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Dacorum Borough Council

Summary Internal Controls Assurance (SICA) Report

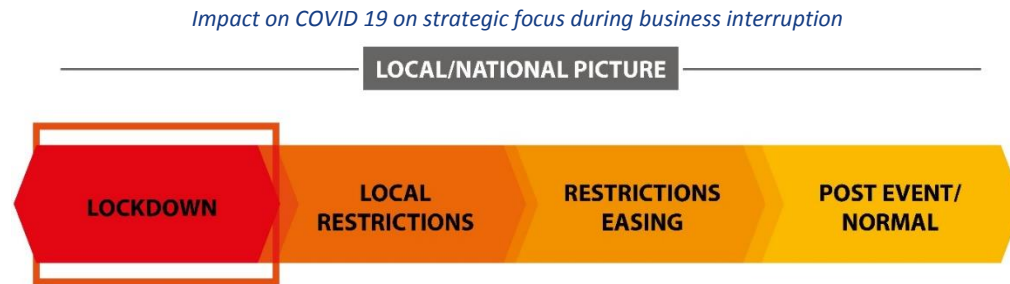**2020/21**

February 2021
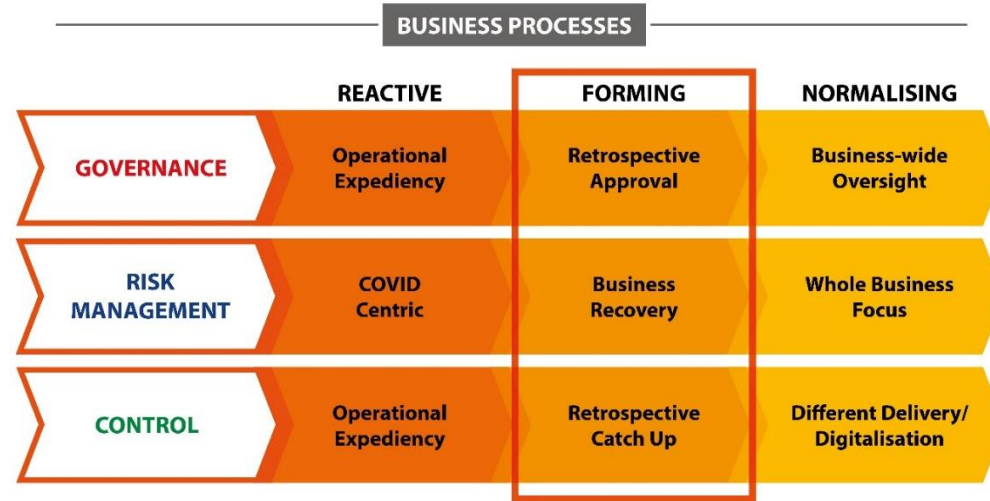
Summary Internal Controls Assurance

Introduction

1. This summary internal controls assurance report provides the Audit Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at Dacorum Borough Council as at 21st January 2021. 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

LOCAL/NATIONAL PICTURE

LOCKDOWN → LOCAL RESTRICTIONS → RESTRICTIONS EASING → POST EVENT/ NORMAL

BUSINESS PROCESSES

	REACTIVE	FORMING	NORMALISING
GOVERNANCE	Operational Expediency	Retrospective Approval	Business-wide Oversight
RISK MANAGEMENT	COVID Centric	Business Recovery	Whole Business Focus
CONTROL	Operational Expediency	Retrospective Catch Up	Different Delivery/ Digitalisation

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
Key Financial Controls	Substantial	December 2020	January 2021	January 2021	0	0	0	1
Community Asset Management	Substantial	November 2020	December 2020	January 2021	0	1	0	0
GDPR	Reasonable	November 2020	January 2021	January 2021	0	4	2	0

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		
2019/20 Governance	Mazars	0	0	0	0	0	1
2019/20 Web Accessibility	Mazars	0	0	0	1	0	0
2019/20 Disaster Recovery	Mazars	0	0	0	0	1	0
2020/21 NNDR	Sept 2020	0	0	0	0	0	1

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.

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, the Business Continuity (incl Pandemic Response) and the Health & Safety review have been deferred to Quarter 1 of 2021/22, due to pressures in the department as a result of the Pandemic and the impact of the third National Lockdown.

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.

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
Key Financial Controls	Substantial
Commercial Asset Management	Substantial
GDPR	Reasonable

Key Financial Controls - Executive Summary

OVERALL ASSESSMENT

SUBSTANTIAL ASSURANCE

REASONABLE ASSURANCE

LIMITED ASSURANCE

NO ASSURANCE

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

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

SCOPE

The review assessed the adequacy and effectiveness of the internal controls in place at the Council for managing identified key financial systems. The review comprised of a number of compliance checks on activities in the areas of core financial responsibility for the organisation. The checks were carried out against the authorised procedures, and for any non-compliant transactions additional checks to be performed to establish whether the organisation's responsibilities and accountabilities had been met.

KEY STRATEGIC FINDINGS

Financial transactions, processed by the Financial Services team, is in accordance with the Council's Financial Regulations and Scheme of Delegation.

Access controls to the Council's financial ledger has been assigned appropriately to staff, dependant on role and responsibilities.

Key financial policies/ strategies are approved by Cabinet.

GOOD PRACTICE IDENTIFIED

Finance complete a monthly 'Key Financial Control' report, informing Senior Finance officers of the completion of month end key financial controls.

Processes introduced by the Business Systems Developer, utilising existing features of the Unit 4 platform, has improved the Financial Information System controls.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	1

Assurance - Key Findings and Management Action Plan (MAP)

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

Commercial Asset Management - Executive Summary

OVERALL ASSESSMENT

SUBSTANTIAL ASSURANCE

REASONABLE ASSURANCE

LIMITED ASSURANCE

NO ASSURANCE

KEY STRATEGIC FINDINGS

The Commercial Assets held by the Council, forms a stable asset base with very few if any new additions to the portfolio of properties held.

Unfortunately due to the pandemic, rental arrears have increased which is beyond the control of the Council until circumstances change.

It is likely, due to COVID 19 and the increase in arrears, that significant write off of debt may become a real issue and should be acknowledged in the Councils budgeting arrangements.

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

No corporate risk specifically listed for this area.

GOOD PRACTICE IDENTIFIED

Examination of the various documents and data confirmed that the processes in place for the management of the Council's Commercial Assets was well established and was working well despite the current disruption caused by COVID 19

SCOPE

The review has considered the following key areas:
- How the rental arrangements are being managed and there is a system to prevent failure to apply a rent rise;
- The current portfolio of commercially rented properties and how these are managed/verified are accurate;
- To establish and confirm that all commercial rents are appropriately recorded with trigger dates for rent reviews are in place;
- To establish that the database of commercial properties is accurate and up to date; and
- To sample test a number of commercial properties to confirm that rents are paid in accordance with their agreement.

ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	0

Commercial Asset Management - 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	Delivery	The government has passed a moratorium on debt collected that has been supported by the Council. Therefore Officers and Members are aware of the increased debt position for commercial properties. Total outstanding debt at the time of the audit (October 2020) comprises of the following: • Commercial Rents: £1,337,110.42 less due date not passed £41,972.39; • Facilities Hire: £119.00; • Caravans: £14,151.21; Due date not passed -£25 • Property Management Miscellaneous: £57,820.32 less due date not passed £3,674.76; • Commercial Rents other: £22,152.68 less due date not passed £1,039.27; • Facilities Hire (Tring) £2,349.55 less due date not passed £643.00. • Total aged debt = £1,433,703.18 less due date not passed £47,304.42. **Total aged = £1,386,398.76.**	As the recovery of some of the accumulated debt may well become unrecoverable, consideration must be given to reflecting this potential loss of income in the Councils future budgeting arrangements.	2	*DBC Finance Team have accounted for potential loss of income in next year's budget by allowing an additional £1m for non-collection of rental income.*	*End of February 2021*	*Finance Team*

GDPR - Executive Summary

OVERALL ASSESSMENT

REASONABLE ASSURANCE

- SUBSTANTIAL ASSURANCE
- REASONABLE ASSURANCE
- LIMITED ASSURANCE
- NO ASSURANCE

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

N/A – The risk register does not currently include a risk around compliance with GDPR. This has been raised as part of this report. : Failure to comply with the new General Data Protection Regulations could mean very substantial fines.

KEY STRATEGIC FINDINGS

There is a need for a review of the Councils retention schedules and the agreement and documentation of appropriate retention and destruction periods.

Privacy notices to be drafted and published for the remaining Council service areas involved in the processing of personal data.

While the majority third party contracts have been reviewed and updated to include mandatory GDPR clauses some remain to be agreed.

The Council does not yet have a complete record of processing activity in place, although work on producing one is under way.

GOOD PRACTICE IDENTIFIED

The Council has completed significant work towards achieving compliance with the GDPR/ Data Protection Act 2018 and work on becoming fully compliant is ongoing.

GDPR / Data Protection Act 2018 training has been produced and is compulsory for all staff.

SCOPE

To review compliance with the General Data Protection Regulations (GDPR). The review will directly assess how compliant the Council is with the GDPR. This will include key elements such as (but not limited to): Privacy Impact Assessments Data Subject rights (e.g. Right to be forgotten) Data Classification and Asset management Data Security Breach Management Governance Consent Data Controllers & Processors.

ACTION POINTS

Urgent	Important	Routine	Operational
0	4	2	0

GDPR - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	There is a recognised need for an in depth of review of the Councils retention schedules and the agreement and documentation of appropriate retention and destruction periods. Management advised during the audit that they were in the process of producing a plan to address this.	An exercise be undertaken to review retention schedules and ensure retention and destruction periods are appropriately documented.	2	*An on-going objective is to review the Council's e-records across all services to ensure that departments are aware of system records retention and any residual records on network shares. This is part of the Information Security Team Leaders (ISTL) Objectives.* *This is a major item of work, so the timetable for implementation is adjusted to reflect this.*	*30/9/21*	*Information Security Team Leader*
3	Directed	The Council has published detailed privacy notices for Council functions on its website privacy pages. It was noted that the majority but not all functions were covered at the time of audit and that work on completing the remaining notices was ongoing.	Management ensure that privacy notices are drafted and published for all Council service areas involved in the processing of personal data.	2	*There are currently 21 Privacy Policies in place. A further 6 are due to be published to ensure that every service is reflected. On ISTL Work Plan*	*28/2/21*	*Information Security Team Leader*
4	Directed	An exercise of identifying and reviewing third party contracts to ensure they include required GDPR clauses has being undertaken by the Council. While the majority of required changes have now been completed, there is a small number which are still in the process of being negotiated.	Management ensure all Council contracts and reviewed and updated to include mandatory GDPR clauses.	2	*New Clauses in place since May 2018*	*Completed*	*Information Security Team Leader*

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Directed	The Council does not yet have a complete record of processing activity in place, although some work has been undertaken to produce one with work to date having focussed on the HR function. A full review of the Councils data records is planned which will enable in the production of the record of processing activity.	The record of processing activity be completed following the completion of the ongoing review of records.	2	*An on-going objective is to review the Council's e-records across all services to ensure that departments are aware of system records retention and any residual records on network shares. This is part of the Information Security Team Leaders (ISTL) Objectives.* *This is a major item of work, so the timetable for implementation is adjusted to reflect this.*	*30/9/21*	*Information Security Team Leader*
1	Directed	It was noted that, while the majority of policies have been updated to reference GDPR requirements, a number of policies require further review and updating having last been updated in 2018. These include the 'Corporate Information Security Management Policy', 'Retention Schedule Policy', 'Records Disposal' and 'GDPR UK Data Protection Act V1_2' policies.	Management to undertake an exercise to review and update all relevant information governance and security policies to ensure they are up-to-date and reflect the latest processes and controls.	3	*There are currently 21 Privacy Policies in place. A further 6 are due to be published to ensure that every service is reflected. On ISTL Work Plan*	*28/2/21*	*Information Security Team Leader*
5	Directed	It was noted that while the Council maintains a risk register this does not include a risk around lack of compliance with DPA/GDPR.	Management to document mitigating controls and ongoing activity around DPA/GDPR compliance as part of the Council's risk register.	3	*New Clauses in place since May 2018*	*Completed*	*Information Security Team Leader*

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	Final Report	Final report issued 14th January 2021
Budgetary Control	Q2	Final report	Final report issued 30th October 2020
Council Tax	Q2	Final Report	Final Report issued 14th September 2020
NNDR	Q2	Final Report	Final Report issued 22nd September 2020
Housing Benefit	Q3	Final Report	Final Report issued 2nd November 2020
Community Safety Partnerships	Q3	In progress	Draft to be issued end of Jan 2021
Business Continuity – Including Pandemic	Q3	Deferred to Q1 2021/22	N/A
Planning	Q3	Q4 – APM agreed (deferred at request of client (SW))	To commence late Feb/ Early March 2021
Housing Rents	Q3	In progress	N/A
Empty Homes	Q4	APM issued December 2020	Review to commence Feb 2021
Commercial Asset Management	Q3/Q4	Final Report	Final Report issued 22nd Jan 2021
GDPR	Q4	Final Report	Final Report issued 25th Jan 2021
Corporate Health and Safety	Q4	Deferred to Q1 2021/22	N/A
Cyber Security	Q3	In progress	Delays encountered due to IT Health Check being conducted and addressing actions.
Governance and Risk management	All	Ongoing work workshop. (mostly for Q4)	N/A
Benefits and Savings Realisation	Q3	In progress	Review commenced December 2020
Ad Hoc/Contingency	N/A	N/A	N/A

KEY:

To be commenced	Site work commenced	Draft report issued	Final report issued	Audits Cancelled/ Deferred

Priority 1 & 2 & 3 Recommendations - Progress update

Follow Up Analysis Table

Priority	Recs Outstanding as at 21/01/2021		Aged Analysis for Overdue Recommendations (past date/revised date as appropriate).					
	Past the Original Implementation Date	Before Imp Date	Greater than 1 year	Greater than 6 months	Greater than 3 Months	Less than 3 months	Less than 1 month
Priority 1	0	0	0	0	0	0	0
Priority 2	2	0	0	0	0	0	2
Priority 3	2	0	0	0	0	0	2

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

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
2019/20 Governance Role						
The executive should issue a communication to all Councillors outlining the requirement that mandatory training is to be completed when due. The process for escalating non completion of mandatory training and for dealing with noncompliance should be adhered to and corrective actions be taken where gaps are identified	2	All Members have been offered the opportunity to attend mandatory training on at least two different dates. One further training session will be made available for councillors who have been unable to attend training and there will be close liaison with Group Leaders to ensure Members attend. If Members still fail to attend a report will be taken to the Council's Standards Committee for consideration.	31/12/2020	Corporate Support Team Leader Director – Corporate and Contracted Services	To be followed up during quarter 4 2020/21.	
2019/20 Business Continuity						
The Council should address the issues highlighted in the Siteimprove reports as a matter of priority and ensure changes are applied across domains and services consistently.	2	As recommended, we will address the issues highlighted in the Siteimprove report. Our first priority will be the main websites	30/10/2020 *Revised date 26/02/2021*	GM – Technology & Digital Transformation	Revised implementation date yet to be reached.	
2019/20 Disaster Recovery						

Recommendation	Priority	Management Comments	Implementation Timetable	Responsible Officer	Action taken to date (and any extant risk exposure)	Risk Mitigated
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.	2	The BC plan is due for a review in August 2020. This recommendation will form part of the document review.	30/08/2020 **_Revised date 29/01/2021_**	Group Manager – Technology & Digital Transformation Team Leader Corporate Health, Safety and Resilience	Revised implementation date yet to be reached.	
2020/21 NNDR						
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	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.	31/12/2020 **_Revised date 31/03/2021_**	Revenues Team Leader	Outstanding at the time of writing this report – will be followed up again during quarter 4 2020/21.	

KEY:

Priority Gradings (1 & 2)

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

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

Risk Mitigation

	CLEARED	Internal audit work confirms action taken addresses the risk exposure.

	ON TARGET	Control issue on which action should be taken at the earliest opportunity.

	EXPOSED	Target date not met & risk exposure still extant