk score that gives an assessment of the current position.

Appendices A and B give an update on the status of the Council's strategic risks as at Q4 2022-23, 31st March 2023.

4 Financial and value for money implications:

Proper risk management arrangements support delivery of value for money and helps secure the Council's financial resources.

5 Legal Implications

The Council is required by law to make proper risk management arrangements.

6 Risk implications:

Contained in the body of the report.

7 Equalities, Community Impact and Human Rights

None arising directly from the report.

8 Sustainability implications (including climate change, health and wellbeing, community safety)

None arising directly from the report.

9 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

None arising directly from the report.

10 Conclusion

This report provides an update on the Council's Strategic Register as at Q4 2022-23.

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Risk Register Summary Table

		31 Mar 2023			
Risk Name	Risk Owner	RM01 Risk Consequence	RM02 Risk Likelihood	Status	
		Actual	Actual	Actual	Update
Compliance with statutory and legislative requirements.	Claire Hamilton	2	2	4.00	Inherent risk likelihood 4; inherent risk consequence 4. Overall inherent risk scoring = $4 \times 4 = 16$. Target risk likelihood 1; Target risk consequence 2. Overall target risk scoring = $1 \times 2 = 2$. Housing Transformation Improvement Programme (HTIP) improvements progressed in many areas of Housing compliance. Compliance improvement work ongoing across other areas of the Council. Statutory requirement to set balanced budget and council tax levels for 2023-24 met. Statutory obligations review planned as part of the Legal Services 2023-24 service plan.
Cyber attack/data breach	Aidan Wilkie	3	2	6.00	Inherent likelihood score 4; inherent consequence score 4. Overall inherent risk score = $4 \times 4 = 16$. Target likelihood score 2; target likelihood score 2. Overall target risk score $2 \times 2 = 4$. Please see the part II appendix B to this report.
Delivery of safe and good quality homes	Darren Welsh	4	2	8.00	Inherent risk likelihood 4; inherent risk consequence 4. Overall inherent risk scoring = $4 \times 4 = 16$. Target risk likelihood 2; target risk consequence 4. Overall target risk scoring = $2 \times 4 = 8$. Baseline report for HTIP. Total Operating Model (a new operational model for the Housing service) recommendations coming in July 2023. Homes England audit on new build developments underway. Findings to be reported to Audit Committee.
Failure to achieve the CEE statement	Aidan Wilkie	2	2	4.00	Inherent risk likelihood score 4; inherent risk consequence score 4; overall inherent risk score 16. Target risk likelihood score 2; target risk consequence score 2; overall target risk score 4. The CEE strategy and action plan are currently being reviewed with the new Portfolio Holder.

Risk Name	Risk Owner	31 Mar 2023			
		RM01 Risk Consequence	RM02 Risk Likelihood	Status	
		Actual	Actual	Actual	Update
Financial Resilience.	Catherine SilvaDonayre	2	3	6.00	<p>Inherent risk likelihood is 4; inherent risk consequence is 4. Overall inherent risk score: $4 \times 4 = 16$. Target risk likelihood is 3; target risk consequence is 3. Overall target risk score; $3 \times 3 = 9$.</p> <p>During the quarter 4 period of 2022/23 the financial outturn projections for the general fund were in line with expectations and hence no changes to the financial resilience of the organisation were reported.</p> <p>The HRA financial outturn worsened in quarter 4 as reported to Cabinet in June due to inflationary cost pressures and demand relating to repairs and maintenance. The HRA is being closely monitored as the impact of wider economic cost pressures has a greater impact on the housing service than the general fund.</p>
Place Shaping & Regeneration	James Doe	3	3	9.00	<p>Inherent risk likelihood score is 3; inherent risk consequence score is 4. Overall inherent risk score is $3 \times 4 = 12$. Target risk likelihood score is 2; inherent risk consequence score is 2. Overall target risk score is $2 \times 2 = 4$.</p> <ul style="list-style-type: none"> • New Local Plan to underpin whole agenda, aiming for next consultation Q3 23/24. • UK Shared Prosperity Fund (UK SPF) Investment Plan approved by DLUHC and 3 year award of £1.763m confirmed and Cabinet decision made on allocation June 23. Officer Decision Record Sheet (ODRS) has confirmed initial projects including just under £0.5m for activating footfall in Hemel Town Centre. • Draft Hemel Place Strategy scheduled for Q3 23/24. • Hemel Town Centre Vision prepared and due to be considered by Cabinet 18 July 23. • Hemel Place Board continues to meet; move to action planning stage by Q4 23/24 once Hemel Place Strategy agreed and approved. • Corporate Place Board met on 5 July 23, first major project established on implementing the Chiltern Beechwoods Mitigation Strategy as a means to unlock stalled and future housing developments. • Berkhamsted and Tring Town Councils taking the lead on respective place strategies with support from DBC. • Review of town centre assets underway to determine effective deployment of DBC land and property to deliver and catalyse place shaping, and to realise capital funds to support delivery. • New Local Plan to underpin whole agenda. • New Dacorum Investment Framework to facilitate inward investment – likely to progress Q4 and into 24/25 once new place team in place through

		RM01 Risk Consequence	RM02 Risk Likelihood	Actual	
					Place, Communities and Enterprise restructure which is at formal consultation as of 17 July 23. <ul style="list-style-type: none"> • Infrastructure Delivery Plan being kept up to date to support Local Plan – work ongoing. • Policy on deployment of Community Infrastructure Levy Funds underway; Cabinet agreed to release of up to 20% of core funds (c£3m) at meeting on 14 Feb 23; funding bids under consideration which are now being revisited post-Council elections in May 23. • Economic Recovery Board formed and Plan being actively managed with partners; Board well established and reporting on 6 separate workstreams. • New Maylands Masterplan will progress in Q3 23/24 with appointment of consultants (now selected following procurement) to be confirmed July 23 • Engagement of Voluntary and Community Sector (VCS) to support place making. • Hemel Garden Communities placemaking event with Members taking place on 17 July 23. • VCS conference held June 23. • VCS recommissioning proposals set out. • Hemel Old Town project progressing, community event held 29 June 23. • Hemel Hempstead showcased by senior Officer team at UK Real Estate Investment and Infrastructure Forum 16-18 May 23. • Regeneration proposals to follow Strategic Asset Review, currently being procured, to involve General Fund and HRA assets with view to place making. Implementation of outcomes likely to be progressed from Q1 24/25. • Long lease at Riverside shopping centre has been reassigned; redevelopment proposals expected from Q3 onwards.
Recruitment and retention of staff	Aidan Wilkie	2	2	4.00	Inherent risk likelihood 4; inherent risk consequence 4; overall inherent risk score = $4 \times 4 = 16$ Target risk likelihood 2; target risk consequence 2; overall target risk score = $2 \times 2 = 4$ Market forces policy approved and implemented. Agency framework in place. There will be only one non- permanent member of the Corporate Leadership Team from end July 2023.

Risk Name	Risk Owner	31 Mar 2023			
		RM01 Risk Consequence	RM02 Risk Likelihood	Status	
		Actual	Actual	Actual	Update
Working with Strategic Partners	Claire Hamilton	2	2	4.00	<p>Inherent risk likelihood 4; inherent risk consequence 3. Overall inherent risk score= 4x3= 12. Target risk likelihood 2; target risk consequence 2. Overall target risk score = 2x2= 4.</p> <p>The Council continues to work closely with its strategic partners in order to deliver corporate priorities.</p> <p>Hemel Place Board continues to meet; move to action planning stage by Q4 23/24 once Hemel Town Centre vision and Hemel Place Strategy are agreed and approved.</p> <p>Hemel Garden Communities Partnership Board continues to meet and a placemaking event with Members will take place on 17 July 23.</p> <p>SW Herts Joint Strategic Partnership Board continues to meet and Regulation 18 consultation has been completed.</p> <p>Community and Voluntary conference planned for Q1 2023-24.</p> <p>Close liaison with Homes England continues.</p> <p>The Council continues to play an active role on the Herts Growth Board.</p>

Risk Name	Detail	31 Mar 2023
		Status
Compliance with statutory and legislative requirements.	Risk Owner	Claire Hamilton
	Portfolio	Leader of the Council
	Risk Description	Failure to ensure compliance with statutory and legislative requirements.
	Reference to Strategic Objectives / Priorities	<ul style="list-style-type: none"> ▪ Strategic Risk Register March 2023 ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	16 ▲
	Mitigated Score	4.00 ★
	Risk Appetite	2.00
	Comments	<p>Inherent risk likelihood 4; inherent risk consequence 4. Overall inherent risk scoring = 4x4= 16. Target risk likelihood 1; Target risk consequence 2. Overall target risk scoring = 1x2= 2. Housing Transformation Improvement Programme (HTIP) improvements progressed in many areas of Housing compliance. Compliance improvement work ongoing across other areas of the Council. Statutory requirement to set balanced budget and council tax levels for 2023-24 met. Statutory obligations review planned as part of the Legal Services 2023-24 service plan.</p>
	Controls & Assurances	<ul style="list-style-type: none"> - Legal, regulatory and financial frameworks regularly reviewed and considerations imbedded in key policies, processes and decision-making process. - Rigorous framework of Health and Safety monitoring, reporting and escalation. - Developed 3 year rolling Internal Audit programme that challenges statutory and legislative requirements. - External audit reporting annually. - Ombudsman annual assessment and reporting.
	Evidence Risk is being managed	<p>Statutory deadlines met on key deliverables (including and not limited to Council Tax setting, delivery of a balanced budget, publication of final accounts).</p> <p>Robust programme of internal and external audit assessment. Findings of these programmes supporting legal compliance on areas of Council activity.</p> <p>Housing Transformation & Improvement Programme (HTIP) instigated and progressed during 2022-23. Favourable outcomes achieved and improvement programme still progressing.</p> <p>Monthly compliance report on General Fund and Housing Revenue Account assets presented to the Council's Strategic Leadership Team (SLT).</p>

		31 Mar 2023
Detail		Status
	Consequences / Impacts	Intervention by sector regulators, including but not limited to HM Treasury, Regulator of Social Housing, and Planning Inspectorate. Intervention by central government including the Office for Local Government. Increase in complaint and escalation to Local Government Ombudsman. Increase in litigation against the Council. Imposition of fines and penalties against the Council. Reputational damage.
Page 19	Cyber attack/data breach	
	Risk Owner	Aidan Wilkie
	Portfolio	People and Transformation
	Risk Description	The Council is subject to a successful cyber attack and/ or data breach.
	Reference to Strategic Objectives / Priorities	<ul style="list-style-type: none"> ▪ Strategic Risk Register March 2023 ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	16 ▲
	Mitigated Score	6.00 ●
	Risk Appetite	4.00
	Comments	Inherent likelihood score 4; inherent consequence score 4. Overall inherent risk score= 4x4= 16. Target likelihood score 2; target likelihood score 2. Overall target risk score 2x2= 4. Please see the part II appendix B to this report.
	Controls & Assurances	Please see Part II appendix B to this report
Evidence Risk is being managed	Please see part 2 appendix B. The Council has implemented a number of measures to manage this risk. Due to evidence that those looking to carry out cyber-attacks specifically look for public facing documents outlining control measures in place, these measures are covered in the part 2 appendix to this report. The Council has a robust independently assessed technical infrastructure and security function which is constantly tested against best practice.	
Consequences / Impacts	Financial loss through inability to deliver business as usual activity. Financial and human resource cost of recovering from the event. Data breach resulting in fines/ penalties. Reputational damage and loss of trust in the Council. Regulator/ government intervention. Inability to deliver frontline services and associated impact on residents.	
Delivery of safe and good quality homes	Risk Owner	Darren Welsh
	Portfolio	Housing and Property Services
	Risk Description	Inability to manage and deliver safe and good quality affordable homes

Detail

Status

Reference to Strategic Objectives / Priorities	<ul style="list-style-type: none"> ■ Strategic Risk Register March 2023 ■ Providing good quality affordable homes 	
Inherent Score	16 ▲	
Mitigated Score	8.00 ●	
Risk Appetite	8.00	
Comments	<p>Inherent risk likelihood 4; inherent risk consequence 4. Overall inherent risk scoring = 4x4=16. Target risk likelihood 2; target risk consequence 4. Overall target risk scoring = 2x4= 8. Baseline report for HTIP. Total Operating Model (a new operational model for the Housing service) recommendations coming in July 2023. Homes England audit on new build developments underway. Findings to be reported to Audit Committee.</p>	
Controls & Assurances	<p>Housing Transformation and Improvement Programme in place to transform the housing service. Strong focus on compliance activity and regular reporting to SLT, Scrutiny and Cabinet. New management structure developed and in place for Housing Services to create capacity and deliver strong leadership. Strategic housing function created to drive affordable housing supply and enable, monitor and report on housing needs and delivery. A programme of grant support is in place to Registered Providers to support affordable housing delivery. Housing Revenue Account Business Plan refreshed to reflect all housing priorities. Housing delivery is a key part of the developing 2023 Local Plan.</p>	
Evidence Risk is being managed	<p>Housing Transformation and Improvement Programme (HTIP) - baseline report for HTIP. HTIP is a review of current operating practices within the Housing services, the purpose of which is to identify areas and actions for improvement and change. Safeguarding improvement plan identifies where more effective controls could be applied. New service structure to support service objectives. Monitoring and management of compliance in place. HRA Business Plan annually refreshed. Improved governance across Housing and also corporately. Preparatory work on new regulatory requirements to be reported to Overview and Scrutiny Committee.</p>	
Consequences / Impacts	<p>Regulatory intervention. Funding withdrawal. Loss of life/ injury to tenants/ leasehold occupant. Reputational damage. Increased homelessness. Failure to appropriately safeguard households. Failure to maintain assets.</p>	
Failure to achieve the CEE statement	Risk Owner	Aidan Wilkie
	Portfolio	Climate Change
	Risk Description	We do not plan in or deliver action early enough to ensure achievement of the CEE statement.
	Reference to Strategic Objectives / Priorities	<ul style="list-style-type: none"> ■ Strategic Risk Register March 2023 ■ Climate and ecological emergency

		31 Mar 2023	
Detail		Status	
Page 21	Inherent Score	16 ▲	
	Mitigated Score	4.00 ★	
	Risk Appetite	4.00	
	Comments	Inherent risk likelihood score 4; inherent risk consequence score 4; overall inherent risk score 16. Target risk likelihood score 2; target risk consequence score 2; overall target risk score 4. The CEE strategy and action plan are currently being reviewed with the new Portfolio Holder.	
	Controls & Assurances	<ul style="list-style-type: none"> - Climate and Ecological Strategy and action plan created and implemented. - A renewed programmatic approach including analysis of potential and impact of individual and collective intervention. This includes ownership of delivery spread throughout the Council and renewed governance. - All key strategic decision making includes an assessment of the impact on carbon footprint. 	
	Evidence Risk is being managed	Climate and Ecological Strategy and action plan created and implemented. A renewed programmatic approach including analysis of potential and impact of individual and collective intervention. This includes ownership of delivery spread throughout the Council and renewed governance. All key strategic decision making includes an assessment of the impact on carbon footprint.	
	Consequences / Impacts	Adverse impact on local biodiversity. Adverse impact on health and wellbeing of the population of the borough. Reputational damage.	
Financial Resilience.	Risk Owner	Catherine SilvaDonayre	
	Portfolio	Corporate and Commercial Services	
	Risk Description	Weakening of the Council's Financial Resilience.	
	Reference to Strategic Objectives / Priorities	<ul style="list-style-type: none"> ▪ Strategic Risk Register March 2023 ▪ Ensuring efficient, effective and modern service delivery 	
	Inherent Score	16 ▲	
	Mitigated Score	6.00 ●	
	Risk Appetite	9.00	

Comments

Inherent risk likelihood is 4; inherent risk consequence is 4. Overall inherent risk score: $4 \times 4 = 16$.
Target risk likelihood is 3; target risk consequence is 3. Overall target risk score; $3 \times 3 = 9$.

During the quarter 4 period of 2022/23 the financial outturn projections for the general fund were in line with expectations and hence no changes to the financial resilience of the organisation were reported.

The HRA financial outturn worsened in quarter 4 as reported to Cabinet in June due to inflationary cost pressures and demand relating to repairs and maintenance. The HRA is being closely monitored as the impact of wider economic cost pressures has a greater impact on the housing service than the general fund.

Controls & Assurances

- Clear financial governance processes in place and adhered to.

- Annual independent assessment of VFM and sustainability.

- Strategic decision making assesses the financial sustainability of strategies.

- Medium term financial sustainability assessed as part of the council approved MTFS and annual budget.

Delivery of a robust annual Internal Audit programme and annual approval by IA of risks and controls processes.

Development and implementation of Transformation and Commercial programmes to support financial resilience.

Evidence Risk is being managed

The Council's Medium Term Financial Strategy (MTFS) and the HRA Business Plan are controls that mitigate the likelihood of this risk crystallizing through the effective modelling of the future financial environment.

Sound financial planning maximizes the opportunity for the Council to identify funding risks in advance, and therefore grants more time for it to plan to provide its services differently in order to continue delivering its corporate priorities.

The Council's sound financial planning processes, have resulted in a residual likelihood score is 3, It is likely that the Council's financial resilience will weaken from a position of strength; given current macroeconomic factors that contribute to financial pressures, despite the sound financial control framework in place.

The residual impact score is 2, given the financial planning and reserves policy in place to reduce/finance the impact of any financial downturn. If the economic outlook was to be ongoing for significant period of time the impact score would increase as resources are diminished.

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

The 2022 MTFS outlines the continuation of the ongoing two-pronged approach to combine the Council's need to;

- 1 Continue driving the efficiencies required to ensure underlying sustainability; and,
- 2 To protect frontline service provision.

The updated 2022 MTFS can be viewed on the October 2022 Cabinet Agenda, at www.dacorum.gov.uk.

Internal Audit

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

The 'Budgetary Control' process is audited by the Council's Internal Auditors annually and in 2022, and 2023 has received the substantial assurance.

The 'Core Financial Systems and Budgetary Control' which have in recent years also achieved substantial assurance with limited recommendations for improvement.

External Audit

The 2022 "Annual Auditors Report and 'Value for Money' opinion issued by Grant Thornton in June 2023 outlined no risks of significant weakness identified in relation to Financial Sustainability, Governance and Improving economy, efficiency and effectiveness. This report was based on evaluation of the MTFS; the budget setting process; the reserves policy and use; and, the Council's financial performance reporting

The Council has a sustainable 2022 MTFS and a balanced budget set for 2023/24 following a financial performance in 2022/23 that followed expectations, and included a significant net contribution to reserves, and hence, it has meant that the Council is able to protect the delivery of its frontline services into the medium-term.

Consequences / Impacts

The Council is currently facing two fronts of significant financial uncertainty that both hamper planning and risk deliverability of the objectives within the Corporate Plan into the medium-term:

1. The ongoing uncertainty around future Government funding of local authorities.
2. The financial implications of the wider economic downturn and uncertainty.

Government Funding

The Council is currently operating on a one-year Finance Settlement from Government, the fourth in succession, following the conclusion of the 4- year settlement ending in April 2019. One-year settlements, and the planning challenges that accompany them, are expected to continue until after the next general election, expected in October 2024. At this point it is expected that a new Local Government funding allocation model will be implemented following historical work Funding Review work undertaken.

As yet there is no certainty over the level of funding that Dacorum or any other authority can expect in the future.

However, there is a strong belief across the sector that the new model will divert funding away from lower tier authorities in favour of those authorities with responsibility for the provision of Public Health, Social Care and Education. The Council must ensure that it's in a position to adapt to significant funding reductions at potentially short notice when the new model is announced.

Economic Downturn and Inflationary Pressures.

The Council faces significant expenditure pressures as a result of unusually high inflation impacting on contract values, pay awards and utilities.

The current cost of living crisis created by record inflation levels is putting an additional strain on household incomes, this is likely to impact on council income generation.

Income pressures could be brought about by a significant long-term recessionary impact on the Council's primary income generating services, e.g. commercial property, parking and garages.

The magnitude of the potential ongoing economic uncertainty and severity of the economic recovery period creates a significant financial threat to the Council's in-year and medium term budget.

Place Shaping & Regeneration

Risk Owner

James Doe

Portfolio

Place

Risk Description

Failure to Deliver Place Shaping and Regeneration ambitions

Reference to Strategic Objectives / Priorities

- Strategic Risk Register March 2023
- Building strong and vibrant communities

Inherent Score

12 ▲

Mitigated Score

9.00 ●

Risk Appetite

4.00

Comments

- Inherent risk likelihood score is 3; inherent risk consequence score is 4. Overall inherent risk score is $3 \times 4 = 12$.
 Target risk likelihood score is 2; inherent risk consequence score is 2. Overall target risk score is $2 \times 2 = 4$.
- New Local Plan to underpin whole agenda, aiming for next consultation Q3 23/24.
 - UK Shared Prosperity Fund (UK SPF) Investment Plan approved by DLUHC and 3 year award of £1.763m confirmed and Cabinet decision made on allocation June 23. Officer Decision Record Sheet (ODRS) has confirmed initial projects including just under £0.5m for activating footfall in Hemel Town Centre.
 - Draft Hemel Place Strategy scheduled for Q3 23/24.
 - Hemel Town Centre Vision prepared and due to be considered by Cabinet 18 July 23.
 - Hemel Place Board continues to meet; move to action planning stage by Q4 23/24 once Hemel Place Strategy agreed and approved.
 - Corporate Place Board met on 5 July 23, first major project established on implementing the Chiltern Beechwoods Mitigation Strategy as a means to unlock stalled and future housing developments.
 - Berkhamsted and Tring Town Councils taking the lead on respective place strategies with support from DBC.
 - Review of town centre assets underway to determine effective deployment of DBC land and property to deliver and catalyse place shaping, and to realise capital funds to support delivery.
 - New Local Plan to underpin whole agenda.
 - New Dacorum Investment Framework to facilitate inward investment – likely to progress Q4 and into 24/25 once new place team in place through Place, Communities and Enterprise restructure which is at formal consultation as of 17 July 23.
 - Infrastructure Delivery Plan being kept up to date to support Local Plan – work ongoing.
 - Policy on deployment of Community Infrastructure Levy Funds underway; Cabinet agreed to release of up to 20% of core funds (c£3m) at meeting on 14 Feb 23; funding bids under consideration which are now being revisited post-Council elections in May 23.
 - Economic Recovery Board formed and Plan being actively managed with partners; Board well established and reporting on 6 separate workstreams.
 - New Maylands Masterplan will progress in Q3 23/24 with appointment of consultants (now selected following procurement) to be confirmed July 23
 - Engagement of Voluntary and Community Sector (VCS) to support place making.
 - Hemel Garden Communities placemaking event with Members taking place on 17 July 23.
 - VCS conference held June 23.
 - VCS recommissioning proposals set out.
 - Hemel Old Town project progressing, community event held 29 June 23.
 - Hemel Hempstead showcased by senior Officer team at UK Real Estate Investment and Infrastructure Forum 16-18 May 23.
 - Regeneration proposals to follow Strategic Asset Review, currently being procured, to involve General Fund and HRA assets with view to place making. Implementation of outcomes likely to be progressed from Q1 24/25.
 - Long lease at Riverside shopping centre has been reassigned; redevelopment proposals expected from Q3 onwards.

Detail

Status

Controls & Assurances

- Hemel Place Strategy in progress to set objectives of agenda
- Hemel Place Strategy to co-ordinate key areas of development and change including Hemel Garden Communities, Hemel Town Centre, Maylands Business Park and Two Waters/Apsley
- Place Implementation Plan to be worked up to govern priorities and delivery
- Governance through partnership Hemel Place Board and internal management and delivery through new Corporate Place Board
- Local communities engaged on new place strategies for Berkhamsted and Tring
- All projects to follow Corporate Project Management governance
- New Town Centre Strategy in progress to steer priorities
- Review of town centre assets underway to determine effective deployment of DBC land and property to deliver and catalyse place shaping, and to realise capital funds to support delivery
- New Local Plan to underpin whole agenda
- New Dacorum Investment Framework to facilitate inward investment
- Engagement in key Government Funding Streams eg Levelling Up Fund, UK Share Prosperity Fund, Investment Zones, Route Improvement Strategy
- Infrastructure Delivery Plan being kept up to date
- Policy on deployment of Community Infrastructure Levy Funds underway
- Cross-service work on HRA and General Fund assets to identify regeneration, place shaping and environmental improvement opportunities
- Economic Recovery Board formed and Plan being actively managed with partners
- Engagement of VCS to support place making
- Internal place project teams to support focused delivery and improvement, with Old Town team already formed and delivering

Evidence Risk is being managed

- Hemel Place Strategy in progress to set objectives of agenda
- Hemel Place Strategy co-ordinating key areas of development and change including Hemel Garden Communities, Hemel Town Centre, Maylands Business Park and Two Waters/Apsley
- Governance through partnership Hemel Place Board and internal management and delivery through new Corporate Place Board
- Local communities engaged on new place strategies for Berkhamsted and Tring.
- New Town Centre Strategy in progress to steer priorities
- Review of town centre assets underway to determine effective deployment of DBC land and property to deliver and catalyse place shaping, and to realise capital funds to support delivery
- New Local Plan to underpin whole agenda
- New Dacorum Investment Framework to facilitate inward investment
- Engagement in key Government Funding Streams e.g. Levelling Up Fund, UK Share Prosperity Fund, Investment Zones, Route Improvement Strategy
- Infrastructure Delivery Plan being kept up to date
- Policy on deployment of Community Infrastructure Levy Funds underway
- Cross-service work on HRA and General Fund assets to identify regeneration, place shaping and environmental improvement opportunities
- Economic Recovery Board formed and Plan being actively managed with partners
- Engagement of VCS to support place making
- Internal place project teams to support focused delivery and improvement, with Old Town team already formed and delivering

Consequences / Impacts

The borough does not reach its full economic potential.
Town centres fail to thrive, risking higher incidence of crime and anti-social behaviour
Local resident and business dissatisfaction increases, giving rise to higher volumes of complaints.

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Recruitment and retention of staff

Risk Owner

Aidan Wilkie

	Portfolio	People and Transformation
	Risk Description	We are unable to deliver effective services to residents due to an inability to retain and recruit sufficient competent and skilled resources .
	Reference to Strategic Objectives / Priorities	Strategic Risk Register March 2023
	Inherent Score	16 ▲
	Mitigated Score	4.00 ★
	Risk Appetite	4.00
	Comments	Inherent risk likelihood 4; inherent risk consequence 4; overall inherent risk score = 4x4= 16 Target risk likelihood 2; target risk consequence 2; overall target risk score = 2x2= 4 Market forces policy approved and implemented. Agency framework in place. There will be only one non- permanent member of the Corporate Leadership Team from end July 2023.
	Controls & Assurances	Ongoing Recruitment and Retention monitoring and reporting. A revised People Strategy developed with a focus on recruitment and retention. Delivery of a customer strategy which will create efficiencies (with the possibility of reinvestment) and a reduced reliance on human intervention. A revised market forces approach being implemented. Development of regional partnerships to review, and report on sector wide approach.
	Evidence Risk is being managed	Ongoing Recruitment and Retention monitoring and reporting. A revised People Strategy developed with a focus on recruitment and retention. A revised market forces approach being implemented. Development of regional partnerships to review, and report on sector wide approach.
	Consequences / Impacts	Increased levels of dissatisfaction from residents and businesses leading to higher volumes of complaints. Increase in financial cost through increased use of agency staff. Reputational damage. Intervention from central government/ regulatory bodies. Poor levels of service delivery.
Working with Strategic Partners	Risk Owner	Claire Hamilton
	Portfolio	Leader of the Council
	Risk Description	Failure to work with Strategic Partners to deliver Corporate priorities
	Reference to Strategic Objectives / Priorities	<ul style="list-style-type: none"> ▪ Strategic Risk Register March 2023 ▪ Ensuring efficient, effective and modern service delivery
	Inherent Score	12 ▲

		31 Mar 2023
Detail		Status
Mitigated Score	4.00	★
Risk Appetite	4.00	
Comments	<p>Inherent risk likelihood 4; inherent risk consequence 3. Overall inherent risk score= 4x3= 12. Target risk likelihood 2; target risk consequence 2. Overall target risk score = 2x2= 4. The Council continues to work closely with its strategic partners in order to deliver corporate priorities. Hemel Place Board continues to meet; move to action planning stage by Q4 23/24 once Hemel Town Centre vision and Hemel Place Strategy are agreed and approved. Hemel Garden Communities Partnership Board continues to meet and a placemaking event with Members will take place on 17 July 23. SW Herts Joint Strategic Partnership Board continues to meet and Regulation 18 consultation has been completed. Community and Voluntary conference planned for Q1 2023-24. Close liaison with Homes England continues. The Council continues to play an active role on the Herts Growth Board.</p>	
Controls & Assurances	<ul style="list-style-type: none"> - Effective Strategic Partnership Boards set up to develop proposals and monitor delivery and outcomes. E.g. HGC, Hemel Place board, Economic Recovery Board. - Key Delivery Partnerships have the correct strategic and operational governance Boards in place to monitor delivery eg. SLM & Osbornes - Herts wide delivery groups supported and monitored. - Strategic partners assigned lead officers for relationship management and communications 	
Evidence Risk is being managed	<p>Failure to work with Strategic Partners to deliver Corporate priorities Key joint working groups established and operating (e.g. Hemel Place Board, SW Herts Joint Strategic Partnership). Key Delivery Partnerships have the correct strategic and operational governance boards in place to monitor delivery. Hertfordshire wide delivery groups supported and monitored. Strategic partners assigned lead officers for relationship management and communications.</p>	
Consequences / Impacts	<p>Deterioration in service delivery to residents and businesses. Failure to deliver value for money and making best use of public funds. Failure to meet the needs of customers via joined- up working. Failure to deliver key strategic projects, including and not limited to Hemel Garden Communities and the SW Herts Joint Strategic Plan Reputational damage.</p>	

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Risk Scoring Methodology

Impact Score

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

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

Likelihood Score

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

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

Scoring the risk

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

This is carried out in two stages:

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

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

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

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



Audit Committee

Report for:	Audit Committee
Title of report:	Summary Internal Controls Assurance (SICA) report and Audit Plan update
Date:	26 th July 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A- SICA Report Appendix B- Approved Annual Audit Plan 2023-24
Background papers:	Audit Committee February 2023 Agenda item 6 Internal Audit Programme 2023/24
Glossary of acronyms and any other abbreviations used in this report:	SICA- Statement of Internal Controls Assurance. A regular report produced by the Council’s auditors outlining progress against the Council’s approved annual audit programme of work. HRA- Housing Revenue Account. The Council’s Housing Landlord function.

Report Author / Responsible Officer	
Fiona Jump, Head of 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:	<ol style="list-style-type: none"> To provide committee with a progress update against the annual internal audit plan (Appendix A). To seek approval to amended the Audit Programme for 2023-24 as set out at section 3.
Recommendation to the decision maker:	<ol style="list-style-type: none"> Note the final internal audit reports issued for the following services: <ul style="list-style-type: none"> Empty Homes Procurement

	<ul style="list-style-type: none"> • Housing Rents <p>2. Approve the deferral of the internal audit of Building Safety audit to 2024-25. To approve the increase in allocated time for the audit of HRA health and safety arrangements by 5 days (total days allocated to this audit to be 10 days).</p>
Period for post policy/project review:	An update on progress against the approved Internal Audit programme is brought to committee on a regular basis.

1 Background

Attached at Appendix A is the latest SICA report, deferred from the June 2023 meeting of Audit Committee. The SICA report provides Audit Committee with an update on governance, risk and internal control arrangements for the Council. The report will be presented at Audit Committee by the Council’s internal auditors, TIAA. Relevant officers for the services covered by final internal reports covered in the SICA will also be present to answer queries from Members.

2 Internal audits completed since the last SICA

The following audits have been completed since the last SICA was presented to Audit Committee in March 2023:

- Empty Homes- Reasonable assurance
- Procurement- Substantial assurance
- Housing Rents- Reasonable assurance

TIAA use four levels of assurance assessment when undertaking internal audit review:

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.

Summary reports and associated recommendations for each of the above are included in Appendix A.

3 Proposed amendment to the approved Internal Audit Programme for 2023/24

Appendix B is the Internal Audit programme 2023-24 approved by Audit Committee in February 2023. Each piece of internal audit work is assigned a budget of ‘days’ to reflect internal audit resource required to the deliver the work. Included within the plan are 5 days assigned for Housing Revenue Account (HRA) Health and Safety related audit. It is proposed that that this be increased to 10 days in total, an increase of 5 days. This is to allow the audit

to cover health and safety compliance associated with the Council's contractors operating on Housing related activity. This is a key area of focus for the Council and it is recommended that Members accept this proposal.

In order to stay within the allocated resource for internal audit work, it is also proposed that the audit of Building Safety currently in the annual audit programme is deferred until Q1 2024/25.

4 Financial and value for money implications:

A robust programme of internal audit activity supports the delivery of value for money by the Council.

5 Legal Implications

The Council is required by law to make arrangements to undertake effective internal audit of its activities.

6 Risk implications:

The Council's internal audit programme is compiled on a risk- led basis.

7 Equalities, Community Impact and Human Rights

None arising directly from the report.

8 Sustainability implications (including climate change, health and wellbeing, community safety)

None arising directly from the report.

9 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

None arising directly from the report.

10 Conclusion

The SICA presented at Appendix A provides details of all internal audits completed since the March 2023 Audit Committee meeting.

Amendments are proposed to the Council's internal audit programme of works to ensure enhance the review of HRA Health and Safety arrangements.

-



Internal Audit

FINAL

Dacorum Borough Council

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Summary Internal Controls Assurance (SICA) Report

2023/24

June 2023

Summary Internal Controls Assurance

Introduction

1. This summary 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 6th June 2023.

Future of Internal Audit (IA)- Digital drivers

Use of Data analytics by TIAA

2. TIAA is always adopting new ways of working and methodologies including innovative approaches for delivering internal audits. This is part of our continuous improvement programme which facilitates improvements in efficiency, effectiveness, and the quality of the work we deliver. We currently use data analytics as part of our work in relevant areas to test against full data sets, spot hidden risks, to target our testing and to provide ‘proof in total’ assurance; this adds credibility and value to the reports we produce. Data Analytics helps us to analyse large volumes of data to identify trends, patterns, and anomalies that may indicate potential risks or opportunities for improvement.

How will Artificial Intelligence (AI) enhance the delivery Internal Audit of the future?

3. We believe that the way internal audits are delivered will change significantly in the next 3 to 5 years through the use of AI, through the use of auditing tools which contribute towards a process of continuous audit assurance, a wider use of predictive analytics to allow auditors to provide reports that are far more forward looking, and robotic process automation which will help remove much of the manual data collection work, thereby allowing Internal Audit more time to provide value-added analysis. Another branch of AI, Natural Language Processing (NLP), has the potential of also enabling auditors to analyse text in a large number of documents.

In addition to the use of Data Analytics, TIAA is actively exploring, as part of our vision for the future, the use of AI, automation and other digital tools to streamline the audit process, inform planning, reduce manual effort, and enhance the quality of audit results. Automated data collection and analysis will help reduce the time required to complete audits and improve the accuracy and consistency of audit results. Innovative ways of using and integrating artificial Intelligence in the delivery of audits in response to the exponential growth in data, and how it is analysed and used in the context of Internal Audit, is part of TIAA’s innovation strategy. We will also as part of our strategy be investigating more opportunities to not only use AI, but also to develop the capabilities to audit AI and the associated ethical considerations.

Audits completed since the last SICA report to the Audit Committee

5. 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
Empty Homes	Reasonable	13/03/2022	27/03/2023	04/04/2023	0	1	0	1
Procurement	Substantial	19/04/2023	25/05/2023	26/05/2023	0	0	3	0
Housing rents	Reasonable	22/3/2023	6/6/2023	06/06/2023	0	1	1	0

6. 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 2023/24 Annual Plan

7. Our progress against the Annual Plan for 2023/24 is set out in Appendix B.

Progress in actioning priority 1 & 2 recommendations

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

Frauds/Irregularities

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

Other Matters

10. We have issued one briefing note since the previous SICA report.

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Briefing Note	
Failure to prevent Fraud Offence (May 2023)	<p>This week is the first week of the Scams Awareness campaign, this annual campaign aims to.</p> <ul style="list-style-type: none"> • Give people skills to identify scams • Encourage people to share their experiences • Help people gain the confidence to report scams <p>In support of this we have put together our top five scams that can target anyone</p>

Responsibility/Disclaimer

11. 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
Empty Homes	Reasonable
Procurement	Substantial
Housing Rents	Reasonable

Empty Homes

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The Council will be unable to ensure that sufficient quality & affordable homes can be delivered.

SCOPE

The audit reviewed the systems and processes the council has in place to ensure they are adequately designed and operate effectively and that empty homes are kept to a minimum.

KEY STRATEGIC FINDINGS



Several delays are being experienced by the Empty Homes Team in reletting empty homes, which Management must address or escalate to Senior Management.



There is an Empty Homes policy in place, however, document does not specify when the policy will be reviewed next or who approve it.



There is an 'Empty Homes (Contractors) Procedure' in place, the document is to be up-to-date and reflects current practices.

GOOD PRACTICE IDENTIFIED



A review of the Council's annual performance information for 2022-2023 revealed that the Performance Board and the Overview and Scrutiny Committee receive monthly and quarterly KPIs.



An 'Empty Homes (Contractors) Procedure' is in place and was last reviewed in October 2021. It is up-to-date and reflects current practices.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	1

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>The 'Adapted', 'General needs' and 'Sheltered' properties average re-letting time were found to be above the suggested timeframe stipulated by the Council, in total 78% of void properties exceeded their recommended timeframe as directed in the Council's KPI. Some of the reasons for this are:</p> <ul style="list-style-type: none"> - Osborne's ongoing poor performance (and the lack of contractors available to complete the work required by OSPL) - Return of properties in deplorable condition (causing extra time and repairs beyond what is typically expected during the void process). - Utility bills requiring settlement before reletting (i.e., Due to meter supply bypassed by tenants, which may result in a lengthy investigation by the supplier) - Prolonged delivery times on some equipment's such as floor lift (for Adapted properties) and further adaptations being required in some cases leading to further delays - Delays in processes associated to specific departments e.g., Allocations <p>The delays were further confirmed through review of the 'REPAIRS MONITORING' spreadsheet</p> <p>146 voids were identified in the Council's January 2023, 53 of which have now been re-let. Nine of the 53 Handovers with Osbourne exceeded the 48-hour timeframe (specified in the 'Empty Homes Procedure') following an inspection by the Empty Homes surveyor.</p>	<p>Whilst it is acknowledged that the Empty Homes Team is working to resolve the delays in reletting properties, Management should devise a strategy to deal with the delays in a timely manner and/or formally and systematically evidence escalation of the issue to Senior Management.</p>	2	<p><i>We acknowledge that there have been delays and performance has not been where we would expect this to be. The weekly WIP meeting has been restructured to ensure that properties are discussed and any delays are monitored, discussed and escalated in the timely manner</i></p> <p><i>We have been working with the tenancy team and will be reintroducing the pre termination and transfer visits at the property with the tenant and will be raising the condition of the property and how this is expected to be returned at the end of their tenancy in order to reduce the works required when void which is a tenants responsibility</i></p> <p><i>DBC is working with our exiting contractors and exploring the use of other contractors to improve the turnaround time on adapted properties.</i></p>	Ongoing	Lesley Jugoo Empty Homes Lead Officer

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	An Empty Homes policy has been developed by the Council, dated January 2021, and is reviewed on a regular basis to ensure that it remains in line with government legislation. However, the document does not specify when the policy will be reviewed next or who approve it.	The Council's next updated policy to include its next review date and who approved the policy.	<i>This has been accepted that the review date was omitted from the policy and the review date will be added when the policy is reviewed during 2023- 2024 with the SIE team.</i>

Procurement

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Proposed procurement is seen to take into account the Council’s risk management strategies, guidance and procedures; the consideration of risks and their subsequent documentation in project/ contract specific risk registers with suitable control measures.

SCOPE

To determine whether Capital Contracts entered into by the Council adhere to Policies and Procedures.

KEY STRATEGIC FINDINGS



Sample testing and review of the Council’s Contracts Register identified non-compliance with Standing Orders in relation to completion of tender requisition documentation.



Two anomalies were noted in records within the contract register.



There is no formal oversight of contract management in relation to non-compliance of performance indicators set out in major contracts.

GOOD PRACTICE IDENTIFIED



Relevant process was followed in each instance, and these were in accordance with the Council’s financial threshold requirements and Public Contracts Regulations in terms of the World Trade Organisation Government Procurement Agreement procurement thresholds.



Risk is considered throughout the process in the decision portfolio and contract specific risk register monitoring and reporting.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	3	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	<p>The Council has documented Contract Procedure rules which includes the processes for procuring contracts as documented in Commissioning & Procurement Standing Orders. Sample testing of procurement of 10 Major Contracts noted the following:</p> <ul style="list-style-type: none"> Two out of the seven agreement documentation files did not contain Tender Requisition Forms. Two agreements within the sample were lease arrangements. One contract (OD-030-19) was awarded by Cabinet, to Broste Rivers outside of the Public Contract Regulations as they are a Teckal company, therefore there was no need to tender this requirement. Contract notices were issued for all of seven remaining contracts tested. All tenders were evaluated against award criteria set out in the framework or invitation alongside value Most Economically Advantageous Tender (MEAT) documented and stored. Alcatel letters were issued and signed by the Commissioning, Procurement & Compliance Team Leader to all bidders. All necessary contracts were presented to the Cabinet where approval was provided. 	<p>It is recommended that action be taken to ensure all tender documentation is completed are retained, in conjunction with officers being reminded of the importance of doing so in line with standing Orders, procurement procedures and document retention policies.</p>	3	<p><i>In light of the recommendation I will arrange for a procedure note to be drafted and sent out reminding all staff of the responsibilities and procedures for undertaking all quotation and tendering activities.</i></p> <p><i>This will also include a section on document retention.</i></p>	30/06/23	Head of Commercial Development

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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	<p>The Council maintains the Contracts Register and Forward Procurement Plan, it is also transparent in publishing its Contracts Register and spending data on its website. Review and testing of a sample of 10 contracts identified that:</p> <ul style="list-style-type: none"> In three instances Contracts Register start dates did not align with commencement dates detailed in the contracts, In the Contracts Register for a Commercial Lease it had been recorded as 'Invitation to quote' for the Procurement Process undertaken. 	<p>Regular review of the Contracts Register to ensure accuracy true to agreements and establish action taken prior to expiration of contracts. It might also be considered to assign responsibility to this within the Commissioning & Procurement Standing Orders.</p>	3	<p><i>To ensure compliance with this recommendation, I will arrange for a review of the contract register to take place to ensure that it holds up to date and correct information.</i></p> <p><i>I will also ensure that a procedure note is drafted so that the client/contract manager notifies the procurement team on the extension or early termination of a contract so that the contract register can be updated.</i></p> <p><i>This will also be reflected in the guidance provided in the Commissioning & Procurement Standing Orders.</i></p>	31/07/23	Head of Commercial Development

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	<p>Contract management and monitoring of major contracts is undertaken by Contract Officers however, there is no formal oversight or analysis on delivery of works/ services to ensure value for money is being achieved throughout the longevity of an agreement by achieving agreed performance indicators set out in the Tender documentation and referenced within the contracts.</p> <p>Testing the Contract Management undertaken for 10 Major Contracts identified that:</p> <ul style="list-style-type: none"> In two instances it could not be determined if contract management was undertaken as no performance management documentation was obtained or evidenced for CPU00246 & CPU00272. In two instances the contracts were lease agreements, the Auditor was advised that performance management is not undertaken on these, by the Head of Commercial Development. In one instance the contract was for the supply of refuse vehicles, which although did not have specific KPIs, did require mechanical servicing, O Licence relating to goods vehicle operator's licence, and inclusion on the assets register. No reporting is conducted. In all other instances evidence of documented monitoring measures, performance indicators and client/ officer meetings were evidenced. Through examples such as Highlight & Finance Reports, Project Execution Programmes, Monthly Client Review Meetings, Risk Registers, and KPI reporting. 	<p>Contract Management of Major Council Contracts to be reported on and supervised in line with performance indicators identified within the tender proposals. This is to support the Council in hitting agreed targets, ensuring that value for money prevails, and that non-compliance or poor performance can be identified/ addressed proactively, prior to a contract failing. Frequency to be agreed between Head of Commercial Development and Scrutiny Committee.</p>	3	<p><i>To comply with this recommendation I will draft a paper for presentation at Commercial Board for further discussion.</i></p> <p><i>The paper will propose criteria for identifying what is a Major Council Contract and will propose a programme of reports on contract performance to be presented to Commercial Board on an ongoing basis.</i></p>	31/07/23	Head of Commercial Development

Housing Rents

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

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

SCOPE

The review focused on arrears management and adherence to policy and procedures.

KEY STRATEGIC FINDINGS

- Review of tenant arrears revealed, a tenant defaulted after an initial eviction notice was served (in 2019), however, a follow up eviction letter has not been issued to the tenant nor any action has been taken to escalate this matter as at time of audit.
- Jacksons Debt collectors are notified of arrears on an adhoc basic.

GOOD PRACTICE IDENTIFIED

- Tenants are regularly contacted, and debt repayment are being monitored in addition to agreed actions for tenants with payment plans.
- There are adequate monthly reconciliations in place within for Housing rent team. KPI's are regularly reported to the SLT and H&C OSC (Overview and Scrutiny Committee).

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	1	0

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Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	In a sample of 10 rent arrears, one account was not in compliance with the Rent Arrears Eviction Procedure. In this case, the tenant defaulted after the initial eviction notice was served (in 2019). Although several unsuccessful attempts have been made since then to contact the tenant, a follow up eviction letter has not been issued to the tenant nor any action has been taken to escalate this matter as at time of audit.	To ensure greater consistency and fairness to all tenants in arrears, the council to ensure its rent arrears procedures are closely adhered to in order for debts owed by tenants to be recovered in a timely and effective manner, especially when all other attempts have failed as part of this DBC should review if rent arrears action should be undertaken and any without action should be reviewed to recover the money or put forward to write off as management deem appropriate.	2	<p><i>Regular one to one's held with officers, sample of cases are reviewed regularly and actions agreed with officers.</i></p> <p><i>Officers patch sizes are approximately 1100 properties and therefore monitoring all cases is challenging. This has been recognised through in year growth for the team.</i></p> <p><i>This officer's patch where this case sat was being covered by a number of officers due to the substantive post holder being on maternity leave. While cover was provided, case management was impacted by further absence within the team.</i></p> <p><i>Due to the performance management approach and case monitoring in place, the service has a high level of confidence that arrears cases are managed in line with procedures.</i></p>	N/a	

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Delivery	It was confirmed by the Rent Income Lead Officer that, on a weekly basis, the Former Tenant Officers adds to and updates a Former Tenant spreadsheet, which is then forwarded to Jacobs (the debt recovery agency) on an adhoc basis.	To ensure consistency and to prevent slippages, the Council should ensure that former tenant arrears reports are sent at defined intervals, e.g., every two weeks or sooner if the number of new former tenants exceeds a particular threshold.	3	<p><i>Weekly review and monitoring of the Former Tenant spreadsheet is carried out by officer and Lead Officer. This process provides reassurance and confidence that former tenant arrears cases are referred to Jacobs in a timely manner and mitigates any risk of slippages.</i></p> <p><i>Significant progress has been made by the team regarding their approach to managing former tenant arrears. Processes have been reviewed to ensure that cases are sent to Jacobs in a timely manner and are not held up by process. This results in non-recoverable debt being written off in a timely manner – a point identified in 2021/22 audit.</i></p>	N/a	

Operational - Effectiveness Matter (OEM) Action Plan

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

Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
MTFS	1	Site work commenced	In Progress
H&S	1	Site work commenced	In Progress
HRA H&S	1	Site work commenced	In Progress
General Fund H&S	2	Site work commenced	In Progress
Overtime and Additional Allowances	2	To be commenced	
Risk Management Framework	2	To be commenced	
Commercial Rents	2	Site work commenced	In Progress
Garage Rents	2	To be commenced	
Building Safety Bill Compliance	2	To be commenced	
Community Grants	2	To be commenced	
Leisure Contract	3	To be commenced	
Waste Management	3	To be commenced	
Performance Management	3	To be commenced	
Planning Enforcement	3	To be commenced	
Key Financial Controls	3	To be commenced	
Housing rents	3	To be commenced	
Budgetary Control	3	To be commenced	
Ad hoc advice days	4	To be commenced	
Housing Transformation Improvement Programme (HTIP)	4	To be commenced	

System	Planned Quarter	Current Status	Comments
Climate Change	4	To be commenced	
Housing Allocations	4	To be commenced	
Planned and Preventative Estate Maintenance	4	To be commenced	

KEY:

	To be commenced		Site work commenced		Draft report issued		Final report issued
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Priority 1 and 2 Recommendations - Progress update

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
22/23 202122 Place Strategy HGP JD - Hemel Place						
It be ensured that budgetary positions for “discreet projects” such as Hemel Place including key variances are presented on a periodic and proactive basis to Members for approval, and that this approval is documented accordingly.		<i>The financial forecast shows an over spend of £76k as opposed to £170k and is interdependent to the Place Communities Enterprise restructure and additional spend to deliver Hemel Place priorities.</i>	31/3/2023	Hemel Place Strategy, Programme Manager	09/06/23 <i>Financial reporting on Hemel Place Strategy as well as other such projects within the service area will be included in programme management reporting moving forward as appropriate as well as included in Scrutiny reporting on programme updates. The Place Communities and Enterprise Structure is currently in its consultation phase and further budgets to support the projects are subject to the Service Planning process .</i>	

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Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
21/22 Safeguarding & Prevention						
The Council introduce contractual terms, in line with those in place for tendered contracts, to apply to all procurements where contractors are likely to interact with the public.	2	<i>. Safeguarding clauses to be included (generally stated in the agreement where relevant) introduce additional clauses into the agreements where safeguarding is required and not included in the standard agreement. For below threshold agreements (£75k and below) this is more difficult. Procurement in general will not have sight of these and on most occasions the officers will manage this, meaning the Council will sign up to the suppliers Terms and Conditions and it will be governed by the Council's T&Cs on our Purchase Order. T&Cs being reviewed by Legal and add a safeguarding clause which can be referred to on the Council's Purchase Orders. Raise awareness to the clause around the Council so any contract where there is interaction with the public should be included in any new agreements.</i>	Due date 31/08/2022 Revised date 31/01/2023	Andrew Linden, Procurement, Team Leader Andrew Linden, Procurement Team Leader Andrew Linden	09/06/23 Any tender that goes through a procurement process will be covered in terms of the current clauses for Safeguarding. Review of Housing contracts (where the majority of safeguarding issues will sit) is in progress and is expected to conclude summer 2023.	
The Policy be reviewed and updated in line with the proposed changes and communicated to staff at the earliest opportunity.	2	<i>The Policy be reviewed and updated in line with the proposed changes and communicated to staff at the earliest opportunity.</i>	31/07/2022	Sue Warren, Lead Officer, Safeguarding	09/06/23 Changes have been made to the Policy as per the recommendation. The updated policy is currently going through the Council's approval process and will then be communicated to the wider organisation.	

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
21/22 Planning Enforcement						
The risks to delivering an effective and timely planning enforcement service be recorded as a local risk and actions identified to mitigate the risk.		<i>The department's risk register does consider the risks associated with staffing shortages, though does not specifically deal with Planning Enforcement. ACTION: The Council's Risk Register to be updated to include the risks to delivering an effective and timely planning enforcement service, and mitigation actions.</i>	31/5/2022 Revised 07/02/2023	Hemel Place Strategy, Programme Manager	08/06/23 (Head of Financial Services comments) Operational risks for the service have been identified as part of the Council's service planning process 23/24. These risks will be updated on the Council's risk reporting system by the Council's risk and insurance team in time for quarter 1 23/24 reporting.	

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Priority Gradings (1 & 2)

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

CLEARED	Internal audit work confirms action taken addresses the risk exposure.	ON TARGET	Control issue on which action should be taken at the earliest opportunity.	EXPOSED	Target date not met & risk exposure still extant
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Dacorum Borough Council

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Draft Indicative Audit Strategy 2023/25 and Annual Plan
2023/25

2023/24



January 2023

DRAFT

OVERVIEW

Introduction

The Audit Plan for 2023/24 has been informed by a risk assessment carried out across our 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 Government in terms of the macroeconomic and financial environment, spiralling costs and the labour market. We have identified a number of key areas which will individually and collectively affect the sector in various ways; these require consideration when planning internal audit coverage.

Macroeconomic and financial environment: The UK economy has experienced a sequence of significant events including Brexit, the pandemic and the conflict in Ukraine. Further challenges lie ahead as the government seeks to cut spending and raises taxes to plug the gap in the UK's finances. Rapid and increasingly prolonged inflation, rising interest rates, shortages in the labour market and continuing supply chain disruption are leading to increased costs and a challenging financial situation for many.

Increasing wage demands: One of the consequences of the economic situation is demands for significant pay increases to help combat the effect of inflation and a perceived lack of pay progression for over a decade. This has seen strike action taking place or planned by rail workers, postal workers, lecturers, bus drivers and nurses. This will put pressure on organisational budgets and present challenges in recruitment.

Cyber security: This continues to be one of the highest ranked risks for organisations and shows no sign of going away. The widespread move to remote working and increased online service delivery has made organisations more vulnerable to phishing, malware, and ransomware attacks, particularly where there has been a lack of investment in infrastructure.

Commercialisation: Councils are moving 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.

Climate change: Global warming can lead to physical, operational, financial and reputational risks arising. 'Loss and damage' - the phrase used to describe the destruction being wrought by the climate crisis - will remain high on the agenda. Aside from the obvious environmental impact, climate change can stress local economies, threaten business models and pose widespread disruption to organisations.

The impact on government: Individually and collectively, the current climate will present many challenges for local authorities. Public finances have been under tremendous and historic pressure in recent years and local authorities face significant challenges to their financial sustainability. High levels of inflation and energy costs and higher than expected forecasts of the

Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2023/24 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the 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 2023/24, 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 Dacorum Borough 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 Dacorum Borough Council. 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 Dacorum Borough Council agrees additional work the required number of days and the aggregate day rate will be agreed in advance with the S151 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 draft plan issued:	19 th December 2022
Date revised draft plan issued:	30 th January 2023

APPENDIX A: ROLLING STRATEGIC PLAN

Review Area	BAF/Risk Ref	Type	2023/24	2024/25
Governance				
Performance Management		Assurance	✓	
Equality, Diversity and Inclusivity		Assurance		✓
Community Engagement		Assurance		✓
Commissioning and Partnership Services		Assurance		✓
Building Safety Bill Compliance		Assurance	✓	
Risk				
Risk Management Framework		Assurance	✓	
Business Continuity		Assurance		✓
ICT				
Use of Social Media		Assurance		✓
Cyber Security Maturity Assessment		Assurance		✓
Finance				
MTFS		Assurance	✓	✓
		Assurance	✗	
Key Financial Controls		Assurance	✓	✓
Housing Rents		Assurance	✓	
Capital Programme		Assurance		✓
Overtime and Additional Allowances		Assurance	✓	
Income – Cash and Bank		Assurance		✓
Budgetary Control		Assurance	✓	
Agile Working		Assurance		✓
Pensions		Assurance		✓

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Review Area	BAF/Risk Ref	Type	2023/24	2024/25
Operational Performance and Infrastructure				
H&S		Assurance	✓	
HRA H&S		Assurance	✓	
General Fund H&		Assurance	✓	
Garage Rents		Assurance	✓	
Commercial Rents		Assurance	✓	
Climate Change		Assurance	✓	
Leisure Contract		Assurance	✓	
Waste Management		Assurance	✓	
Planned and Preventative Estate Maintenance		Assurance	✓	
Fleet Management Strategy		Assurance		✓
Ad Hoc Advice		Assurance	✓	
Workforce				
Agile Working		Assurance	✓	
Absence Management		Assurance		✓
Recruitment and Training		Assurance		✓
Grievance Reporting and Management		Assurance		✓
Workforce Planning		Assurance		✓
Follow Up		Follow Up	✓	✓
Management and Planning				
Annual Planning		Management	✓	✓
Annual Report		Management	✓	✓
Audit Management		Management	✓	✓
Total Days			225	225

APPENDIX B: ANNUAL PLAN – 2023/24

Quarter	Review	Type	Days	High-level Scope
1	MTFS	Assurance	10	<p>The MTFS was released in October 2022, this identified £3million worth of savings that should be delivered. Audit work in 2022/23 is required to provide on-going assurance that scheme delivery against savings in the MTFS are being managed and monitored effectively and reported accurately. In addition, the scope of work will include assurance over the accuracy of the financial assumptions made around spending pressures.</p> <p>A sample of new savings and recurring savings will be selected for review.</p> <p>To Incorporate corporate property and failure to maintain tenancies and to generate the projected return on investment will have significant financial consequences for the Council. The review will focus on the governance and reporting arrangements, project management and budgetary control for a number of key redevelopment projects.</p>
1	H&S	Assurance	5	<p>H&S is a Corporate Priority and appropriate and adequate Health and Safety for Housing is a critical requirement. Previous audit reviews identified a number of initiatives regarding Health and Safety requirements as work in progress. The audit will review the findings of the previous audits and examine and test the arrangements for Health and Safety that should be in place for 2023/24 onwards.</p> <p>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.</p>
1	HRA H&S	Assurance	5	<p>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 for HRA</p>
2	General Fund H&S	Assurance	5	<p>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 for the general fund.</p>
2	Overtime and Additional Allowances	Assurance	5	<p>The review will assess the controls in place to effectively manage, approve and monitor overtime and additional bonus and honorarium payments.</p>
2	Risk Management Framework	Assurance	10	<p>Dacorum has made significant developments in respect of risk management over the last 12 months. This review will consider the arrangements in place to provide for risk management in accordance with the agreed framework.</p>
2	Commercial Rents	Assurance	5	<p>Commercial Rents are becoming a major income stream for the Council and an annual audit is required to provide assurance that all rents are collected in accordance with the rental/lease agreement. The review will focus on the processes for ensuring that all commercial rents are appropriately recorded, the database of commercial properties is accurate and up to date, and testing a number of commercial properties to confirm that rents are paid in accordance with their agreement.</p>

Quarter	Review	Type	Days	High-level Scope
2	Garage Rents	Assurance	5	To provide assurance that all rents are collected in accordance with the rental/lease agreement. The review will focus on the processes for ensuring that all garage rents are appropriately recorded, the database of garages is accurate and up to date, and testing a number of garages to confirm that rents are paid in accordance with their agreement.
2	Building Safety Bill Compliance	Assurance	5	To provide assurance that the council is operating in compliance with the building safety Bill.
2	Community Grants	Assurance	10	A periodic review focusing on the process for awarding grants and monitoring compliance with grant funding conditions. Key areas will include: <ul style="list-style-type: none"> • Appropriate records are maintained to verify applicant eligibility; • Grants are appropriately approved by committee or delegated officers; • All monies expended are done so in accordance with the grant agreement; • There are adequate controls in place with regard to how grant money is spent; and • Adequate budget monitoring and management of grants awarded takes place.
3	Leisure Contract	Assurance	10	A periodic review of the controls in place for managing the contracts for the provision of leisure facilities. The audit will focus on the following areas: <ul style="list-style-type: none"> • An appropriate contract is in place, which sets out key performance indicators / performance targets; • Variations are controlled in accordance with contractual provisions; • Performance management and monitoring processes are in place and are robust enough to ensure compliance with performance standards; • Contract clauses, such as penalties and deductions, are outlined and enforced; • Payments are made accurately in line with contractual arrangements; • Management information on contract performance is provided and regularly reviewed; and <ul style="list-style-type: none"> • Adequate budget controls are in place.
3	Waste Management	Assurance	10	This follow up review will consider 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.
3	Performance Management	Assurance	10	The review will consider the way in which key performance data is collated to inform effective decision making, taking in to account the accuracy, integrity and consistency of data.

Quarter	Review	Type	Days	High-level Scope
3	Planning Enforcement	Assurance	10	This follow up review will consider compliance with relevant policies and procedures, in particular to establish if enquiries/complaints received have been prioritised and investigated in accordance with set targets, staff have the appropriate skills to take enforcement action when necessary and related budgets are monitored appropriately. The review will also consider the effectiveness of the '400 Plan Phase 2' in its aim in providing the focus for closing cases that can be closed.
3	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 2023/24, this will include Accounts Receivable, Income Collection and Debt Recovery which will be reviewed.
3	Housing rents	Assurance	10	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
3	Budgetary Control	Assurance	10	<p>Budgetary Control is a fundamental financial process that is audited every other year. Key control objectives that will be considered as part of this audit include:</p> <ul style="list-style-type: none"> • Formally approved budgets are set each year, taking into account all relevant income and expenditure; • The financial management system accurately reflects the agreed budgets; • Budgets are allocated to individuals at an appropriate level, with monitoring responsibilities clearly outlined; • All budget adjustments (including virements) are authorised; • Budgets are adequately monitored and regularly reported, with reasonable variance levels being set which trigger action and explanation; • Appropriate financial reserves are maintained in line with assessed risks.
4	Ad hoc advice days	Assurance	5	Ad hoc advice days on the strategic asset review in Q4
4	Housing Transformation Improvement Programme (HTIP)	Assurance	5	To provide assurance that audit recommendations are being embedded into HTIP or other programmes from the EY work.

Quarter	Review	Type	Days	High-level Scope
4	Climate Change	Assurance	10	<p>This is an area of increasing risk significance amid the Government’s commitment to net zero carbon emissions by 2050. If the Council is not seen to be taking action or working towards government targets this may lead to reputational damage. Key areas for the review include:</p> <ul style="list-style-type: none"> • A Corporate Strategy is in place for tackling Climate Change, with roles and responsibilities clearly defined and an associated action plan in place; • Climate Change considerations are embedded into corporate decision making, targets and objectives. • Adequate performance monitoring and reporting to senior management and Members is in place.
4	Housing Allocations	Follow up	5	Undertake a follow up review to assess the Council’s effectiveness on dealing with Housing Allocations and Homelessness
4	Planned and Preventative Estate Maintenance	Assurance	12	The review will consider the arrangements in place to deliver the programme of planned and preventative maintenance across the estate.
1 – 4	Follow-up	Follow up	12	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 of strategic risks	Management	5	
1 – 4	Audit Committee Training	Management	5	
	Contingency		8	
1	Annual Planning	Management	3	Assessing the Housing Association’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			225	

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 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.

Definition of Internal Auditing

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

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 Dacorum Borough Council's senior management and 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's 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 Dacorum Borough Council's 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 Dacorum Borough Council's 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.

As well as providing the required level of assurance, TIAA's may engage in consultancy activity that contributes to the overall assurance that can be delivered to the Audit Committee.

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 Dacorum Borough 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 Dacorum Borough 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 Dacorum Borough Council's 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 Dacorum Borough 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 Dacorum Borough Council and additional time will be required to carry out such testing. Dacorum Borough 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 Dacorum Borough 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.

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 Dacorum Borough 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.

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 Dacorum Borough 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.

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%



Audit Committee

Report for:	Audit Committee
Title of report:	External Audit Annual Audit Plan 2022-23
Date:	26 th July 2023
Report on behalf of:	Councillor Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A- External Audit Annual Audit Plan
Background papers:	None.
Glossary of acronyms and any other abbreviations used in this report:	None.

Report Author / Responsible Officer

Fiona Jump, Head of 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 provide committee with the external audit plan for 2022-23.
Recommendation to the decision maker:	1. Note the external audit plan for 2022-23.
Period for post policy/project review:	The Council's final accounts for 2022-23 will be presented to Audit Committee for approval in September 2023.

1 Background

The External Auditor's Audit Plan for the audit of the 2022-23 accounts is attached at Appendix A to this report. The purpose of the plan is to summarise the External Auditor's approach to the 2022-23 audit process. The plan will be presented at the July 2023 Audit Committee meeting by the Council's external auditors, Grant Thornton.

2 Financial and value for money implications

These are contained at Appendix A to this report.

3 Legal Implications

The Council has a statutory obligation to publish its final accounts for 2022-23 by 30 September 2022-23. The External Audit plan supports the achievement of this obligation.

4 Risk implications

These are contained within Appendix A to this report.-

5 Equalities, Community Impact and Human Rights

There are no direct Equalities, Community Impact and Human Rights implications arising from this report.

6 Sustainability implications

There are no direct sustainability implications arising from this report.

7 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There a no direct infrastructure implications arising from this report.

8 Conclusion

The External Audit Plan for 2022-23 sets out the External Auditor's approach to the 2022-23 audit process.

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Dacorum Borough Council audit plan

Year ending 31 March 2023

July 2023

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

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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. We issued [about time](#) which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, has been agreed with management.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- 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.

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

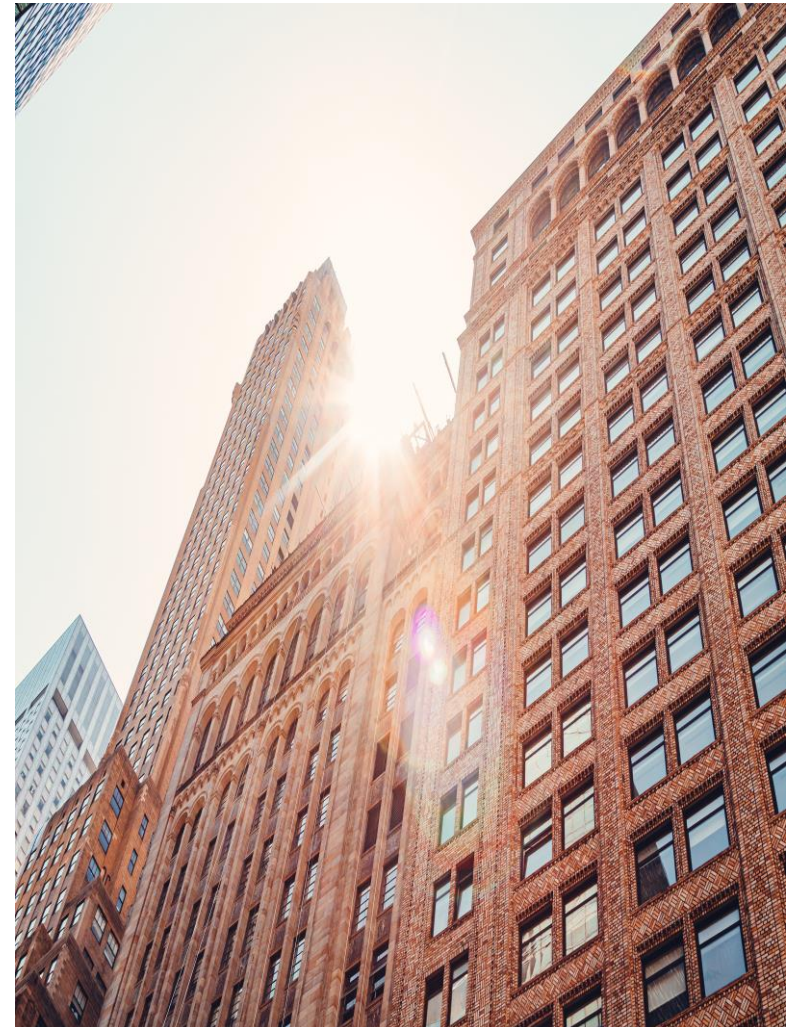
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement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



Introduction and headlines

Significant risks

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

- Management override of controls

Valuation of land and buildings including council dwellings and investment properties

Valuation of net pension fund liability

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

Materiality

We have determined planning materiality to be £3.5m (PY £2.9m) for the for the Council, which equates to approximately 2% of your current year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £0.175m (PY £0.145m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit based on our current understanding of the scope of work required is £82,331 (PY: £81,580). This is also subject to the Council delivering a good set of financial statements and working papers.

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
ISA 240 Fraudulent revenue recognition	<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 	Significant risk rebutted
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.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>Your pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved 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
Valuation of land and buildings	<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>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.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud related to expenditure recognition PAF Practice Note 10	We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied the control environment around expenditure recognition [understood through our documented risk assessment understanding of your business processes] is strong;. We have not found significant issues, errors or fraud in expenditure recognition in the prior our recent prior years audits.	Significant risk rebutted

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 and any other information published alongside your financial statements 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 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 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; and
 - 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.

Our approach to materiality

The concept of 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.

Description

Determination

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £3.5m, which equates to approximately 2% of your draft gross expenditure for the period.

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process.

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.

Other communications relating to materiality we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

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 £0.175m (PY £0.145m). 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.

Our approach to materiality

The concept of 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.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	3,500,000	This benchmark is determined as a percentage of the Council's Gross Cost of Services Expenditure in year, which has remained at approximately 2%.
Performance materiality	2,265,000	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	175,000	This balance is set at 5% of overall materiality

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IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. 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 and implementation of relevant ITGCs.

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
Unit 4	General ledger and financial reporting	<ul style="list-style-type: none"> ITGC design assessment
Trent	Payroll	<ul style="list-style-type: none"> Understanding of process and controls

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

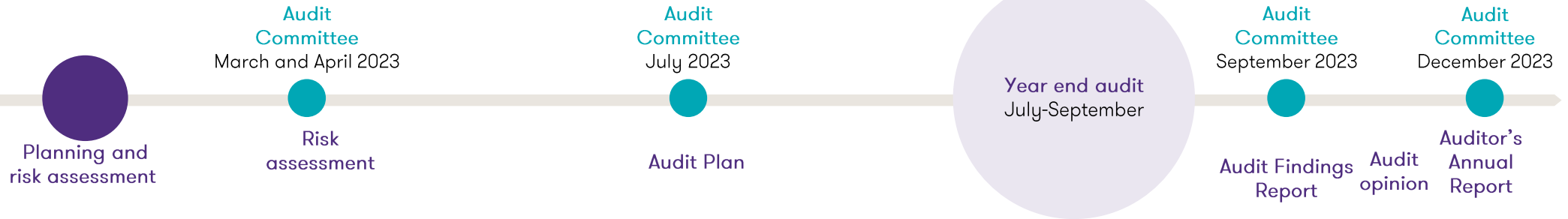


Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

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.

Jayanti Gupta, 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 Entity 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 audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity 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 an entity 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 deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries

Audit fees and updated Auditing Standards including ISA 315 Revised

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. For details of changes which impacted the years up to 21/22 see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3k. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Audit fees

	Actual (or estimated) Fee 2021/22	Proposed fee 2022/23
Council Audit	£81,580	£82,331
		Proposed fee 2022/23
Scale fee published by PSAA		£63,981
Fee variation for 2022/23 in respect of ISA 315, IAS540, journals testing, collection fund relief testing and additional payroll testing (£3,000, £2,100, £3,000, £750 and £500)		£14,350
Value for Money work		£9,000
Total audit fees (excluding VAT)*		£82,331

The 2022/23 proposed is based on the scope of work required by the Code and auditing standards at this point of time. Should there be any changes that impact fees these will be discussed with management and reported to the Audit Committee.

Assumptions

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

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

Relevant professional standards

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

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 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.

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
Certification of Housing Capital receipts grant	£32,400	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	£7,500	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.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



Audit Committee

Report for:	Audit Committee
Title of report:	Audit Committee Governance Update- Committee Terms of Reference and Appointment of Independent Committee Members.
Date:	26 th July 2023
Report on behalf of:	ClIr Sally Symington, Portfolio Holder for Corporate and Commercial Services
Part:	I
If Part II, reason:	N/A
Appendices:	Appendix A Redmond review Dacorum Update Appendix B CIPFA’s Position Statement on Audit Committee in Local Authorities and Police 2022 Appendix C Independent Committee Member Job Description and Person Specification Appendix D Proposed Terms of Reference
Background papers:	March 2023 Audit Committee Terms of Reference Agenda Item 6
Glossary of acronyms and any other abbreviations used in this report:	CIPFA- Chartered Institute of Public Finance and Accountancy

Report Author / Responsible Officer

Fiona Jump, Head of 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 committee with an update on governance matters, including:

	<ul style="list-style-type: none"> • Recommendations of the Redmond review into local audit; • The appointment of independent persons to the committee and an associated update to the terms of reference for Audit Committee.
Recommendation (s) to the decision maker (s):	<ol style="list-style-type: none"> 1. To note the contents of the report. 2. To agree the appointment of up to two independent persons to sit on Audit Committee for a period of two years. 3. To approve the Job Description and Person Specification for the independent person at Appendix C. 4. To approve the proposed update to the current Terms of Reference for submission to Full Council for approval at Appendix D, as part of the next update of the Council's Constitution.
Period for post policy/project review:	The Audit Committee Terms of Reference are including within the Council's Constitution. The Constitution is reviewed and updated on a regular basis.

1 Report

The purpose of this report is to provide Audit Committee with an update on governance arrangements. Specifically:

- An update on the status of recommendations made by the Redmond Review
- CIPFA's position statement on the role of Audit Committees in Local Authorities and Police 2022
- The appointment of independent persons to the Audit Committee
- Proposed amendments to the Audit Committee Terms of reference, for recommendation to Full Council for adoption as part of the Council's Constitution.

2 The Redmond Review into Local Audit

On 8 September 2020 the Government published the results of an independent review, led by Sir Tony Redmond, into the effectiveness of local authority financial reporting and audit. 'Local audit' here means external audit. The focus of the review is largely on external audit arrangements and the publication of statutory local authority accounts, although the work of internal audit is covered where relative to the statutory audit process.

Local authority accounts are complex and the review highlighted a number of potential weaknesses with the current local audit framework and makes recommendations to address these. Broadly, these cover the following areas:

- External Audit Regulation and Oversight

- Financial Reporting
- Governance
- Financial Resilience and Sustainability

The implications for the Council are as follows:

- A likely increase in audit fees of circa 150% in 2023/24.
- The requirement for the auditor to present an annual report to Full Council.
- The appointment of at least one suitably qualified independent member to the Audit Committee.
- An additional requirement to produce a standardised statement of service information and costs.
- A revised timetable, with a change in the reporting deadline to 30th September, as in the current year.

Appendix A summarises the current status of recommendations arising from the Redmond Review.

3 CIPFA's Position Statement on the Role of the Audit Committee

CIPFA is a UK – based international accountancy standard-setting body for the public sector. As part of its remit, CIPFA issues guidance on best practice in public financial management in the United Kingdom.

Following the Redmond review publication, CIPFA updated its position statement on the role of the Audit Committee in local authorities and police authorities (appendix B to this report) in November 2022.

The Audit Committee is a key part of the Council's governance framework. Current arrangements for the Council's Audit Committee reflect the majority of the principles and practices outlined in CIPFA's Position Statement on Audit Committee in Local Authorities and Police 2022. An exception to this is the inclusion of independent members of the committee. Proposals to address this are set out at section 4 to this report.

4 The appointment of independent persons to the Audit Committee.

One of the key recommendations of the Redmond review, subsequently reflected on CIPFA's updated position statement, is the inclusion of co-opted independent members in the make-up of the committee. Whilst this is not currently a legal requirement, inclusion of at least two independent members as part of the Audit Committee is considered best practice in the sector.

It is recommended that Audit Committee approve the appointment of up to two independent members in order to comply with best practice.

Guidance has been sought from the Council's Monitoring Officer (Assistant Director, Legal and Democratic Services) prior to bringing this recommendation to Committee. Officers have also looked at process and documentation produced by other Councils who have appointed to similar roles on their Audit Committee.

The independent persons would be a non-councillor. Whilst participating fully in the business of Audit Committee, they would not have voting or decision making rights in the same way elected Members of the Audit Committee do. The independent persons would carry out their role in an advisory and consultative manner.

Suitably qualified and experienced independent member(s) serving on Audit Committees can also bring specialist knowledge and insight to the workings and deliberations of the committee which, when partnered with elected members' knowledge of working practices and procedures, ensure:

- An effective independent assurance of the adequacy of the risk management framework.
- Independent challenge to and assurance over the Authority's internal control framework and wider governance processes.

It is recommended that recruitment be on a competitive basis following the Council's rules, including an open advertisement and interviews, as currently undertaken for independent members of the Standards Committee. Reasonable travel and other expenses will be paid to the persons concerned.

A proposed Job Description and Person Specification for the role is attached at Appendix C.

Next steps for appointment:

- | | |
|----------------|--|
| September 2023 | Roles advertised for a period of 1 month. |
| October 2023 | Shortlisting of candidates to take place, followed by panel interviews.
Roles offered to successful candidates. |
| November 2023 | Independent person(s) commence membership of Audit Committee. |

5 Proposed amendment to the Audit Committee terms of reference.

An extract from the Council’s constitution setting out the Terms of Reference for Audit Committee is attached at Appendix D.

It is proposed that the constitutions is amended to include reference to Audit Committee membership comprising at least one but up to two independent members. Proposed amendments are included in italics on Appendix D.

6 Financial and value for money implications, legal implication and risk implications:

The purpose of the Audit Committee is to provide a high level focus on the adequacy of governance, risk and control arrangements within the Council. This helps ensure appropriate levels of financial control exist within the Council and the Council continues to offer value for money.

7 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.

8 Sustainability implications (including climate change, health and wellbeing, community safety)

There are no direct sustainability implications arising from this report.

9 Council infrastructure (including Health and Safety, HR/OD, assets and other resources)

There are no direct Council infrastructure implications arising from this report

10 Conclusion

This report has provided an update on current governance matters for committee to consider and approve.

Redmond Review of Local Authority Financial Reporting and Audit

Overview

On 8 September 2020 the Government published the results of an independent review, led by Sir Tony Redmond, into the effectiveness of local authority financial reporting and audit. Local authority accounts are complex and the Review highlights a number of potential weaknesses with the current local audit framework and makes recommendations to address these. This briefing note summarises the key findings and recommendations within the report, as well as implications for the Council.

Key Findings:

The review identified a number of key issues with local audit, including:

- An ineffective balance between price and quality with 40% of audits in 2018-19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff
- A lack of coordination and regulation of audit activity
- Outcomes not always being effectively considered and presented to the local authority and public
- The technical complexity of statutory accounts limiting public understanding and scrutiny

Recommendation

To note that, as a result of these findings, 23 recommendations were made, with the key ones outlined below. The implementation of some of these recommendations would require changes to primary legislation however, many could be implemented without.

External Audit Regulation and Oversight

- The creation of an Office of Local Audit Regulation to procure, manage and regulate external audits. **Implemented by Government.**
- Revisions to the current fee structure for external audits to ensure adequate resources are deployed. **Implemented for 2023/24 accounts. Prices increasing by circa 150%.**
- Additional skills training for those involved in local audits and the amendment of statute to allow audit firms with the requisite capacity, skills and experience to bid for local audit work. **Pending.**
- The deadline for publication of audited local authority accounts be considered in consultation with the NHS, with a view to extending the deadline from 31 July to 30 September. **Under constant review the deadline for 22/23 is the 30th September.**

Financial Reporting

- A simplified and standardised financial statement of service information and costs be made available to the public to allow comparison with the annual budget and council tax. This new statement would be prepared in addition to the statutory accounts and would be subject to audit. **Policy in process.**

- CIPFA/LASAAC to look again at the composition of the statutory accounts to see if improvements can be made to simplify their presentation and enhance their usefulness and understandability. **Policy in process.**

Governance

- The composition of audit committees be examined to ensure they have the required knowledge and expertise. Consideration should be given to the appointment of at least one suitably qualified, independent member to support elected representatives in scrutinising local authority finances. **Although not yet set in statute, it is considered best practice. Recommendation is for DBC to recruit at least one independent AC member in 2023.**
- To demonstrate transparency and accountability, external audit would be required to submit an annual report to the first full council meeting after 30 September each year, irrespective of whether the financial accounts have been certified. **Policy in process.**
- A formal requirement for statutory officers (Chief Executive (CEX), Monitoring Officer (MO) and Section 151 Officer) to meet, at least annually, with the Key Audit Partner. **DBC stat officers (S151 and CEX) meet with the key audit partner quarterly, we will look to include the MO going forward.**

Financial Resilience and Sustainability (The new Annual Auditors Report on the June agenda)

- The current framework for seeking assurance on financial sustainability is reviewed by MHCLG to help address the gap between stakeholder expectations and what the auditor is required to do.
- The sharing of key concerns relating to service and financial viability, between local auditors and inspectorates, prior to completion of the external auditor's report.
- In addition, an update to the NAO's Code of Audit Practice that will be applicable from 2020-21 will require auditors to provide a narrative statement on the arrangements an authority has in place to secure value for money.

Conclusions and implications for the Council

As you will see above some of these Recommendations have been implemented, are still under discussion or no further action has been taken to date. A number of the outstanding recommendations require primary legislation to be in place, after which the timescale for implementation will be clearer.

Assuming that some of the outstanding recommendations are implemented, key implications for Dacorum will include:

- A likely increase in audit fees of circa 150% in 2023/24.
- The requirement for the auditor to present an annual report to Full Council.
- The appointment of at least one suitably qualified independent member to the Audit Committee.
- An additional requirement to produce a standardised statement of service information and costs.

- A revised timetable, with a change in the reporting deadline to 30th September, as in the current year.

Some of the recommendations made by other reviews on audit reform, e.g. Kingman and Brydon reviews, may also be relevant to the future of local audit and legislation to implement these is pending.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.



JOB DESCRIPTION AND PERSON SPECIFICATION

Post Title: Independent Person- Audit Committee

Date: July 2023

INTRODUCTION

The Council's Audit Committee is a key part of the organisation's governance framework. The purpose of the committee is to provide an independent and high –level focus on the adequacy of governance, risk and control arrangements in the organisation. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance (Full Council) that those arrangements are effective. Full Council are the body charged with governance, with some governance responsibilities delegated to Audit Committee. Audit Committee are accountable to Full Council.

Independent Person

The role of the Independent Person on Audit Committee is to provide appropriate skills and experience to supplement those of the elected members and improve the effectiveness of Audit Committee. The role does not have voting or decision making powers as other elected members of Audit Committee have. Rather the role operates in an advisory capacity.

SPECIFIC RESPONSIBILITIES

- To engage fully in considerations of the issues presented before the Audit Committee, taking into account a full range of relevant factors, including legislation and supporting regulation and professional guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Council's Section 151 Officer (Chief Finance Officer) and the Council's Monitoring Officer.
- To participate fully in the discharge of all Audit Committee functions, as set out in the Audit Committee's terms of reference and the Council's constitution.
- To promote the concept of proportionate, effective risk management and internal control throughout the organisation and to promote and support the work of Internal Audit and External Audit.
- To participate in the periodic review of the overall effectiveness of Audit Committee and its terms of reference.
- To participate fully in all training provided for Audit Committee to support the knowledge and skills of the committee.

Person Specification

Experience

Knowledge / experience in matters of an audit nature.	Essential
Knowledge / experience of risk management, performance management and financial governance.	Essential
Working to high behavioural standards, demonstrating honesty, probity and the highest level of integrity in conduct.	Desirable
Experience gained working in a large, or public sector, organisation.	Desirable
Serving on a committee.	Essential

Skills

Ability to analyse complex evidence and reach rational conclusions, incorporating appropriate advice.	Essential
Ability to be objective, independent and impartial.	Essential
Ability to work constructively as part of a group.	Essential
Ability to make reasoned decisions.	Essential.
Strong strategic awareness and ability to identify emerging external factors that may impact on strategy, implementation of plans, or reputation with key stakeholders.	Essential
A good communicator with excellent interpersonal skill, able to support and challenge constructively.	Essential

Knowledge

Knowledge of the locality of Dacorum, and knowledge of its communities.	Desirable
Knowledge of the Council's strategic priorities and objectives, as set out in the Corporate Plan.	Desirable
Understanding of the complexity of issues surrounding audit and risk management in local government.	Desirable
Understanding of committee procedures.	Desirable

Other

Live or work in Dacorum or its surrounding areas.	Essential
Committed to the Council's position on Equality, Diversity and Inclusion and its promotion	Essential
Must not have unspent criminal convictions.	Essential
Must not be a relative, or a close friend of a Borough councillor, be a serving Borough Councillor or Council employee.	Essential
Must have no personal, legal or contractual relationship with Decorum Council (including employees or members or former staff), or any other relationship /	

Activity which might represent a conflict of interest.

Essential

Able and willing to devote the necessary time to the role.

Essential

Dacorum Borough Council Audit Committee – extract from the Council’s constitution (section 2.10). Proposed amendments in italics.

2.10.1 Shall comprise of 6 members of the Council *plus up to two co-opted independent persons*.

2.10.2 The Audit Committee shall meet a minimum of 4 times a year and in accordance with the cycle of meetings approved annually by the Council.

2.10.3 Terms of Reference

The functions of the Audit Committee shall be to exercise the audit powers of the Council in relation to:

External Audit:

(i) To consider the Head of Internal Audit’s annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council’s governance arrangements.

(ii) To consider summaries of specific Internal Audit reports as requested.

(iii) To consider reports dealing with the management and performance of the providers of Internal Audit Services.

(iv) To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.

(v) To consider the External Auditor’s Annual Letter, relevant reports, and the report to those charged with governance.

(vi) To consider specific reports as agreed with the External Auditor.

(vii) To comment on the scope and depth of external audit work and to ensure it gives value for money.

(viii) To liaise with the Public Sector Audit Appointments (PSAA LTD) over the appointment of the Council’s external auditor.

(ix) To commission work from Internal and External Audit.

Regulatory Framework:

(x) To maintain an overview of the Council’s Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

(xi) To review any issue referred to it by the Chief Executive, Chief Finance Officer, Strategic Director, or any Council body.

(xii) To monitor the Governance and Risk arrangements within the Council.

(xiii) To monitor council policies on ‘Raising Concerns at Work’ and ‘Anti-fraud and corruption’.

(xiv) To oversee the production of the Council’s Annual Governance Statement and to formally agree it.

(xv) To monitor the Council’s arrangements for governance and agreeing necessary actions to ensure compliance with best practice.

(xvi) To monitor the Council’s compliance with any relevant legislation and its own and other published, policies standards and controls.

Accounts:

(xvii) To review and approve the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit.

(xviii) To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

Support

(xix) In order that the Audit Committee can exercise its audit powers properly it may require any senior officer to attend before the Audit Committee to answer questions within their remit and it is the duty of those persons to attend if so required.

MEETING DATE	REPORT DEADLINE	STANDING ITEMS	ADDITIONAL ITEMS
20/09/23	12/09/23	Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB	Final outturn position 2022-23 Final Statement of Accounts 2022-23 Treasury Management outturn 2022-23 and Q1 2023-24 performance Strategic Risk Register Q1 2023-24 update Statement of Internal Control Assurance report Final Annual Internal Audit Report
22/11/23	14/11/23	Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB	Treasury Management 2023-24 mid-year update and performance Statement of Internal Control Assurance report Strategic Risk Register Q2 2023-24 update
14/02/24	06/02/24	Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB	Treasury Management Q3 2023-24 update and performance Statement of Internal Control Assurance report Strategic Risk Register Q3 2023-24 update Internal Audit Plan 2023-24

<p>20/03/24</p>	<p>12/03/24</p>	<p>Apologies for absence Declarations of Interest Minutes Actions Public Participation Work Programme AOB</p>	<p>External Audit Plan 2023-24 Statement of Internal Control Assurance report</p>
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