



Internal Audit

FINAL

## Dacorum Borough Council

Summary Internal Controls Assurance (SICA) Report

2021/22

March 2022

# 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 21<sup>st</sup> March 2022.

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

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

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Housing Rents	Reasonable	December 2021	February 2022	February 2022	0	4	2	2
KFCs – Debtors & Arrears	Substantial	February 2022	March 2022	March 2022	0	0	2	0

3. The Executive Summaries and the Management Action Plans for each of the finalised reviews are included at Appendix A. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

## Progress against the 2021/22 Annual Plan

4. Our progress against the Annual Plan for 2021/22 is set out in Appendix B.

## Changes to the Annual Plan 2021/22

5. There a number of areas where internal audit work is recommended to enable an unqualified Head of Audit Opinion to be provided for 2021/22. These are summarised below.

*COVID assurance review work*

Review	Rationale
Governance Arrangements	This is a crucial area in order to be able to support that assurances are being received and evaluated fully in order to mitigate against risk and support the direction of the Council.
Business Continuity (incl Covid-19)	This is flagged as a high risk area on the risk evaluation and requires specific mitigation in order to provide day to day services.
Core Financial Controls	This is essential in providing assurances to support going concern.

### Progress in actioning priority 1 & 2 recommendations

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

*Mitigating risk exposures identified by internal audit reviews*

Review	Date	Priority 1			Priority 2		
2020/21 Cyber Security	April 2021	0	0	0	0	0	1
2020/21 GDPR	April 2021	0	0	0	1	0	1
2021/22 ICT –Security Network	August 2021	0	0	0	1	0	0
2021/22 Freedom of Information	November 2021	0	0	0	0	1	0
2021/22 Procurement	January 2022	0	0	0	0	1	1
2021/22 Waste Management	January 2022	1	1	1	6	2	2

### Frauds/Irregularities

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

### Responsibility/Disclaimer

8. 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

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

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

# Housing Rents - Executive Summary

## OVERALL ASSESSMENT







## ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

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



## SCOPE

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

## KEY STRATEGIC FINDINGS

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

## GOOD PRACTICE IDENTIFIED

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

## ACTION POINTS

Urgent	Important	Routine	Operational
0	4	2	2

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

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

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

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




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

## Operational - Effectiveness Matter (OEM) Action Plan

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

## KFCs Debtors & Arrears - Executive Summary

**OVERALL ASSESSMENT**



The diagram shows a circular gauge with 'Substantial Assurance' selected. The gauge is labeled 'Adequate & effective governance, risk and control processes'. To the right, four assurance levels are listed: Substantial Assurance (green), Reasonable Assurance (yellow), Limited Assurance (orange), and No Assurance (red).

**ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE**

SR1 – Funding and Income is not sufficient to deliver the Council’s Corporate Objectives.

**SCOPE**

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

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

**KEY STRATEGIC FINDINGS**

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

**GOOD PRACTICE IDENTIFIED**

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

**ACTION POINTS**

Urgent	Important	Routine	Operational
0	0	2	0

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

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


## Progress against Annual Plan


System	Planned Quarter	Current Status	Comments
Absence Management	1		Final issued July 2021
Payroll (post implementation of iTrent)	1		Final issued August 2021
Business Continuity (including Pandemic Response)	1	Fieldwork completed	Draft to be issued at end of March 2022
ICT – Network Security (Remote Access)	1		Final issued August 2021
Customer Services	2		Final issued October 2021
Procurement	2		Final issued January 2022
Freedom of Information	2		Final issued
Corporate Health & Safety	2	Deferred to Quarter 1 2022/23	Advised by Management to defer the review to 2022/23
Waste Management	2		Final issued January 2022
Key Financial Controls	3		Final issued March 2022
Budgetary Control	3		Final issued January 2022
Council Tax	3		Final issued January 2022
NNDR	3		Final issued January 2022
Housing Benefits	3		Final issued January 2022
Housing Rents	3		Final issued February 2022
Empty Homes	4	Fieldwork in progress	
Planning Enforcement	4		Draft issued March 2022
Safeguarding & Prevention	4	Fieldwork in progress	
Governance & Risk Management	4	Fieldwork in progress	

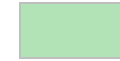
System	Planned Quarter	Current Status	Comments
Follow Up	3-4		Completed in Q4


**KEY:**

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued

 Review deferred