

Audit Agenda



Wednesday 21 September 2016 at 7.30 pm

DBC Bulbourne Room - Civic Centre

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 Barnes
Councillor Brown
Councillor Douris

Councillor Taylor (Chairman)
Councillor Tindall
Councillor W Wyatt-Lowe

Substitute Members:

Councillors G Adshead, Anderson, Link and Ransley

For further information, please contact J Doyle or (228222)

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence

2. DECLARATIONS OF INTEREST

To receive any declarations of interest

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

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

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

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

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

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

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

3. MINUTES AND ACTIONS

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

4. PUBLIC PARTICIPATION

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

5. STRATEGIC RISK REGISTER (Pages 4 - 22)

6. TREASURY MANAGEMENT OUTTURN AND PERFORMANCE INDICATORS 2015/16 (Pages 23 - 32)

7. INTERNAL AUDIT PROGRESS REPORT (Pages 33 - 90)

Internal Audit Progress Report

Internal Audit Reports

- Commercial Asset Management
- Housing Rents
- Community Infrastructure Levy

8. AUDIT COMMITTEE WORK PROGRAMME 2016-17 (Pages 91 - 92)

Agenda Item 5



AGENDA ITEM:

SUMMARY

Report for:	Audit Committee
Date of meeting:	21 September 2016
PART:	1
If Part II, reason:	

Title of report:	Strategic Risk Register Quarter 1, 2016/17
Contact:	Cllr Graeme Elliot , Portfolio Holder Finance & Resources James Deane , Corporate Director (Finance & Operations) Linda Dargue, Lead Officer, Insurance & Risk
Purpose of report:	To provide the Quarter 1 update on the Strategic Risk Register
Recommendations	That the content of this report is noted and that Committee seek further assurance where required.
Corporate objectives:	Dacorum Delivers – Risk management is an essential part of ensuring that the Council meets all of its objectives
Implications:	<u>Financial</u> Incorporated within the report..
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report these minimum balances are secured. Budget exercises for 2016/17 have ensured that the minimum balance requirements will also be met for the next financial year.
Risk Implications	Effective risk management is an important factor in all policymaking, planning and decision making.

	Failure to manage risk effectively could have serious consequences for the Council leading to increased costs, wasted resources, prosecution and criticism under external assessments
Equalities Implications	Equality Impact Assessment reviewed/carried out* Not applicable
Health And Safety Implications	Not applicable
Consultees:	Chief Officer Group
Background papers:	Cabinet, October 2014, Agenda Item 10

BACKGROUND

1. The revised Strategic Risk register showing the position at the end of Q1 2016/17 is attached at Appendix A.
2. For this quarter the risk scores have remained unchanged , however the narrative has been reviewed and amended as appropriate to reflect the present position.
3. This iteration of the risk register, i.e. as at Quarter 1, will be reported to Cabinet on October 18 2016, and will include comments, suggestions as requested by the Audit Committee.

STRATEGIC RISK REGISTER

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C5 - The Council fails to comply with the regulatory framework within which it must operate.					
Category:	Corporate Priority:	Risk Owner:		Portfolio Holder:	Tolerance:
Legal & Regulatory	Dacorum Delivers	James Deane			Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	3 Likely	2 Medium	6 Amber
Consequences		Current Controls		Assurance	
<p>As a public sector organisation, there a number of regulatory frameworks which govern the way in which the Council must operate both on a day-to-day basis and in the discharging of one-off duties or actions.</p> <p>Generally, compliance with these frameworks is considered an operational risk and is monitored and managed through a combination of the Operational Risk Register and Performance Indicators which are reported to the relevant Overview and Scrutiny Committees.</p> <p>However, there is a risk that in some circumstances failure to comply with regulations could result in a number of consequences for the Council that are sufficiently negative and high profile in nature to become, for a short time, strategic in nature.</p> <p>For example, failure to follow the correct protocols prescribed under the data protection legislation could result in the following consequences for the Council:</p>		<p>The Council has a number of strategies and policies in place which aim to provide clarity in the way Council Members and staff should operate.</p> <p>These documents are reviewed and updated periodically by Officers who are experts in the field and are frequently the subject of Internal Audit reviews in order to provide Members with independent, third-party assurance.</p> <p>These processes mitigate the likelihood of this risk crystallising and have resulted in my reducing the inherent risk score from '4', Very Likely, to '2', Unlikely.</p> <p>Data Protection policy & procedures Health & Safety policy & procedures Risk Management framework Safeguarding policy & procedures Financial Regulations Procurement Standing Orders Constitution</p>		<p>The Financial Regulations (Main Accounting) and Emergency Plan were audited by Mazars, the Council's Internal Auditors in 2014/15 and achieved a FULL level of assurance.</p> <p>The Risk Management framework and Procurement Standing Orders were audited in 2014/15 and achieved a SUBSTANTIAL level of assurance.</p> <p>Data Protection, Health and Safety, the Constitution (Corporate Governance) and the Financial Regulations (Main Accounting) are in the Internal Audit plan for review in 2015/16.</p>	

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<p>1. Disclosure of personal information causing harm to a resident 2. High profile negative publicity regarding the way the Council operates 3. Significant financial penalty imposed by the Information Commissioner</p> <p>This risk has been included on the Strategic Risk Register to ensure that there is scope to escalate an operational risk for Cabinet consideration and Audit Committee scrutiny should there be a period of intensified risk in a specific regulatory area.</p>	<p>Emergency Plan Human Resources terms & conditions</p>	
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Sign Off and Comments

Sign Off Complete

At the end of the last quarter, the Residual Probability of this risk crystallising was increased from 2 to 3 to reflect the ongoing investigation by the Health & Safety Executive into Hand Arm Vibration cases among machine operatives at Cupid Green Depot.

The investigation remains ongoing, but there have been no material developments that warrant an adjustment to the risk score this quarter. Members will be advised as and when new information becomes available.

C6 - The Council does not attract and retain the skill sets within its workforce that will enable it to maximise opportunities for delivering its services more efficiently through increased partnership working.

Category: People/Employees	Corporate Priority: Dacorum Delivers		Risk Owner: Robert Smyth	Portfolio Holder:	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	2 Unlikely	4 Severe	8 Amber

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Consequences	Current Controls	Assurance
<ul style="list-style-type: none"> • The quality of service delivery is likely to be adversely affected due to a lack of resources and/or skills to effectively deliver services through increased partnership working. • There is likely to be a reduction in efficiency savings due to inability to create more effective partnerships. • There is also likely to be a negative impact on any proposals for devolved powers. • A failure to create more examples of effective partnership working will result in a higher likelihood of back office and front line services being reduced as the financial constraints on the Council's budget continue to tighten. 	<ul style="list-style-type: none"> - Leading in Dacorum continues to be delivered (all courses stated in risk register) - People strategy to be implemented autumn 2016 which will cover issues including graduate scheme, apprenticeship scheme, succession planning, reviewing T&Cs etc. - Continuation of sharing services with other LAs, with policy development and transactional/operational Hr activities - The new approach for service planning for 2016/2017 focusses heavily on service innovation, service efficiencies and workforce planning. - All leadership appointments are subject to behaviour tests which will assist with assessing their understanding and approach to partnership working. This control will reduce the risk as it will ensure that candidates who are appointed to leadership positions within the Council will have demonstrated that they display a positive approach to partnership working. 	<ul style="list-style-type: none"> • Across 2015/16 the Council had a voluntary annual turnover rate of 10.6% (76 staff). This compares positively to the public sector average (18%) and it is below the level within local government (11.9%). It is also lower than average for district councils (11%). • Opportunities for collaboration and shared services are being actively considered across Hertfordshire in relation to Legal, HR, Information Management, Insurance and Payroll Services. • Recruitment for leadership posts is generally competitive with a good number of applications being received from suitably qualified candidates for vacant posts.
Sign Off and Comments		
Sign Off Complete		

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We have continued to work hard to ensure that we attract and retain the right people in the right areas, and in doing so we have focused on two broad elements; recruitment and retention & development and training.

Recruitment and Retention:

We have a well-established approach to recruitment which includes training for managers, job adverts in modern media and up-to-date recruitment policies. We also work closely with services and specialist recruitment agencies to address any gaps or hard-to-fill vacancies.

We have increased the use of behaviour based assessments and personality profiles as part of the recruitment process to ensure that staff joining the organisation have the right values as well as having the right skills and experience.

Appraisals have been carried out for 2016/2017, as part of this process staff are set their performance objectives in line with service plans for the coming year. A staff survey has also been completed and we are working closely with staff analyse the results and to understand in what areas further improvement is needed.

Development and Training:

Our dedicated management training programme (Leading in Dacorum) continues to be delivered and our service planning model focuses on service innovation, service efficiencies and workforce planning.

Conclusion and Next Steps:

Given the controls in place, it is not necessary to increase the risk or likelihood of it crystallising.

However the new People Strategy, which will be launched in autumn, will be central in setting out our long term vision and plan of action to provide the platform for future actions in relation to this strategic risk.

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C7 - Controls do not develop at a sufficient pace to keep track with the continually emerging data protection risks

Category: Corporate	Corporate Priority: Dacorum Delivers	Risk Owner: Sally Marshall	Portfolio Holder:	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
<p>Cause of Risk - The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services.</p> <p>It is also required by the Data Protection Act and Government's Public Sector Network (PSN) Code of Connection (CoCo) to maintain confidentiality, integrity, availability and appropriately authorised use of the data.</p> <p>With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information storage sources, controls on data management and security have become complex and important.</p> <p>Consequences of Risk –</p> <ol style="list-style-type: none"> Poor decision making due to ineffective use of or insufficient availability of data and information sharing. Loss, misrepresentation or unauthorised disclosure of 		<p>Information Security Officer appointed -responsibilities include:</p> <ul style="list-style-type: none"> the Council's Corporate Information Assurance specialist the custodian, owner and updater of ICT Security and Information Governance strategy, policy and procedure ensuring that the Council complies with the latest legislation in terms of ICT Security standards and compliance. To ensure that the Council's policies and procedures regarding ICT Security and Information governance are adhered to across all the Council's services. To keep informed of relevant technical innovation and changes to technological, infrastructure, telecom and software systems in relation to Information Security. To be the custodian and owner of Information Security and Governance Standards. To manage Information Security and Governance strategies and to support the Council in the future development of Information Security, Governance and Business Continuity. 		<ul style="list-style-type: none"> Information Security Officer appointed Various ICT policies and procedures in place Compulsory training for staff on Data Security PSN Compliance 	

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sensitive data, DBC has the potential to be susceptible to cyber-attacks or sabotage.
 3. Under performance. Breach of Data Protection Act leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs.
 4. Significant interruption of vital services leading to failure to meet duties and to protect people, finances and assets.
 5. Potential damage to DBC's reputation.

- To train Council Staff, Members on Information Security, Data Protection Act and Freedom of Information Acts.
- Compulsory training for staff on Data Security
 - PSN Compliance
 - Audit of data protection approach

Sign Off and Comments

Sign Off Complete

We continue to enjoy full PSN compliance which shows that that our processes and network & security controls meet the exacting requirements of the Cabinet Office. This includes a range of technical security measures including corporate firewalls, anti-virus software, end point security solutions and various authentication processes. However our PSN accreditation is up for renewal (in October) and we are currently working through the penetration testing process as part of new submission.

Every quarter we run training courses on data protection and information, governance and risk and we have recently updated the training guidance to require staff to attend a refresher course at least once every four years. There will be a new Act in 2018 – entitled the General Data Protection Regulations (GDPR) – which will bring about some changes to the way we process personal data. In light of this we will be revising our training to reflect the new law (which will be in force in May 2018).

Staff are also required to review, understand and sign a number of policies including ICT Acceptable Use Policy, Data Protection Policy and the Corporate Information Technology Security Policy. All suppliers working with our data are also required to complete an 'accreditation form' which assures us that they have robust data protection policies and controls in place.

Given the range of measures and controls we do not consider it necessary to change the ratings for this strategic risk.

F6 - Changes to legislation could negatively affect the medium to long term viability of the HRA Business Plan.

Category: Financial	Corporate Priority: Affordable Housing	Risk Owner: Mark Gaynor	Portfolio Holder:	Tolerance: Treating
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Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
4 Very Likely	4 Severe	16 Red	4 Very Likely	3 High	12 Red
Consequences		Current Controls		Assurance	
<p>Since the 'once and for all' settlement with government on the self financing of the HRA there have been major legislative and policy changes which, overall, have impacted detrimentally on the HRA Business Plan:</p> <ul style="list-style-type: none"> The re-invigoration of the RTB which has increased sales from around 15-20 per year to well over 100 The parallel introduction of the RTB 'one for one' replacement scheme where the Council can use receipts to build new homes but only to pay for 30% of costs (leaving the other 70% to be sourced) A change to national rent policy which moved from RPI + 0.5% to CPI + 1% and ending the process of reaching target rents (leaving 60% of DBC properties below target) <p>The government now propose two further changes which, if enacted, will further constrain the capacity of the HRA Business Plan viability:</p> <ul style="list-style-type: none"> A rent reduction of 1% per year for four years and a complete inability to make any progress towards convergence to target rents (a reduction of income of £30M over the first four years and over £500M over the lifetime of the HRA Business Plan) Enforced sales of 'high value' council homes as they become vacant to fund Housing Association RTB <p>The first of these changes is already in draft legislation</p>		<p>Elements of the changes are yet to apply (the rent changes start from April 2016) and the current controls – proper business planning, the disciplines of the MTFs, project and programme management arrangements, effective contract management, annual efficiency programmes and so on – reflect on the existing position and could provide sufficient mitigation to the long term business plan. The controls proposed for the new changes – if the proposed legislation is enacted – will only mitigate the impact to an extent as the scale of change, compounded with previous changes, are so significant. The controls are as follows:</p> <p>A complete review of the HRA Business Plan to spread the impacts over activities and over time. Initially, in order to deliver the current new build programme, this will be focused on a slowing down of the investment into current stock.</p> <p>Reducing the costs of running the service through efficiency and service redesign (in partnership with tenants and leaseholders).</p> <p>Improved procurement of services and renegotiation of existing contracts (though these have been procured within the last year or so and will restrict potential). This would include seeking shared services with other partners and models of operation which reduce the</p>		<p>A remodelling of the HRA Business Plan has been made to take account of the impact of the changes which will be considered by Cabinet (initially in November 2015 and periodically thereafter). This has demonstrated that the current new build programme can be completed. The ability to extend this further will depend on the success of the mitigations above.</p>	

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and the assumption must be that it will happen. The consequences are very significant, and even with mitigation will continue to be so:
The financial viability of the HRA to meet its current business plan objectives in full cannot be made due to loss of income and economies of scale as stock numbers diminish.
Services to tenants will have to reduce, including proposed investment in the existing stock, to deal with the scale of resource reduction.
The new build programme at its proposed scale will have to reduce, and possibly cease, in order to provide services to tenants and balance the books.
The resources provided through RTB one for one replacement will be unused and lost to the Borough as it is returned to the Treasury as a result of the Council's inability to provide the 70% match funding and as Housing Associations reduce their supply of new affordable homes (as a result of the same legislative changes impacting on the Council).
The Council's housing stock will progressively reduce through RTB, enforced sales and reduction in new build which will reduce its ability to meet the housing needs in the Borough and achieving the strategic objective of increasing the supply of affordable homes.

overheads of the HRA.
Maximising the income to the HRA by altering use of parts of the stock (increased use of HRA stock for temporary accommodation and provision of low level care as part of a tenancy where rent controls do not apply).
Altering the tenure mix of the current new build programme to include shared ownership and market sale in order to cross subsidise new rented provision. This could incorporate an element of affordable rent to increase revenue.
Development of a partnership approach to use of RTB one for one replacement funding with local Housing Associations in order to minimise losses of resource to the Borough and to increase supply of new homes.
Fully exploring the potential of a Local Housing Company to improve the cost of delivery of new homes alongside the benefits to the General Fund.
Lobbying of government regarding the disproportionately severe impacts of the changes, though historical reasons, on DBC seeking some local amelioration.
Ensuring that our intelligence on the changing position and on developments within the sector are fully up to date through membership of ARCH, liaison with CIH and other key bodies.
The following controls are in place already with regard to the financial and strategic management of the HRA Business Plan:
• An annual refresh of the HRA Business Plan reported

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Page 14	<p>both to CMT and to Cabinet</p> <ul style="list-style-type: none"> • Monthly meeting between budget holders and accountants monitoring progress against original timeframes and costs • Regular meetings of the Corporate New Build Group considering performance and new schemes • CMT receive a fortnightly update on the new build programme • Performance Board comprising Chief Officers and cabinet members receive a report on progress before each cabinet meeting • Reports on HRA performance go the Overview and Scrutiny every quarter • The HRA is reported as part of the overall corporate financial reporting process 	
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Sign Off and Comments

Sign Off Complete

We are still awaiting the regulations which will give the detail to the new legislation. An update to the HRA Business Plan is planned for November 2016.

F7 - Funding and income is not sufficient to deliver the Council's corporate objectives

Category: Financial		Corporate Priority: Dacorum Delivers		Risk Owner: James Deane	Portfolio Holder:	Tolerance: Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score	
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber	
Consequences		Current Controls		Assurance		
The government's austerity programme has led to		The Council's Medium Term Financial Strategy and the		There were three internal audit reviews undertaken by		

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reduced Local Authority funding over the last five years, resulting in the Council's need to find savings of £5m since 2010/11. Further funding reductions in excess of £3m are forecast over the next four years, which increase the risk of the Council being unable to deliver its vision for the borough, as detailed in the Corporate Plan.

(http://www.dacorum.gov.uk/docs/default-source/council-democracy/dacorum_corporateplan_web.pdf?sfvrsn=2)

Sustained funding reductions of this magnitude are not only a risk to the Council's capacity to grow and enhance the community, but more fundamentally they are a risk to the continued provision of high quality frontline services to residents.

If the Council is unable to deliver its vision or to protect its frontline service provision, it risks the following consequences:

Increased community hardship as the services provided to the most vulnerable residents in the borough are impacted, leading to delays in their accessing financial and residential help.

The impact of reducing standards of environmental services across the borough could lead to a less attractive environment and a loss of community identity and civic pride for residents.

HRA Business Plan are controls that mitigate the likelihood of this risk crystallising through the effective modelling of the future financial environment, which allows for more effective forward planning. These controls are detailed below, and have resulted in my reducing the inherent risk score from '4', Very Likely, to '3', 'Likely'.

The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link:

<http://www.dacorum.gov.uk/docs/default-source/council-democracy/mtfs-july-cabinet-2015.pdf?sfvrsn=0>

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.

Mazars during 2014/15, which provide an external view of the effectiveness of the controls implemented by the Council to manage the financial risks to delivering its priorities.

The audits on 'Efficiency Savings' and 'Main Accounting' received a Full level of assurance (the highest available), and the audit on 'Budgetary Control' received a Substantial level of assurance (the second highest available).

These internal audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives.

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Reputational damage as residents become dissatisfied with their experience of interacting with the Council. This risk is exacerbated by the growth of social media and the ability of residents to share their experiences with large numbers of people instantaneously.

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

The Council reviews its Corporate Plan periodically to ensure that the vision for the borough remains relevant and realistic within the financial constraints outlined within the MTFS and the HRA plan. The aspirations of the Council and the community are managed through the Council's Communications Strategy both through social media, the local press and Digest.

Sign Off and Comments

Sign Off Complete

The position reported to the Audit Committee as part of the Strategic Risk Register last quarter was approved by Cabinet in July 2016 as part of the refreshed MTFS. There have been no further material changes to factors affecting this risk since that time. Work continues on the budget-setting process for 2017/18, part of which will include a refresh of the MTFS.

I3 - The Borough does not secure sufficient investment in infrastructure to ensure that housing delivery and economic and community growth is sustainable in the longer term.

Category: Infrastructure	Corporate Priority: Affordable Housing	Risk Owner: Mark Gaynor	Portfolio Holder:	Tolerance: Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score

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4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
Consequences		Current Controls		Assurance	
<p>The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. Failure to provide this infrastructure will have a number of damaging consequences:</p> <p>Reduction in the quality of life and opportunities for people in the Borough</p> <p>A serious constraint to economic growth with the impact on the contribution to service provision through Business Rates growth</p> <p>Increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope</p> <p>Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council</p>		<p>Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.</p> <p>The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:</p> <p>Ensuring that the Local Plan (and its component elements such as the Core Strategy, site allocations, supporting policies and so on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. Use of masterplanning supports what is required to be delivered to produce sustainability on larger sites.</p> <p>The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes</p>		<p>The process for setting out development delivered is through the Annual Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure.</p> <p>Regular reports are made as set out above in controls.</p>	

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an element of CIL which can be spent by local communities and act to link growth directly with infrastructure provision local people want.

Operating a 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.

Stimulating required growth through the Council's own regeneration activity, including Hemel Evolution, Gade Zone and Heart of Maylands resulting in inward investment being more likely.

Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.

Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.

Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)

Working to create key partnerships to bring forward development capable of funding major infrastructure

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	(such as Gorhambury) These controls are exercised within the following: <ul style="list-style-type: none"> • Monthly reporting to Hemel Evolution Board and Corporate Regeneration Group • Fortnightly reporting on key projects to CMT • Reporting to Performance Board before each Cabinet Meeting • A clear programme for the Local Development Framework and CIL • Quarterly reporting to Overview and Scrutiny • Regular reporting to Cabinet • Adherence to the agreed performance and project management processes 	
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Sign Off and Comments

Sign Off Complete

Progress continues in developing the Enterprise Zone with a view to April 2017 commencement. The government is currently reviewing the operation of CIL nationally. CIL contributions have started to come in but as yet at a very slow pace.

R5 - The Council does not embrace the increased use of social media as a tool for social engagement and increased community engagement.

Category: Reputational	Corporate Priority: Dacorum Delivers	Risk Owner: Sally Marshall	Portfolio Holder:	Tolerance: Treating
Inherent Probability 3 Likely	Inherent Impact 3 High	Inherent Risk Score 9 Amber	Residual Probability 2 Unlikely	Residual Impact 3 High
Consequences		Current Controls	Assurance	
The risk of not using social media		In order to mitigate these risks we have put in place a number of controls:	o Corporate Information Security Management Policy o Corporate Information Technology Security Policy	

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- This will mean that our approach to engagement (i.e. letters, workshops, printed magazines) is likely to exclude key demographic groups including younger residents and those who are more technologically minded.

- We will not be able to respond to negative posts or views which could cause significant reputational damage or risk.

- We will have less opportunity to influence Government and media through the use of targeted campaigns and communications.

- The organisation may not be viewed as 'technologically forward thinking' which could lead to reputational risks. This includes more difficulty in attracting hi-tech investment or exclusion from innovation pilots.

Managing the risk of social media

- Members of the public can use DBC's profile to raise negative or incorrect statements that damage the reputation of DBC.

- Employees may breach data security rules regarding the management of private or confidential information.

- Inappropriate or unacceptable content posted by employees

The risk of not using social media

- Our social media strategy sets out how we will proactively engage with residents through Twitter, Facebook, Linked In, Instagram and using online videos.

- We have 18 social media accounts covering corporate and operational services including from the CSU.

- We regularly use social media to actively promote campaigns, events and messages.

- We interact with partners and other third parties (eg HCC) to promote joint initiatives via social media

- We generate reports and analysis on scale and content of Facebook and Twitter posts.

Managing the risk of social media

- We employ the Crowd Control system to enable the Communications team to manage and authorise services posts and tweets.

- The Crowd Control system also enables the Communications team to monitor and respond to any negative posts.

- Our system provides automatic moderation of abusive

- o Data Protection Act Policy
- o Freedom of Information Policy
- o PSN/Government Connect (GSx) Acceptable Usage Policy
- o Information Security Incident Procedure
- o Social Media Strategy
- o Facebook and Twitter accounts
- o Social Media Management System

STRATEGIC RISK REGISTER

June 2016



<p>- Our social media accounts are 'identity jacked' which occurs when fake accounts are set up to look like those of DBC. This is a risk because the fake accounts can post incorrect or inappropriate information which is then associated with DBC.</p> <p>- Weak authentication in the use of social media accounts can lead to them being hacked. The hacked accounts are then used to post inappropriate, derogatory or libellous comments.</p> <p>- The use of social media can make it easier for 'pressure groups' to generate support behind negative campaigns.</p>	<p>messages.</p> <ul style="list-style-type: none"> - We provide in-house training for all staff posting on DBC social media accounts. - We use a subscription service that manages and secures accounts. - All staff are required to read and sign-up to a range of policies including: <p>Corporate Information Security Management Policy Corporate Information Technology Security Policy Data Protection Act Policy Freedom of Information Policy PSN/Government Connect (GSx) Acceptable Usage Policy Information Security Incident Procedure</p>	
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Sign Off and Comments

Sign Off Complete

STRATEGIC RISK REGISTER

June 2016



During the reporting period we posted over 1,130 outbound messages, received over 233 direct messages and had a total twitter reach of 2.05 million viewers across our 18 social media accounts and networks. Some of the campaigns we have run include Clean and Tidy (Clean for the Queen), Dacorum's Den, Elections and Democracy (Referendum) and Hemel Evolution (Fountain and Water Gardens).

From a security perspective we have continued to manage our social media profile through a range of measures including our dedicated social media management system (Crowd Control) and through the enforcement and implementation of our social media and ICT policies. We also manage the risk of negative social media responses through our social media management system and by having a Communications Team rota which ensures we always have staff available to respond to any issues.

Social media is a key communication tool for us and the effective management of it is vital, but given the controls we do not consider that any changes need to be made to the risk or the likelihood of it occurring.

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SUMMARY

Report for:	Audit Committee
Date of meeting:	21 September 2016
PART:	I
If Part II, reason:	

Title of report:	TREASURY MANAGEMENT OUTTURN AND PERFORMANCE INDICATORS 2015/16
Contact:	Cllr Graeme Elliot, Portfolio Holder for Finance and Resources James Deane, Corporate Director (Finance and Operations) David Skinner, Assistant Director (Finance and Resources) Richard Baker, Group Manager (Financial Services)
Purpose of report:	To report upon the performance outturn for treasury management in 2015/16.
Recommendations	To note the report on Treasury Management performance in 2015/16 and the Prudential Indicators for 2015/16 actuals.
Corporate objectives:	Dacorum Delivers - Optimising investment income for General Fund and Housing Revenue budgets whilst managing investment risk is fundamental to achieving the corporate objectives.
Financial Implications:	In accordance with Central Government Guidance on Local Government Investments, and the CIPFA Treasury Management Code of Practice, the order of the Council's investment priorities is 1. Security; 2. Liquidity; and, 3. Return. This may result in the Council achieving a lower rate of return than an organisation operating a more aggressive investment strategy in a less regulated sector.
Risk Implications:	Good corporate governance encompasses risk management and making sure that the Council makes decisions with the full knowledge of the associated risks and opportunities. The risk of not reviewing and updating our corporate governance arrangements have been addressed by this report.

Equalities Implications:	None
Health And Safety Implications:	None
Monitoring Officer / S151 Officer Comments:	Monitoring Officer- No comments to add. Deputy Section 151 officer- This is a S151 Officer report
Consultees:	Capita Treasury Services
Background papers:	Cabinet 10 February 2015 – Treasury Management Strategy (Appendix K to Budget 2015/16 Report)

1. Regulatory Background

1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

1.2 During 2015/16 the minimum reporting requirements were that Full Council should receive the following reports:

- an annual treasury strategy in advance of the year;
- a mid-year treasury update report;
- an annual review following the end of the year describing the activity compared to the strategy (this report).

1.3 This report provides the outturn position for the Council's treasury activities and highlights compliance with policies previously approved by Members.

2. The Economy and Interest Rates

2.1 The original expectation at the start of 2015/16 was for the first increase in Bank Rate to occur in the third quarter 2015. However, by the end of the year, market expectations for an increase had moved back radically to quarter 2 2018. Investment interest rates continued to remain at very low levels during 2015/16.

2.2 Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in the UK surged strongly during both 2013/14 and 2014/15 to make the UK the top performing advanced economy in 2014. However, 2015 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.

2.3 The UK elected a majority Conservative Government in May 2015, removing one potential area of uncertainty but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

3. Overall Treasury Position as at 31 March 2015 and 31 March 2016

3.1 At the beginning and the end of 2015/16 the Council's treasury position was as follows:

	31 March 2015 Principal	Rate/ Return	Average Life years	31 March 2016 Principal	Rate/ Return	Average Life years
General Fund						
Total external debt	-		-	£19.8m	2.98%	19
Total internal debt	(£4.7m)			(£3.2m)		
Other (finance leases & negative CFR)	£0.2m			£0.2m		
Capital Financing Requirement	(£4.5m)			£3.2m		
Over / (under) borrowing	-			£13.6m		
Housing Revenue Account						
Total external debt	£346.7m	3.35%	15	£346.7m	3.35%	14
Total internal debt	£4.69m			£3.2m		
Other (finance leases & negative CFR)	-			-		
Capital Financing Requirement	£351.2m			£349.9m		
Over / (under) borrowing	-			-		
Total investments	£59.2m	0.51%	0.24	£67.2m	0.62%	0.44
Net external debt	£287.5m			£299.4m		

Borrowing

3.2 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). The Council's CFR was £353.1m at the end of the year. This includes the borrowing from the Public Works Loan Board following the introduction of Self Financing, and the borrowing taken up in the current year for general fund capital expenditure requirements. The General Fund borrowing was undertaken in advance of need to take advantage of historically low interest rates available. No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

General Fund

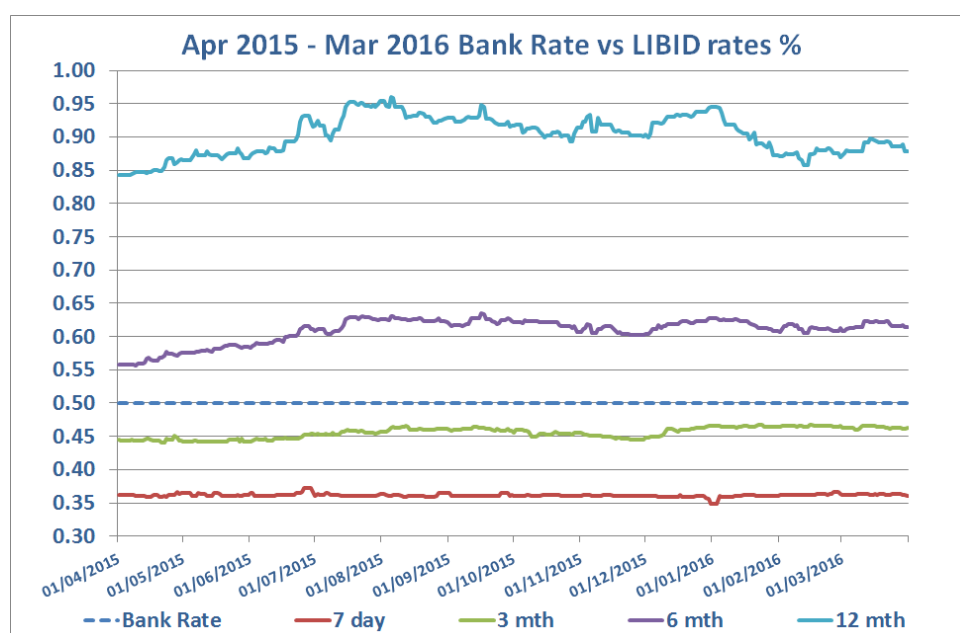
3.3 The positive Capital Financing Requirement (CFR) indicates that the Council had a need to borrow. The General Fund reduction of £7.7m 2015-16, from (£4.5m) to £3.2m, relates to the financing of in-year expenditure on the Capital Programme.

Housing Revenue Account

3.4 HRA funds available for the future financing of the Capital Programme are held outside of the CFR in the Major Repairs Reserve and Earmarked Reserves, totalling £25.7m.

4. Investment Rates and Outturn in 2015/16

4.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. The following table shows bank and LIBID rates during the year.



4.2 The Council's investment policy, approved by Council in February 2015, sets out the approach for choosing investment counterparties. It is based on a system of credit ratings provided by the three main credit rating agencies, and supplemented by additional market data (such as rating outlooks, credit default swaps and bank share prices) provided by Capita, the Council's treasury advisors.

4.3 The Council maintained an average balance of £74.4m of internally managed funds throughout 2015/16, earning an average rate of return of 0.62%, compared with the budget assumption of average investment balances of £51.08 at 0.40% investment return.

4.4 The weighted average maturity (WAM) for investments held by the Council at 31 March 2016 was 146 days. This compares to a weighted average maturity at 31 March 2015 of 89 days.

4.5 Investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

5. Prudential and Treasury Indicators

5.1 During 2015/16, the Council complied with its legislative and regulatory requirements set out in the Treasury Management Strategy. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	2014/15 Actual £000	2015/16 Original Budget Estimate £000	2015/16 Actual £000
Capital expenditure			
• General Fund	16,335	26,826	17,993
• HRA	25,468	27,282	31,523
• Total	41,803	54,108	49,516
Capital Financing Requirement:			
• General Fund	(4,537)	14,900	3,200
• HRA due to housing finance reform	351,265	349,950	349,950
• Total	346,728	364,850	353,150
External debt	346,739	361,639	366,707
Investments			
• Longer than 1 year			
• Under 1 year	59,242	37,270	67,210
• Total			

5.2 In order to ensure that borrowing levels are prudent over the medium term, Local Authority external borrowing can only be for capital purposes, i.e. it cannot be used to support revenue expenditure. Net borrowing should not, therefore, exceed the Capital Financing Requirement (CFR), i.e. the Council's need to borrow. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The advance borrowing shown above by external debt exceeding the CFR is due to the General Fund borrowing in advance of need to take advantage of historically low interest rates.

5.3 The **Authorised Limit** - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. During 2015/16 the Council has maintained gross borrowing within its authorised limit.

5.4 The **Operational Boundary** – the operational boundary reflects the current borrowing position with an allowance for additional borrowing for cash flow purposes during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

2015/16	
Authorised limit	£375.000m
Operational boundary	£361.965m

5.5 **Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of financing costs to net revenue stream	31 March 2015 Actual	2015/16 Original Limits	31 March 2016 Actual
Non - HRA	(0.37%)	0.80 %	0.42%
HRA	20.34%	19.98%	19.73%

5.6 The reduction on the General Fund ratio since the original estimate reflects the reduced financing costs due to slippage on the capital programme. The slight reduction in the ratio on the HRA reflects slightly higher income received against original estimate.

5.7 The following table shows the **incremental impact on Council Tax and Housing Rents** on capital decisions.

Incremental impact of capital investment decisions	31 March 2015 Actual	2015/16 Original Limits	31 March 2016 Actual
Increase in council tax (band D) per annum	£33.60	£10.24	£3.08
Increase in average housing rent per week	(£331.32)	£297.92	(£620.93)

5.8 The reduced impact on the General Fund against original limits reflects the additional interest income received on balances held arising from slippage and higher interest rates than budgeted. The reduced impact on Housing Rents reflects an increase in Right to Buy receipts available against original budget which are utilised before making revenue contributions to capital.

5.9 The following table shows the **net debt position** for the Council. There has been no material change in net debt between years.

	31 March 2015 Principal	Rate/Return	Average Life years	31 March 2016 Principal	Rate/Return	Average Life years
Fixed rate funding:						
-PWLB	£346.7m	3.35%		£366.7m	3.15%	
Total external debt	£346.7m	3.35%	15	£366.7m	3.15%	14
CFR	£346.7m			£353.1m		
Over/ (under) borrowing	£0m			£13.6m		
Total investments	£59.2m	0.51%	0.24	£67.2m	0.62%	0.44
Net debt	£287.5m			£299.4m		

5.10 The following table shows the **maturity structure of the debt portfolio**:

	31 March 2015 actual	31 March 2016 actual
Under 12 months	-	0.38m
12 months and within 24 months	-	1.32m
24 months and within 5 years	£6.2m	£11.32m
5 years and within 10 years	£15.1m	£16.60m
10 years and above	£325.4m	£336.90m

5.11 The following table shows the **maturity structure of the investment portfolio**:

	2014/15 Actual £	2015/16 Actual £
Investments		
Longer than 1 year	-	-
Under 1 year	59.2m	67.2m
Total	59.2m	67.2m

5.12 The following table shows the **exposure to fixed and variable rates on investments** at year end:

	31 March 2015 Actual	2015/16 Original Limits	31 March 2016 Actual
Fixed rate (principal or interest)	71%	100%	70%
Variable rate (principal or interest)	29%	40%	30%

Appendix A – HRA External Borrowing

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£567,166	Fixed interest rate	1.50%	2 Years
PWLB	£2,068,572	Fixed interest rate	1.76%	3 Years
PWLB	£3,585,697	Fixed interest rate	1.99%	4 Years
PWLB	£4,590,217	Fixed interest rate	2.21%	5 Years
PWLB	£3,480,273	Fixed interest rate	2.40%	6 Years
PWLB	£1,370,129	Fixed interest rate	2.56%	7 Years
PWLB	£2,309,505	Fixed interest rate	2.70%	8 Years
PWLB	£3,334,576	Fixed interest rate	2.82%	9 Years
PWLB	£4,442,038	Fixed interest rate	2.92%	10 Years
PWLB	£5,637,006	Fixed interest rate	3.01%	11 Years
PWLB	£5,110,074	Fixed interest rate	3.08%	12 Years
PWLB	£6,339,797	Fixed interest rate	3.15%	13 Years
PWLB	£7,664,605	Fixed interest rate	3.21%	14 Years
PWLB	£9,089,448	Fixed interest rate	3.26%	15 Years
PWLB	£10,620,253	Fixed interest rate	3.30%	16 Years
PWLB	£12,546,288	Fixed interest rate	3.34%	17 Years
PWLB	£14,313,519	Fixed interest rate	3.37%	18 Years
PWLB	£16,205,585	Fixed interest rate	3.40%	19 Years
PWLB	£18,230,083	Fixed interest rate	3.42%	20 Years
PWLB	£20,394,596	Fixed interest rate	3.44%	21 Years
PWLB	£32,380,217	Fixed interest rate	3.46%	22 Years
PWLB	£35,524,201	Fixed interest rate	3.47%	23 Years
PWLB	£38,864,428	Fixed interest rate	3.48%	24 Years
PWLB	£42,416,950	Fixed interest rate	3.49%	25 Years
PWLB	£45,654,253	Fixed interest rate	3.50%	26 Years

General Fund External borrowing

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£237,280	Fixed interest rate	1.05%	0.1 Years
PWLB	£149,000	Fixed interest rate	1.25%	0.1 Years
PWLB	£378,554	Fixed interest rate	1.28%	1 Year
PWLB	£370,984	Fixed interest rate	1.53%	2 Years
PWLB	£363,563	Fixed interest rate	1.78%	3 Years
PWLB	£356,292	Fixed interest rate	2.00%	4 Years
PWLB	£349,166	Fixed interest rate	2.19%	5 Years
PWLB	£342,183	Fixed interest rate	2.35%	6 Years
PWLB	£335,340	Fixed interest rate	2.48%	7 Years
PWLB	£328,633	Fixed interest rate	2.59%	8 Years
PWLB	£326,082	Fixed interest rate	2.68%	9 Years
PWLB	£334,821	Fixed interest rate	2.76%	10 Years
PWLB	£344,062	Fixed interest rate	2.83%	11 Years
PWLB	£353,799	Fixed interest rate	2.90%	12 Years
PWLB	£364,059	Fixed interest rate	2.95%	13 Years
PWLB	£374,799	Fixed interest rate	3.00%	14 Years
PWLB	£386,043	Fixed interest rate	3.05%	15 Years
PWLB	£397,817	Fixed interest rate	3.09%	16 Years
PWLB	£410,110	Fixed interest rate	3.12%	17 Years
PWLB	£422,905	Fixed interest rate	3.16%	18 Years
PWLB	£436,269	Fixed interest rate	3.18%	19 Years
PWLB	£450,142	Fixed interest rate	3.21%	20 Years
PWLB	£464,592	Fixed interest rate	3.23%	21 Years
PWLB	£479,598	Fixed interest rate	3.24%	22 Years
PWLB	£495,137	Fixed interest rate	3.26%	23Years
PWLB	£511,279	Fixed interest rate	3.27%	24 Years
PWLB	£527,997	Fixed interest rate	3.27%	25 Years
PWLB	£545,263	Fixed interest rate	3.28%	26 Years
PWLB	£563,148	Fixed interest rate	3.28%	27 Years
PWLB	£581,619	Fixed interest rate	3.28%	28 Years
PWLB	£600,696	Fixed interest rate	3.28%	29 Years
PWLB	£620,399	Fixed interest rate	3.27%	30 Years

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£640,686	Fixed interest rate	3.27%	31 Years
PWLB	£661,636	Fixed interest rate	3.27%	32 Years
PWLB	£683,272	Fixed interest rate	3.26%	33 Years
PWLB	£705,546	Fixed interest rate	3.25%	34 Years
PWLB	£728,477	Fixed interest rate	3.25%	35 Years
PWLB	£752,152	Fixed interest rate	3.24%	36 Years
PWLB	£776,552	Fixed interest rate	3.23%	37 Years
PWLB	£801,603	Fixed interest rate	3.23%	38 Years
PWLB	£728,478	Fixed interest rate	3.22%	39 Years



DACORUM BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

Audit Committee – September 21 2016

This report and the work connected therewith are subject to the Terms and Conditions of the contract dated 1st April 2015 between Dacorum Borough Council and Mazars Public Sector Internal Audit Limited. The report is produced solely for the use of Dacorum Borough Council. Its contents should not be quoted or referred to in whole or in part without our prior written consent except as required by law. Mazars Public Sector Internal Audit Limited will accept no responsibility to any third party, as the report has not been prepared, and is not intended for any other purpose.

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Introduction

This progress report to the Audit Committee covers the work carried out during the period April 1st 2016 to August 31st 2016 by Mazars Public Sector Internal Audit Limited.

Appendix 1 outlines progress to date against the 2016/17 Internal Audit Plan.

Background

The purpose of the internal audit plan is to identify the work required to achieve a reasonable level of assurance to be provided by Mazars Public Sector Internal Audit Limited in compliance with the Code of Practice for Internal Audit.

The fundamental role of Internal Audit is to provide senior management and Members with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control, and to report major weaknesses together with recommendations for improvement. This role is fulfilled by carrying out appropriate audit work, normally in accordance with a strategic plan and an annual operational plan, as approved by the Director of Finance and the Audit Committee.

As internal audit is a major source of assurance that the Council is effectively managing the principal risks to the achievement of its corporate objectives, a key rationale for the development of the internal audit plan was the Council's own Corporate and Service Risk Registers and how the internal audit plan can provide this assurance.

Progress to Date

Audit fieldwork on the 2016/17 Internal Audit Plan is progressing well and audit coverage has been in line with the Plan, as shown in Appendix 1.

We have issued the following Final reports:

- Housing Rents (Evaluation assurance: **Full**. Testing assurance: **Substantial**);
- Commercial Asset Management (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**);
- Commercial Infrastructure Levy (Evaluation assurance: **Substantial**. Testing assurance: **Substantial**);

We have issued the following Draft reports, for which we are awaiting the final management responses before issuing the Final Reports:

- Homelessness
- Contract Management

Other Work

During this period, we have carried out an additional piece of work on Housing Maintenance. This additional work was requested by the Council in response to a number of concerns raised by a member of the public. A draft report will be issued shortly and any findings arising from the work will be reported at the next meeting.

Follow-up of Recommendations

2015/16

The table below details the recommendations raised in the audit reports for 2015/16. The summary of the outcome of our follow up work to the 31st March 2016 is shown in the table below:





Year	Total Recommendations	Implemented	%	Implemented or partly implemented	%
2015/16	53	42	79%	43	81%
Total	53	42	79%	43	81%

Appendix 3 provides a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31st August 2016.

Definition of Assurance & Priorities

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Priority 1 Recommendations

No final reports have been issued since the last Audit Committee meeting.

Appendix 1 – Status of Audit Work 2016/17

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Core Financial Systems	Main Accounting	Audits previously given Full Assurance: the audit will cover the adequacy and effectiveness of the Key Controls in place across the four areas. Other controls tested will include any new controls operating for the first time in 2016/17, any controls where there is perceived to be a weakness, and a judgmental sample of other controls in operation across the four areas.	15		Q3							
	Treasury Management, Cash & Bank											
	Accounts Receivable											
	Accounts Payable											

Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
			Days Delivered			Evaluation	Testing	1	2	3	
Budgetary Control	To cover strategic approach to co-ordinating budgetary control, monitoring and reporting, and also testing a sample of departments.	7		Q4							
Council Tax	Covering adequacy and effectiveness of controls including liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	8		Q3							
NNDR	Covering adequacy and effectiveness of controls including Business Rate Retention Scheme, liabilities, billing, cash collection, recovery and accounting. CRSA to be applied.	6		Q4							
Housing Benefit and Council Tax Support	Covering adequacy and effectiveness of controls including new claims, size criteria, benefit caps, amendments, backdated benefits, payments and reconciliations. CRSA to be applied.	10		Q4							
Payroll and Pensions Administration	Covering adequacy and effectiveness of controls over starters, leavers, amendments, auto-enrolment etc.	8		Q3							
Core Financial Systems Total		52									

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
Operational Risks	Homelessness	Covering adequacy and effectiveness of controls over homelessness, including the approach to developing the Homelessness Prevention Strategy.	10	9	Q2	Draft Issued						
	Contract Management	Covering adequacy and effectiveness of the Council's corporate approach to contract management.	10	9	Q2	Draft Issued						
	Housing Rents	Covering adequacy and effectiveness of controls over the management of housing rents and service charges, including collection of rent arrears.	10	10	Q1	Final Issued				2	3	
	Human Resources	Covering adequacy and effectiveness of key controls over recruitment, workforce planning, sickness absence and training	10		Q4							
Operational Risks Total			40	28								
Strategic Risks	Community Infrastructure Levy	Covering adequacy and effectiveness of controls over the introduction of the levy, including its forecasting, collection and accounting processes.	15	15	Q1	Final Issued				3	3	
	Programme/Project Management	Programme/Project management assurance in respect of Digital Dacorum. A sample of projects in the programme will be selected.	15		Q3							

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
	Commercial Asset Management	Assurance over the design and application of controls relating to areas such as asset management strategy, void management and performance management.	14	14	Q1	Final Issued			3	2		
Strategic Risks Total			44	29								
Governance, Fraud & other Assurance Methods	Governance and Risk Management	The use of CRSA to provide assurance that managers understand their requirements and take ownership of their responsibilities.	10		All							
	Counter Fraud	Internal Audit will continue to work with the Council in the development of a fraud risk register, the provision of fraud awareness training, pro-active fraud exercises, etc.	10		All							
	Continuous Auditing/Data Mining	Data analysis scripts will be written on which both identify anomalies as well as comparing the number of anomalies occurring on a period by period basis. Suggested areas of review are Payroll and Asset Management.	12		Q2-4							
	Benefits/Savings Realisation	To provide assurance that processes are in place to measure such initiatives. Suggested areas of review are the CSU and PAYE/VAT health checks.	10		Q3							
Governance, Fraud & other Assurance Methods			42									

	Area	Scope	Plan Days		Start of Fieldwork	Status	Opinion		Recommendations			Comments
				Days Delivered			Evaluation	Testing	1	2	3	
ICT	ICT Security	The specific scope will be agreed with management but would look to provide assurance over policies and procedures, access controls and incident management.	15		Q3							
	Customer Relationship Management (CRM)	The audit will provide assurance over Application Management and Governance, System Security, Interface Controls and Data Flow, Data Input, Data Output, Change Control and Support Arrangements	15	10	Q1	Work in Progress						
ICT total			30	10								
Other	Follow-up of Recommendations	Follow-up of all priority 1 and 2 recommendations made in final reports issued.	10	2								
	Management (including Audit Committee Training)		25	10								
	Ad Hoc	Contingency allocation to be utilised upon agreement of the Assistant Director (Finance & Resources). -Housing Allocations -The Forum -Housing Maintenance	10		Q3							
			5		Q2							
		5	4									
Other total			65	16								
TOTAL			273	83								

Appendix 2 – Follow-up of Recommendations 2015/16

A follow-up audit has been undertaken in accordance with the 2015/16 audit plan. The objective was to confirm the extent to which the recommendations made in 2015/16 internal audit final reports have been implemented.

The tables below provide a summary of the status of all 2015/16 recommendations where the proposed implementation date was at or before 31st August 2016.

Title	Raised	Implemented	Partly Implemented	Outstanding	No longer relevant	Original Due Date	Revised Due Date	No Response	Not yet due	Resp. Officer
Performance Management	1	1								Rob Smyth
Regeneration	6	6								Chris Taylor
Licensing	4	2			2					Ross Hill
Parking	3	3								Nick Brown/ Steve Barnes
Right to Buy	5	5								Richard Baker/ Andy Vincent/ Chris Baker
PCI-DSS	4	4								John Worts
Housing Repairs	4	4								Fiona Williamson
Council Tax	1	1								Chris Baker
NNDR	4	3				Sep 2016	Mar 2017		1	Chris Baker
Health & Safety	5	4	1							Chris Troy
Core Financial Systems	3	3								Richard Baker
Data Security	5								5	John Worts

Housing Benefit & CTS	3	3								Chris Baker
Member's Training & Expenses	5	3				Oct 2016			2	Jim Doyle
Total	53	42	1		2				8	

Appendix 3 - Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

September 2016

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Dacorum Borough Council

Final Internal Audit Report

Commercial Asset Management

September 2016

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:

Group Manager – Nicholas Brown
Estates & Valuation Team Leader – Adriana Livingstone
Assistant Director (Finance & Resources) – Dave Skinner
Corporate Director (Finance and Operations) – James Deane (Final Only)
Chief Executive – Sally Marshall (Final Only)

Key Dates:

Date of fieldwork: May 2016
Date of draft report: July 2016
Receipt of responses: September 2016
Date of final report: September 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2016/17, we have completed a risk based audit of the processes in place for Commercial Asset Management.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls for Commercial Asset Management, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies & Procedures, Recording of Assets, Vacant/Void Properties, Rental Income, Budget Monitoring, Monitoring of Performance.

Summary Assessment

Our audit of the Council’s internal controls operating over Commercial Asset Management found whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Commercial Asset Management is shown in Section 3.

1.3. Key Findings

We have raised three priority 2 and two priority 3 recommendations where we believe there is scope for improvement within the control environment. These are set out below:

- Policies and Procedures (Commercial Asset Plan) should be made easily accessible to relevant staff on the council's Intranet page (Priority 3).
- All Commercial assets disposed of by the Estates Team should be removed from the Managed Asset register in a complete and timely manner (Priority 2).
- Surveyor Inspections to verify the completeness of repairs for void/vacant properties should be recorded on Information at Work in a complete manner. (Priority 2).
- Progress of Rent Reviews should be regularly monitored to ensure that these are addressed and completed within a valid and timely manner (Priority 2).
- Debt Recovery procedures for Commercial Assets should be reviewed and formally approved (Priority 3).

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.4. Management Response

We received the management response in a timely manner, and this has been included in the main body of the report.

1.5. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Commercial Asset Management, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures & Legislation

The Council has in place an Asset Management Plan and guidance, which details the rationale for the Council's approach to the management of its commercial assets. These documents should be readily available, and should be reviewed and updated on a regular basis.

Recording of Assets

All the commercial assets should be accurately and completely recorded in an asset register. There should be procedures in place to verify that the assets are in existence. All the assets should be retained in accordance with statutory requirements and the Council's objectives. Acquisition and disposal of assets should be appropriately authorised and updated on the asset register. The assets register should be reviewed and updated on a regular basis.

Vacant/Void Properties

All vacant or void properties should be identified. Procedures should be in place to ensure that vacant properties are advertised and allocated in a timely and transparent manner. Where appropriate repairs are carried out to commercial assets in a timely and cost effective manner.

Rental Income

All rental income due is accounted for correctly to maximise the income due. Procedures are in place to ensure that rents are reviewed and renewed in accordance with the rental agreements. Robust procedures are in place for the effective collection of rent arrears.

Budget Monitoring

Robust procedures should be in place for monitoring the financial performance of the service. Roles and responsibilities should be clearly defined to help ensure accountability. Significant variances should be identified and investigated. The performance should be reported on a regular basis to the appropriate forum.













Performance Monitoring

There should be a performance monitoring framework against which the performance of the service can be monitored. There should be KPI's established for void properties. Timely and accurate management information should be produced and reported to the appropriate forum on a regular basis.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures and Legislation			Recommendation 1
Recording of Assets			Recommendation 2
Vacant/Void Properties			Recommendation 3
Rental Income			Recommendation 4 & 5
Budget Monitoring			-
Monitoring of Performance			-

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Policies and Procedures – Staff Accessibility (Priority 3)

<p>Recommendation</p> <p>Policies and Procedures (Commercial Asset Plan) should be made easily accessible to relevant staff on the Council’s intranet page.</p>
<p>Observation</p> <p>The Commercial Asset Plan should be made easily accessible to all relevant staff via the Council’s intranet webpage so staff are aware of the required procedures and therefore ensuring there is consistent practices across the service area.</p> <p>It was confirmed that there is a Commercial Asset Plan in place, which was last reviewed and updated in February 2016. This is accessible to staff via the cabinet meeting minutes for 9th February 2016 and its supporting documentation. However, the plan is not otherwise locatable on the intranet if staff are unaware of which cabinet meeting documentation to look through.</p> <p>The Team Leader for Estates and Valuation (Commercial Asset and Property Development) confirmed that this is being addressed by the performance team and will be incorporated on both the intranet and Council internet webpage as a public document.</p> <p>Where the Commercial Asset Plan is not easily accessible to all relevant staff, there is a risk that there may be inconsistency practices amongst staff, leading to non-compliance with the Plan.</p>
<p>Responsibility</p> <p>Performance team maintain web/intranet after it is provided by Commercial Asset team</p>
<p>Management response / deadline</p> <p>It has already been updated and is available on the public website. Will be placed on the intranet by 30/9/16.</p>

Recommendation 2: Removal of Disposals from the Managed Commercial Asset Register. (Priority 2)

<p>Recommendation</p> <p>All Commercial assets disposed of by the Estates Team should be removed from the Managed Asset register in a complete and timely manner.</p>
<p>Observation</p> <p>Following the disposal of commercial assets, these should be removed from the Managed Commercial Asset Register to ensure that the register accurately reflects only those assets which are being managed by the Council. An accurate Managed Commercial Asset Register will enable the Estates team to appropriately delegate appropriate resources to ensure that these commercial assets are then appropriately managed.</p> <p>It was confirmed with the Team Leader & Estates Technician Lead Officer that there has only been one managed commercial asset disposed of (December 2015) between the periods January 2015 – April 2016. It was confirmed that there were appropriate authorisations of the disposal, however this asset is still recorded on the Managed Commercial Asset Register as a “current” asset and therefore has not yet been removed from the register.</p> <p>Where disposed managed commercial assets are not removed from the asset register in a complete and timely manner, there is a risk that staff within the Estates team are not aware of those assets which they are responsible for. In addition, there is a risk of overstating the value of commercial assets currently being managed by the Estates Team if disposed of assets are not removed from the register.</p>
<p>Responsibility</p> <p>Team Leader – Estates & Valuation</p>
<p>Management response / deadline</p> <p>The estates technician officer only had 1 case in 18 months and updated the GIS, the disposal asset manager page but missed the managed page in error as the pages on asset manager are not linked. More care will be taken in future.</p> <p>All disposals will be checked by the Team Leader with effect from 13/9/16 to ensure that all actions have been completed.</p>

Recommendation 3: Documentation of Repair Inspections by Surveyors on Information at Work (Priority 2)

<p>Recommendation</p> <p>Surveyor Inspections to verify the completeness of repairs for void/vacant properties should be recorded on Information at Work (documentation system maintaining records of all Commercial Assets) in a prompt manner.</p>
<p>Observation</p> <p>Surveyors should ensure that following an inspection confirming the completion of repair work for void/vacant properties, that this is recorded on Information at Work under the relevant asset in a complete and timely manner. Appropriate records of inspections undertaken of repairs will ensure that there is a clear audit trail in place to confirm that the repairs have been verified as completed to an appropriate standard before being rented.</p> <p>Between the periods August 2015 – May 2016 it was identified that there were six completed vacant cases, where the commercial assets are now reoccupied. Of the six completed cases, the following was identified:</p> <ul style="list-style-type: none"> - In two cases, we confirmed the surveyor inspected and confirmed repairs were completed in line with the councils requirements. - In one case, a repair of the commercial asset was not applicable. - In three cases, we confirmed evidence of correspondence between the Council and outgoing tenant of the requirement of repairs, however the completed inspection was not recorded on Information at Work by the relevant surveyor. <p>Where Information at Work does not completely record that an inspection was carried out and repairs were of satisfactory condition, there is a risk that appropriate records are not retained for future reference. Where evidence of repairs being verified are not in place, there is a risk that these have not been completed to a satisfactory standard and therefore may lead to financial and reputational damage for the Council.</p>
<p>Responsibility</p> <p>Team Leader – Estates & Valuation</p>
<p>Management response / deadline</p> <p>The team will introduce a work flow/ records in information at work to record a repairs inspection for void properties when they become vacant to increase the accuracy of the records. By 31/10/16</p>

Recommendation 4: Rent Reviews – Progress Monitoring (Priority 2)

<p>Recommendation</p> <p>Progress of Rent Reviews should be regularly monitored to ensure that these are addressed and completed within a valid and timely manner.</p>
<p>Observation</p> <p>Where Rent Reviews are overdue, these should be regularly monitored to ensure that they are addressed in a complete and timely manner. The Lead Surveyor & Team Leader should review the performance of all outstanding rent-reviews, regularly monitor surveyor performance and identify those cases which are high priority. This will ensure that rent reviews are not outstanding for prolonged periods of time and that the appropriate revised rent can be identified to ensure the Council receives the accurate level of income.</p> <p>We tested a sample of 10 Rent Reviews which were due between January – March 2016. Rent Reviews are identified a year before they are due, so they can be distributed to Surveyors to address in a timely manner. Of the sample of the 10 Rent Reviews, the following was identified:</p> <ul style="list-style-type: none"> - In four cases, the rent reviews were accurately completed; - In one case, the rent review became no longer applicable as the Tenant went into liquidation; and - In two cases, the rent reviews are still in progress and in two cases the rent reviews have not yet been started. <p>Discussions with the Team Leader confirmed that there has been a severe back log of Rent Reviews due to a shortage of staff in 2015.</p> <p>Where Rent Reviews are not addressed and completed within a timely manner, there is a risk that the appropriate level of rent is not identified at an appropriate time that is in line with market rates. Where this occurs, there is a risk that the appropriate level of rent due to the Council is delayed and therefore not received in a timely manner. In addition, where there is a delay in completing a rent review, there is an increased risk that backdated payments will have to be made by Tenants, which may result in financial and reputational damage for the Council if they are unable to recover this income due.</p>
<p>Responsibility</p> <p>Team Leader – Estates & Valuation</p>
<p>Management response / deadline</p> <p>A review of current working practices has been commissioned and a draft report issued. This sets of recommendations and an action plan to improve monitoring and reporting of rent review completions.</p> <p>Monthly reports will be produced by the Team Leader from October 2016 and reviewed by the Group Manager Commercial Assets and Property Development on a monthly basis.</p>





Recommendation 5: Approval of Commercial Asset Debt Recovery Procedures (Priority 3)

<p>Recommendation</p> <p>The Debt Recovery Procedures for Commercial Assets should be reviewed and formally approved by the Group Manager.</p>
<p>Observation</p> <p>The Debt Recovery Procedures for Commercial Assets should be reviewed and formally approved by the Group Manager, to ensure that the contents of the procedures are accurate and in line with the Council’s requirements.</p> <p>It was confirmed that there is Draft Debt Recovery Procedure specifically for Commercial Assets in place which is yet to be approved. There is however a general Debt Recovery procedure in place for the Sundry Debtors Team which was last reviewed in October 2015.</p> <p>Where the Debt Recovery Procedures for Commercial Assets are not approved in a timely manner, there is risk that there are inconsistent practices conducted by officers, which may hinder the debt recovery process. Where this occurs, arrears collection may become weak and therefore may result in financial and reputational loss for the Council.</p>
<p>Responsibility</p> <p>Group Manager Commercial Assets and Property Development and Group Manager Financial Services</p>
<p>Management response / deadline</p> <p>Finance have confirmed that the procedures were all reviewed again in August 2016 as part of the annual review process. This was 2 months earlier than diarised as was due for review in October. The commercial arrears recovery fall under the main debt recovery procedures. The additional procedures are still being finalised and are still at draft stage. Any amendments to procedure occur as processes are amended.</p> <p>By 31/10/16</p>

Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Nicholas Brown – Group Manager (Commercial Assets & Property Development)
- Adriana Livingston – Team Leader
- Jane Alexander – Estates Technician Lead Officer
- Lucy Tash – Accountant (Finance & Operations)
- Clare Dempsey – Sundry Debtors Lead Officer
- James Wilson – Corporate Performance Management Lead Officer
- Yamini Krishnan – Financial Accountant (Regulatory & Financial Accounting)

We would like to thank the staff involved for their co-operation during the audit.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

September 2016

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Dacorum Borough Council

Final Internal Audit Report

Housing Rents

September 2016

This report has been prepared on the basis of the limitations set out on page 12.

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Distribution List:

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Group Manager (Tenants and Leaseholders) – Andy Vincent
Assistant Director (Housing) – Elliott Brooks
Assistant Director (Finance and Resources) – David Skinner
Corporate Director (Finance and Operations) – James Deane (Final Only)
Chief Executive – Sally Marshall (Final Only)

Key Dates:

Date of fieldwork: May 2016
Date of draft report: July 2016
Receipt of responses: September 2016
Date of final report: September 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Plan for 2016/17, we completed a risk based audit of the processes in place for Housing Rents.

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over Housing Rents, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies and Procedures, Rent Debits, Rent Receipts, Rent Arrears, Manual Adjustments, Reconciliations and Follow up of Previous Recommendations.

Summary Assessment

Our audit of the Council’s internal controls operating over Housing Rents found there is a sound system of internal control designed to achieve the system objectives. There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Housing Rents is shown in Section 3.

1.3. Key Findings

We have raised two priority 2 and three priority 3 recommendation where we believe there is scope for improvement within the control environment. These are set out below:

- Policies and procedures should be reviewed and/or updated on an annual basis. (Priority 3)
- All Commencement of Tenancy and Termination of Tenancy forms should be stored in a central location so that they are available in the future. This will ensure that a full audit trail is retained. (Priority 3)
- Management should remind officers of the requirement to update Orchard within 24 hours, when a Commencement of Tenancy or Termination of Tenancy form is received. (Priority 2)
- The former tenant arrears report should be reviewed and cases where a write off has been completed should be updated and removed from the report. (Priority 2)
- The Team Leader should ensure that evidence is always retained for the management review of manual adjustments. (Priority 3)

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.4. **Management Response**

We received the management responses in a timely manner, and these have been included in the main body of the report.

1.5. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of Housing Rents, with regards to the areas set out in section 2.3, are adequate and are being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- discussions with key members of staff to ascertain the nature of the systems in operation;
- evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- identification of control weaknesses and potential process improvement opportunities;
- discussion of our findings with management and further development of our recommendations; and
- preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies and Procedures

Housing Rents is managed effectively and the Authority's aims are complied with.

Rent Debits

Tenants are charged at the correct rental rates from the correct dates and for all properties

Rent Receipts

All rent owed is collected and rent receipts are accurately and completely transferred to the rents system and are allocated to the correct tenant accounts

Rent Arrears

Rent arrears are identified, monitored and appropriate recovery action taken.

Manual Adjustments

Manual adjustments are valid, accurate and have not been duplicated

Reconciliation with the General Ledger

Housing rents records are regularly, accurately and completely reconciled to the Council's General Ledger













Follow up of previous recommendations

Recommendations raised in the previous audit have been implemented

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies and Procedures			Recommendation 1
Rent Debits			Recommendation 2 and 3
Rent Receipts			
Rent Arrears			Recommendation 4
Manual Adjustments			Recommendation 5
Reconciliations with the General Ledger			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Policies and Procedures – Review and Update (Priority 3)

<p>Recommendation</p> <p>Policies and procedures should be reviewed and/or updated on an annual basis.</p>
<p>Observation</p> <p>All policies and procedures in place should be reviewed and/or updated on at least an annual basis, to ensure that they are in line with any legislative requirements and any changes in the procedures that have taken place.</p> <p>We were able to confirm the following:</p> <ul style="list-style-type: none"> - Housing rents and other charges policy – last reviewed in January 2015 (requires updating however discussions with the Team Leader confirmed that this is in the process of being updated) - Rent recovery procedure – last reviewed in October 2015 - Refund manual – last reviewed in January 2016 - New tenancies Manual – last reviewed in January 2016 - Terminations manual – last reviewed in January 2016 - Former Tenant Arrears procedure – last reviewed in August 2011 <p>Where policies and procedures are not reviewed and/or updated on at least an annual basis there is an increased risk that staff will be working to out of date practices. This could lead to reputational damage and financial loss for the Council.</p>
<p>Responsibility</p> <p>Team Leader (Housing Income)</p>
<p>Management response / deadline</p> <p>We accept that some of our policies and procedures may not have been reviewed within the timescales identified within our review timetable.</p> <p>We have now committed to keeping to this timetable. We cannot commit to annual reviews of our policies and procedures due to the workload implications.</p> <p>We do review some high priority policies and procedures every two years – this can be more often if legislation is changed prompting a review</p>

Recommendation 2: Commencement of Tenancy and Termination of Tenancy forms (Priority 3)

<p>Recommendation</p> <p>All Commencement of Tenancy and Termination of Tenancy forms should be stored in a central location so that they are available in the future. This will ensure that a full audit trail is retained.</p>
<p>Observation</p> <p>Commencement of Tenancy and Termination of Tenancy forms should be available on the tenancy file for all tenants. This is to ensure that a full audit trail is available and can be reviewed in the future if need be.</p> <p>For a sample of 20 new tenants selected, we were able to confirm that in 19 cases a commencement of tenancy form was available and had been dated. In one case we were unable to find a copy of the commencement of tenancy form.</p> <p>For a sample of 20 terminations we were able to confirm that in 14 cases a termination of tenancy form was in place and signed off. For 3 cases the property was sold and hence no termination of tenancy form is completed, instead an email is sent confirming the property has been sold and the system is updated. For the remaining 3 cases we were unable to locate copies of the termination of tenancy forms.</p> <p>Where Commencement of Tenancy and Termination of Tenancy forms are not retained and available there is a risk that errors in tenancy files cannot be investigated in a complete manner.</p>
<p>Responsibility</p> <p>Team Leader (Housing Income)</p>
<p>Management response / deadline</p> <p>We accept this recommendation in full and will be implemented by 31st October 2016.</p>

Recommendation 3: Rent Debits – timeliness of updating Orchard (Priority 2)

<p>Recommendation</p> <p>Management should remind officers of the requirement to update Orchard within 24 hours, when a Commencement of Tenancy or Termination of Tenancy form is received.</p>
<p>Observation</p> <p>Orchard should be updated within 24 hours of receipt of a Commencement of Tenancy or Termination of Tenancy form as per the procedure note.</p> <p>From the sample of 20 tenancy commencements we were able to confirm that Orchard was updated in all 20 cases. However, in 2 cases this was not done within 24 hours.</p> <p>From the sample of 20 terminations we were able to confirm that Orchard was updated in all 20 cases. However, in 3 cases this was not done within 24 hours and in 3 cases we could not locate the termination of tenancy forms.</p> <p>Where Orchard is not updated in a timely manner there is a risk that the Council is unaware of when rent is due and how much rent is due. This could lead to financial loss for the Council.</p>
<p>Responsibility</p> <p>Team Leader (Housing Income)</p>
<p>Management response / deadline</p> <p>We accept this recommendation in full and will be implemented by 31st October 2016.</p>

Recommendation 4: Former Tenant Arrears – Write offs (Priority 2)

<p>Recommendation</p> <p>The former tenant arrears report should be reviewed and cases where a write off has been completed should be updated and removed from the report.</p>
<p>Observation</p> <p>Where a former tenant has arrears, a process is followed and if the debt is unrecoverable it is written off. This is updated on Orchard and the write off is requested from Finance. Once this has been approved and processed Orchard will again be updated to confirm the write off has taken place.</p> <p>We tested a sample of 10 former tenant arrears accounts. For these we were able to confirm that Orchard was updated and attempts were being made to recover arrears in 7 case. For the remaining 3 cases, Orchard shows that the debt was requested to be written off in 2011 however there was no confirmation of this and the debt is still appearing on the former tenant arrears spreadsheet.</p> <p>Where debt has been written off but it is not updated on Orchard there is a risk that the Housing Rents team are still chasing debt, and using resources when the debt has already been written off. This could lead to financial loss for the Council.</p>
<p>Responsibility</p> <p>Team Leader (Housing Income)</p>
<p>Management response / deadline</p> <p>We accept this recommendation in full and will be implemented by 31st October 2016.</p>





Recommendation 5: Management review of manual adjustments (Priority 3)

<p>Recommendation</p> <p>The Team Leader should ensure that evidence is always retained for the management review of manual adjustments.</p>
<p>Observation</p> <p>The team leader conducts a sample test on a monthly basis, where she will look through the manual adjustments that have been made for the sample and confirm that they have been done in a complete and accurate manner.</p> <p>For a sample of the last 3 months we were able to confirm that the management review was completed in January and March 2016. We were unable to confirm that the check was completed in February 2016 as there were no annotations on the manual adjustments spreadsheet.</p> <p>Where a team leader does not undertake the management review of manual adjustments and retain details of this on a monthly basis there is an increased risk of inaccurate manual adjustments. This could lead to financial loss and reputational damage for the council.</p>
<p>Responsibility</p> <p>Team Leader (Housing Income)</p>
<p>Management response / deadline</p> <p>We accept this recommendation in full and will be implemented by 31st October 2016.</p>

Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Katie Kiely – Team Leader (Housing Income)
- Jillian Watson – Lead officer
- Vindhya Shetty – Debit Control Officer
- Alan Parry – Business System Developer
- Yamini Krishnan – Financial Accountant
- Jackie Whitefoot – Housing Officer

We would like to thank the staff involved for their co-operation during the audit.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

September 2016

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Dacorum Borough Council

Final Internal Audit Report

Community Infrastructure Levy

September 2016

This report has been prepared on the basis of the limitations set out on page 14.

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Mark Gaynor – Corporate Director (Housing and Regeneration) (Final Report only)

James Deane – Corporate Director (Finance and Operations) (Final Report only)

Sally Marshall – Chief Executive (Final Report only)

Key Dates:

Date of fieldwork: May 2016

Date of draft report: July 2016

Receipt of responses: September 2016

Date of final report: September 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2016/17, we have undertaken an audit of the Council's systems of internal control in respect of the Community Infrastructure Levy (CIL).

1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over CIL, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation, Setting the Levy, Collection of the Levy and Governance, Spending the Levy, Budget Monitoring, and Monitoring Performance.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over the CIL found that whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk. There is also evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Substantial	Substantial

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over the Community Infrastructure Levy are shown in Section 3.

1.4. Key Findings

We have raised three Priority 2 recommendations and three Priority 3 recommendations where we believe there is scope for improvement within the control environment. The recommendations raised have been set out below:

- Introduction of Exacom Procedure Notes (Priority 3);
- Independent spot check of liability and relief calculations (Priority 2);
- Periodic follow ups on commencement dates for approved developments (Priority 2);
- CIL Liability Notices raised for all applicable developments (Priority 2);
- Acknowledgement of CIL payments received (Priority 3);
- Development of a Performance Monitoring Framework (Priority 3).

A report issued in April 2014 "Community Infrastructure Levy (CIL) - Bridging the Infrastructure Funding Gap" showed an infrastructure cost, and the infrastructure funding gap (2011-2031) of £131.4m & £65.46m respectively. The report also estimate a total CIL income projected for the corresponding period, to be £23.47m (before taking account of the 15% of the total to be passed to the town/Parish Council and 5% to for the administration of CIL) and concludes that CIL will provide just over a third of the funding gap thereby highlighting the need to prioritise the delivery of projects and maximise the use of external funding sources to supplement the remaining gap.

The projections have not been reviewed since April 2014. However, it was concluded that, at this stage, a revised forecast would add no additional value to the scheme as there have been no significant changes to the assumptions used in the projections and the number of CIL applied to date is relatively small and do not provide meaningful data to revise the projections. Consideration should be taken to review the long term projection of CIL in the next 12-24 months following collation of more data, income and likely impact factors that would affect the collection and success of CIL. This would allow more reliance on the projection and provide an accurate forecast which the performance can be measured against and decisions may be based upon.

At this stage in the CIL process, we were unable to provide assurance within Budget Monitoring and Forecasting given the limited information available following recent implementation of CIL, in July 2015. There is a time lag between the initial set up of CIL to collecting the charges raised as the financial liability is not triggered until the commencement of works. Since July 2015 a total of £65,119.35 has been collected. In the next 12-24 months, the Council will be in a better position to forecast more effectively given more commencement dates, liabilities raised and income generated.

Full details of the audit findings and recommendations are shown in Section 4 of the report.

1.5. Management Response

We received the management responses in a timely manner and they have been included in the main body of the report.

1.6. Acknowledgement

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

2. Scope of Assignment

2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of the Community Infrastructure Levy, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non- statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

Policies, Procedures and Legislation;

The Council has in place a Strategy and guidance which details the rationale for the Council's approach to the management of the Community Infrastructure Levy. These documents should be readily available, and should be reviewed and updated on a regular basis.

Setting of the Levy;

An overview of the procedures are in place to ensure that the CIL levy has been set in accordance with legislative requirements. A charging schedule has been prepared and has been subject to the appropriate consultation with stakeholders. The charging schedule has been subject to independent review, appropriate approval and is readily available to all the relevant parties.

Collection of the Levy and Governance Arrangements;

The CIL levy should be applied to all proposed development projects that have received planning permission, that provide infrastructure to support growth with Dacorum. Procedures should be in place to ensure that the levy is paid within 60 days of the commencement of the development. The application of discretionary relief is carried out in a transparent manner in accordance with Council policy and legislative requirements. All income received from the application of the levy is accounted for in a complete and accurate manner. To review the draft governance arrangements in place to ensure that all decisions are made in a transparent and timely manner for the guidance and approval of spending.

Spending of the Levy;

The Council should have in place a list of those infrastructure projects that may benefit from CIL funding. The list should be reviewed and updated at least annually. Infrastructure projects should be in line with the council's objectives. CIL funding is applied to appropriate infrastructure projects in accordance with Council policy and legislative requirements.

Budget Monitoring;

Robust procedures should be in place for monitoring the financial performance of the service. Roles and responsibilities should be clearly defined to help ensure accountability. Significant variances should be identified and investigated. The performance should be reported on a regular basis to the appropriate forum.











Monitoring of Performance;

There should be a performance monitoring framework against which the performance of the service can be monitored. Timely and accurate management information should be produced and reported to the appropriate forum on a regular basis. Information regarding the spending of the lev should be displayed on the Council's website.

3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Policies, Procedures & Legislation			Recommendation 1
Setting the Levy			
Collection of the Levy & Governance			Recommendation 2 Recommendation 3 Recommendation 4 Recommendation 5
Spending the Levy			
Budget Monitoring	N/A	N/A	Please refer to 1.4 Key Findings for further information.
Monitoring Performance			Recommendation 6

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

4. Observations and Recommendations

Recommendation 1: Exacom Procedure Notes (Priority 3)

<p>Recommendation</p> <p>The Council should implement Exacom procedure notes to document the process and administration of CIL.</p>
<p>Observation</p> <p>The Council should implement procedural guidance for Exacom to ensure that another individual is able to confidently take over the role with little or no training should the occasion arise.</p> <p>Following discussion with the Strategic Planning and Regeneration Officer, it was identified that there is currently no procedure guidance for the use of Exacom. There are currently two members of staff who maintain and oversee CIL, one of which is due to go onto Maternity Leave at the end of June 2016. Procedure Guidance would be of value when a replacement officer is brought in to take over this role or if another individual is required to provide a cover.</p> <p>Where there is no formal procedure guidance, there is an increased risk of staff following inconsistent practice and risk of discontinuity in the event of the staff absence or turnover.</p>
<p>Responsibility</p> <p>Group Manager - Strategic Planning and Regeneration / Infrastructure Officer</p>
<p>Management response / deadline</p> <p>DBC recognises the need for procedure notes in regard to concerns over a 'single point of failure' within the team at present with the bulk of the CIL workload being processed by the Infrastructure Officer. Guidance notes will be produced by the beginning of November 2016.</p> <p>Additionally, the Council's Infrastructure Officer will be providing further and specialist training to the Lead Officer regards CIL. Also, an Assistant Officer has been employed with a remit to undertake a number of CIL administration tasks and will also consider training requirements for the team's Technical Assistant. It is hoped that such training will provide additional cover thereby mitigating any risk of discontinuity.</p>

Recommendation 2: Secondary Spot Check of Liability / Relief Calculation (Priority 2)

<p>Recommendation</p> <p>The Council should introduce a secondary 10% spot check on the liability and relief calculations for CIL liable developments through Dacorum Borough Council.</p>
<p>Observation</p> <p>The Council should complete a 10% spot check to ensure that the calculations of the levy and application of reliefs (where applicable) are accurate and valid, and the Council is able to maximise potential income from CIL. It is recognised that given the recent introduction, there is currently little income being generated through CIL, however there are expectations for this to increase in the coming years.</p> <p>There is currently no secondary check in place following the calculation of the CIL liability or relief / exemptions awarded to the developers. There is a passive control where developers are likely to inform the Council where they believe to have been overcharged. However, this will not help identify any invalid or incorrect reliefs or if the developer is undercharged.</p> <p>Where there is no secondary check, there is a risk of over / under charge of the CIL liability. Where developers are undercharged on their liability notice, the Council does not maximise their potential income through CIL.</p>
<p>Responsibility</p> <p>Group Manager - Strategic Planning and Regeneration</p>
<p>Management response / deadline</p> <p>Procedures will be brought in by November 2016 to carry out cross-checking of the calculations between the Lead Infrastructure Officer and the Assistant Officer. This is a resource intensive process so it is considered that spot checks of 5% of caseload are carried out. This, with the new cross-checking procedures should ensure greater accuracy.</p> <p>There are also some technical issues with regards to the ability of the Local Planning Authority (LPA) to accurately measure plans in a number of cases depending on the form of data entry in Acolaid. There are a number of cases for which the Infrastructure Officer has generated Liability Notice (LN) on the basis of the measurements, particularly in light of inconsistencies within the submitted application forms.</p> <p>The methodology for calculation of CIL relief is not specified within the CIL Regulations 2010 (as amended) and it has been acknowledged by the CIL Planning Officers Society (POS) Implementation group that differing methodologies are being used. The POS group have submitted information in the CIL Review and requested additional advice from the Department for Communities and Local Government (DCLG) on this matter. The critical issue should be for the LPA to determine its methodology and apply this consistently (see Recommendation 1)</p> <p>A number of review dates have been included within Exacom to ensure that relief claims are checked and effectively monitored for the duration of the claim. Notifications have been set for multiple £0 claims within the Agresso system and such notifications should act as warnings against potential disqualifying events in cases of CIL relief. Reviews will be undertaken on the dates specified.</p>

Recommendation 3: Periodic Follow Up on Commencement Dates (Priority 2)

<p>Recommendation</p> <p>The Council should complete periodic follow ups of CIL approved projects where the commencement date has yet to be received.</p>
<p>Observation</p> <p>The Council should complete periodic follow ups of CIL approved projects where the commencement date has not yet been received. This should be completed to ensure that the Council is informed within a timely manner of commencement and a demands notice can be raised promptly for the CIL charge associated with the project.</p> <p>A report had been generate of all CIL liabilities within the Exacom system. This report contained 97 projects; of which only five had a commencement date applied to project. The liabilities for these projects were generated in July and August 2015. However, a commencement date has yet to be provided to the Council and a demand notice has not been issued. Some of these projects may have commenced and a demand notice should be raised but without the commencement date, the Council is unable to raise the demand notice.</p> <p>Where the Council is not informed of the projects commencement date there is an increased risk that the demand notice is not issued promptly and CIL Charge will not be paid to the Council in a timely manner and in line with the Instalments Policy in place.</p>
<p>Responsibility</p> <p>Strategic Planning and Regeneration Officer</p>
<p>Management response / deadline</p> <p>This reflects comments made by our own finance section at the time of the end of year accounts with a concern relating to the value of our contingent asset for CIL against the Demand Notices (DN) The Infrastructure Officer requested the provision of additional reports within Exacom specific to this point at recent discussions with the provider, A new version of the software has been recently released and this includes a report on the number of days since the issue of the LN. From this report, we will be updating those cases for which significant time has elapsed by the end of August/September 16.</p> <p>We will undertake site inspections of CIL and S106 cases to ensure the robust monitoring of both income streams. The intention is to address a backlog of sites by the 31st December 2016.</p> <p>Furthermore, reminder notices will be issued after one year has elapsed where commencement has not taken place from the original issue of notices.</p>

Recommendation 4: CIL Liability Notice for all Applicable Developments (Priority 2)

<p>Recommendation</p> <p>The Council should ensure that all approved CIL liable developments have an accurate CIL Liability Notice issued promptly following a planning permission being granted; including developments with a £0 Liability.</p> <p>Consideration should be taken to conduct a data matching exercise between Acolaid and Exacom to ensure information is stored wholly and accurately, and any projects on Exacom without a liability notice should be followed up.</p>
<p>Observation</p> <p>The Council should ensure that a Liability Notice is issued promptly following a planning permission being granted to optimise CIL income on all relevant and chargeable developments, and apply a consistent approach in raising Liability Notices.</p> <p>A sample of nine projects was selected where the planning permission was granted and the application was CIL liable but no liability notice has been raised through Exacom. Our testing identified that in two cases a liability had been calculated for the development, but not issued to the developer. The combined liabilities for the two cases amounted to over £79,000. It could not be explained why a liability amount had been calculated, but not sent through a notice. In both instances, the developer would have been able to claim full relief for the CIL Charge. However, a nil value liability notice should have been issued with a confirmation of the relief being applied. In one of the two cases although a draft liability notice was created, this was not sent to the developer and the development had already commenced. The Council is therefore unable to issue the liability notice retrospectively on this project. Given that the liability notice would have been a nil value, there is no financial loss on this specific case. However, the Council should ensure that the liability notice is issued promptly before the commencement of development for all projects.</p> <p>Comparison between an Acolaid Report for all granted, CIL Applicable applications, and an Exacom Liability Report, identified the information did not reconcile. It was identified there had been inconsistency in issuing Liability Notices for CIL Applicable developments where the notice is £0. To ensure consistency and more effective monitoring, the Council should ensure all applicable developments have a Liability Notice raised, including £0 liabilities.</p> <p>Where the Council does not issue a Liability Notice in a timely manner, the Council are unable to claim all available CIL income on relevant and chargeable developments.</p> <p>Where the Council does not have a complete set of data, there is increased risk as to the integrity of information stored within the systems. It may also be difficult to ensure CIL income is accurately and appropriately charged on all CIL Liable developments.</p>
<p>Responsibility</p> <p>Strategic Planning and Regeneration Officer</p>
<p>Management response / deadline</p> <p>The CIL Regulations 2010 (as amended) do not require the LPA to issue LN for those schemes that are subject to a zero charge, hence the inconsistency with early CIL applications. The generation of £0 LN cases often reflects the grant of CIL relief.</p> <p>We will write to developers where there is a £0 CIL liability to make matters clear. To be actioned by October 2016</p>

Recommendation 5: Acknowledge of CIL Payments Received (Priority 3)

<p>System Improvement Opportunity</p> <p>The Council should ensure that all developers’ payments are acknowledged in a timely manner of receiving payment.</p>
<p>Observation</p> <p>The Council should acknowledge payment in a timely manner to ensure developers have a formal receipt of payment being received in relation to their CIL charge.</p> <p>It was identified in one of the four payments received under CIL since July 2015, that formal acknowledgement had not been sent to the developer following their final payment of their CIL charge.</p> <p>It is good working practice to acknowledge receipt of CIL charges. There is full transparency within the audit trail with receipts being provided to the Developer.</p>
<p>Responsibility</p> <p>Strategic Planning and Regeneration Officer</p>
<p>Management response / deadline</p> <p>The CIL Regulations 2010 (as amended) strictly require the acknowledgement of payments as they occur. The Infrastructure Officer will acknowledge payments within 10 working days. We have developed a spreadsheet of when payments should be due to assist in the monitoring of CIL receipts and the forward planning and projection of CIL expenditure.</p> <p>It is now necessary to report quarterly income via our project monitoring software (CORVU) on a monthly basis and additional information requests have been suggested as a standing item to monthly Corporate Regeneration Group (CRG) meetings.</p> <p>To be actioned by October 2016.</p>





Recommendation 6: Performance Monitoring Framework (Priority 3)

<p>System Improvement Opportunity</p> <p>The Council should implement a performance monitoring framework against which the performance of the service can be monitored.</p> <p>An example Key Performance Indicator (KPI) may be in relation to commencement dates; 95% of all approved developments are followed up with a phone call within three months to confirm a commencement date, within six months a site visit should take place to confirm commencement has not started.</p>
<p>Observation</p> <p>There should be KPIs introduced to measure the success of administration of CIL applicable projects; and ensure all relevant funds are received in a timely manner.</p> <p>In discussion with the Strategic Planning and Regeneration Officer it was identified that CIL is currently not subject to any performance indicators and acknowledged a gap in the process of chasing commencement dates of projects which have been approved.</p> <p>Where the performance is not monitored there is an increased risk of poor performance not being rectified and / or managed.</p>
<p>Responsibility</p> <p>Strategic Planning and Regeneration Officer</p>
<p>Management response / deadline</p> <p>A KPI will be developed in consultation with the Infrastructure Officer. Initial suggestions for a KPI have been identified within his Work Action Plan and these will be progressed further as additional support is provided to the role. A KPI should be established and evaluated by the 31st March 2017.</p>

Appendix A - Reporting Definitions

Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
Nil		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.

Appendix B - Staff Interviewed

The following personnel were consulted:

- Heather Overhead Strategic Planning and Regeneration Officer
- Robert Freeman S.106 Development Officer
- Chris Taylor Group Manager (Strategic Planning and Regeneration)
- Clare Dempsey Sundry Debtors Team Leader
- Yamini Krishnan Assistant Accountant

We would like to thank the staff involved for their co-operation during the audit.

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Mazars Public Sector Internal Audit Limited

London

September 2016

This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

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Agenda Item 8

APPENDIX A

AUDIT COMMITTEE: Work Programme 2016-17

MEETING DATE	DEADLINE TO MONITORING OFFICER	DEADLINE TO MEMBER SUPPORT	ITEMS:	WHO RESPONSIBLE
21 Sept 2016		9/9/2016	Progress Report <ul style="list-style-type: none"> • Housing Rents • Community Infrastructure Levy • Commercial Asset Management • Customer Relationship Management (CRM) 	Internal Audit
			Audit Progress Report	EY LLP
			Strategic Risk Register	
30 Nov 2016		18/11/16	Progress Report <ul style="list-style-type: none"> • Homelessness • Contract Management • Continuous Auditing/Data Mining 	Internal Audit
			Audit Progress Report	EY LLP
			Strategic Risk Register	

8 Feb 2017		27/1/17	Progress Report <ul style="list-style-type: none"> • Main Accounting • Treasury Management, Cash & Bank • Accounts Receivable • Accounts Payable • Council Tax • Payroll and Pensions Administration • Programme/Project Management • Benefits/Savings Realisation • ITC Security 	Internal Audit
			Strategic Risk Register	
			Audit Progress Report	EY LLP