



Internal Audit

FINAL

## Dacorum Borough Council

### Summary Internal Controls Assurance (SICA) Report

2020/21

October 2020

# Summary Internal Controls Assurance

## Introduction

1. This summary internal controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Dacorum Borough Council as at 29<sup>th</sup> October 2020. The period covered by this summary controls assurance report was significantly impacted by the COVID 19 pandemic.

## Emerging Governance, Risk and Internal Control Related Issues

2. COVID 19 is the most significant recent event to impact both strategically and operationally upon modern day Governance, Risk and Internal Control arrangements. There will be a number of phases in relation to the move through the pandemic and each phase has different implications for the Governance, Risk and Internal Control arrangements. Based upon the information garnered from our work at number of clients some of the potential strategic impacts for 2020/21 are summarised below. A key consideration is that there is unlikely to be a precise timeline when the organisation moves from one phase to the next and also there will be a consequential timelag as the organisation adapts and adopts new ways of operating. The box in the table below signifies the assessment of the current stage, which has gradually eased from Lockdown during the period covered by this SICA.

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



3. There are a range of operational matters arising from the COVID 19 pandemic which impact upon the Governance, Risk and Internal Control arrangements. During the COVID 19 period it would be prudent for Dacorum Borough Council to compare the policies, procedures and internal control processes in effect during the pandemic against the policies, procedures and internal control processes in effect prior to the onset of the pandemic. The matters identified should be risk assessed so as to gain awareness about where the undetected vulnerabilities that may exist so that an informed decision can be made around acceptance of such risks.

## Internal Control Framework

### Audits completed since the last SICA report to the Audit Committee

4. The table below sets out details of audits finalised since the previous meeting of the Audit Committee.

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Budgetary Control	Substantial	09/09/20	09/09/20	10/09/20 30/10/20 (revised)	-	-	-	-
Council Tax	Substantial	14/09/20	22/09/20	22/09/20	-	-	-	-
NNDR	Substantial	14/09/20	22/09/20	22/09/20	-	1	1	-
Housing Benefit	Substantial	30/10/20	02/11/20	02/11/20	-	-	-	-

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

### Progress in actioning priority 1 & 2 recommendations

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

*Mitigating risk exposures identified by internal audit reviews*

Review	Date	Priority 1			Priority 2		
Budgetary Control		0	0	0	0	0	0
Council Tax		0	0	0	0	0	0
NNDR		0	0	0	0	1	0
Housing Benefit		0	0	0	0	0	0

## Root Cause Indicators

7. The Root Cause Indicators (RCI) have been developed by TIAA to provide a strategic rolling direction of travel governance, risk and control assessment. Each recommendation made is analysed to establish the underlying cause of the issue giving rise to the recommendation (RCI). The analysis needs to be considered over a sustained period, rather than on an individual quarter basis. Percentages, rather than actual number of reviews/recommendations made permits more effective identification of the direction of travel.

*RCI – Direction of Travel Assessment*

Root Cause Indicator	Qtr 1 (2020/21)	Qtr 2 (2020/21)	Qtr 3 (2020/21)	Qtr 4 (2020/21)	Medium term Direction of Travel	Audit Observation
<b>Directed</b>						
Governance Framework	N/A	0	0	0	TBC	
Risk Mitigation	N/A	0	0	0	TBC	
Control Compliance	N/A	0	2	0	TBC	One low and one medium priority
<b>Delivery</b>						
Performance Monitoring	N/A	0	0	0	TBC	
Financial Constraint	N/A	0	0	0	TBC	
Resilience	N/A	0	0	0	TBC	

## Progress against the 2020/21 Annual Plan

8. **COVID 19:** The progress against the planned work for Q1 and 2 has been disrupted by the COVID pandemic. In mid-March, when the potential scale and impact of COVID 19 was becoming evident it was agreed that the delivery of the internal audit service would be both delayed and then undertaken remotely thereby minimising the need to physically access offices/premises and to hold face to face meetings.
9. Our progress against the Annual Plan for 2020/21 is set out in Appendix B.

## Changes to the Annual Plan 2020/21

10. At the time of reporting there are no changes to the agreed Internal Audit Plan.

## Frauds/Irregularities

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

## Other Matters

12. Updates have been provided in relation to follow up and these have been incorporated within the tracker which resides within the client portal. The follow up of these recommendations has commenced. Access to the client portal has been provided to management.
13. Risk management Training has been provided to the Audit Committee by TIAA and it is proposed that this be provided in an ongoing fashion.

14. We have reviewed recent guidance issued by the Internal Audit Standards Advisory Board (IASAB) in relation to internal auditing during the COVID-19 pandemic. The guidance aims to support heads of internal audit and individual internal auditors in continuing to meet their personal and professional responsibilities for conforming the UK Public Sector Internal Audit Standards (PSIAS). We can confirm continued conformance with the professional standards during this period.

#### Responsibility/Disclaimer

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

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## Executive Summaries and Management Action Plans

The following Executive Summaries and Management Action Plans are included in this Appendix. Full copies of the reports are presented separately.

Review	Evaluation
<p><b>Budgetary Control</b></p> <p>The Council has appropriate arrangements to support pandemic specific and ongoing financial resilience. In particular, there are appropriate governance arrangements over the financial position. Finance reports and updates are presented at the 'Budget Review Group' which scrutinises the annual budget proposals submitted by the budget holders, and is chaired by the section 151 officer. The annual budget is presented to Cabinet for review and to the Full Council for approval and adoption. The Finance &amp; Resources Overview Scrutiny Committee and Cabinet receive quarterly management accounts. The Council's Strategic Risk Register is presented to the Audit Committee on a quarterly basis.</p>	<p>Substantial</p>
<p><b>Council Tax</b></p> <p>There is a suite of Council Tax procedures maintained by the Revenues sections, which could not be reviewed due to file size and security issues on accessing the information remotely.</p> <p>Due to Covid-19:</p> <ul style="list-style-type: none"> <li>• the 2020/21 Council Tax collection rate KPI has fallen in comparison to last year; and,</li> <li>• the regular review of Council Tax discounts/ exemptions is currently on hold.</li> </ul> <p>Regular reviews of the Single Persons Discount, is undertaken by Capacity Grid, who have recently issued the 2019/20 report to the Council. The Opening Debit reconciliation is performed at year end and not during the annual billing, in line with year-end accounts.</p>	<p>Substantial</p>
<p><b>NNDR</b></p> <p>There is a suite of NNDR procedures maintained by the Revenues sections, which could not be reviewed due to file size and security issues on accessing the information remotely.</p> <p>Due to Covid-19, the 2020/21 NNDR collection rate KPI has fallen in comparison to last year.</p> <p>The Opening Debit reconciliation is performed at year end and not during the annual billing, to aid Finance with year-end accounts.</p> <p>NNDR reliefs and exemptions awarded to Business' are not subject to regular review.</p>	<p>Substantial</p>
<p><b>Housing Benefits</b></p> <p>There are comprehensive Housing Benefits procedures which coupled with the systems and staff provide an adequate control environment. Testing indicated that the controls were effective in practice and while some observations were made appropriate and detailed explanations were provided in every case.</p> <p>Testing included analytical review of both the sample and the cohort of data for outliers in terms of excessive length of processing and a sense check of the data and again appropriate explanations ere forthcoming in every case.</p>	<p>Substantial</p>

## Assurance Review of NNDR

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

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	Regular review of NNDR reliefs/ exemptions awarded to Businesses is not undertaken by the Revenues section.	The Revenues section must conduct regular reviews for reliefs/ exemptions awarded to Businesses and in doing so adopt the methodology applied to Council Tax discounts/ exemptions. Thereby maintaining consistency in approach for both services which fall under Revenues.	2	<i>The Revenues team accepts that there is presently no comprehensive risk assessment of the various property reliefs/exemptions, and so it cannot demonstrate that reviews are being carried out to an appropriate degree. We will develop a risk-based schedule for reviewing BR accounts.</i>	<i>Schedule to be completed by 31/12/20.</i>	<i>Revenues Team Leader</i>
2	Directed	Revenues staff upon commencement of their employment will complete a 'Declaration Form', listing any family or friends who live in the Borough. The Systems team will process this information and bar the individual from accessing these accounts on Northgate. It was noted that an annual exercise is not conducted and that the onus is on staff to inform the Revenues section of any changes.	It is good practice to complete the declaration forms on an annual basis, preferably at the start of each financial year.	3	<i>All Council officers receive regular training on data protection and so are aware of their personal obligations in respect of not accessing accounts of family/friends. The team acknowledges that a regular review of blocked accounts will add a further level of control within this area, and so will develop a process for ensuring that all users' declarations are reviewed annually. However, this is not a task which will be done early in the financial year, as that is a period of time during which the support team need to focus their resources on more important processes linked to the closure of accounts and completion of Government returns.</i>	<i>Process to be determined and reviews commence by 31/12/20.</i>	<i>Revenues &amp; Benefits Support Team Leader</i>

## Progress against Annual Plan

System	Planned Quarter	Current Status	Comments
Key Financial Controls (Main Accounting/ Treasury Management/Cash and Bank Accounts Receivable/Accounts Payable)	Q2	First part completed	
Budgetary Control	Q2	Final report	Final report issued 30 <sup>th</sup> October
Council Tax	Q2	Final Report	Final Report issued 14 <sup>th</sup> September
NNDR	Q2	Final Report	Final Report issued 22 <sup>nd</sup> September
Housing Benefit	Q3	Final Report	Final Report issued 2 <sup>nd</sup> November
Community Safety Partnerships	Q3	Planning meetings occurred, requested to be delayed..	N/A
Business Continuity – Including Pandemic	Q3	Deffered to Q4 (at request of JD)	N/A
Planning	Q3	Q4 – APM agreed (deffered at request of client (SW))	N/A
Housing Rents	Q3	In progress	N/A
Empty Homes	Q4		N/A
Commercial asset Management	Q3/Q4	In progress	N/A
GDPR	Q4	In progress	N/A
Corporate Health and Safety	Q4	Apm agreed	N/A
Cyber Security	Q3	Apm agreed	N/A
Governance and Risk management	All	Ongoing work workshop. (mostly for Q4)	N/A
Benefits and Savings Realisation	Q3	APM agreed (scheduled for December)	N/A
Ad Hoc/Contingency	N/A	N/A	N/A

**KEY:**

To be commenced

Site work commenced

Draft report issued

Final report issued

## Priority 1 & 2 & 3 Recommendations - Progress update

### Follow Up Analysis Table

Priority	Recs Outstanding as at 9/09		Aged Analysis for Overdue Recommendations				
	Past the Implementation Date	Before Imp Date	Greater than 1 year	Greater than 6 months	Greater than 3 Months	Less than 3 months	Less than 1 month
Priority 1	0	0	0	0	0	0	0
Priority 2	0	0	0	0	0	1	0
Priority 3	0	0	0	0	0	1	0

Note: Eight recommendations have been confirmed as having been implemented in the year to date.

List of overdue Priority 1 and 2 Recommendations

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	<p>Inspection of documentation and enquiry of management noted that the Service Level ICT Business Continuity Plan (BCP) does not determine the Recovery Time Objectives (RTO) or Recovery Point Objectives (RPO) of systems based on business impact. It was however noted that the HLDR Schedule does include RTO's and RPOs but that this document had not been updated/reviewed since 2014. All of the required information is contained within the HLDR Schedule; therefore, it may be efficient to use the same information for the IT BCP and to link both documents together.</p>	<p>The ICT Business Continuity Plan should link with an updated version of the ICT High Level Disaster Recovery (HLDR) Schedule in order for Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) to be included and identified.</p>	2	<p>The BC plan is due for a review in August 2020. This recommendation will form part of the document review.</p> <p><b>Management Update</b></p> <p>August 20 review delayed to incorporate any learning from IMT. Debrief form sent to all IMT members (8). This recommendation will form part of the document review.</p>	<p>30/08/2020</p> <p>Proposed revised due date</p> <p>29/01/2021</p>	<p>Group Manager – Technology &amp; Digital Transformation</p> <p>Team Leader Corporate Health, Safety and Resilience</p>