



Dacorum Borough Council

Assurance Review of Capital Programme

November 2024

Final



Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

No specific risks associated with a failure in capital programme processes were identified, however, risk factors routinely considered and reported on include disruption to the effective delivery, budget adherence, and intended outcomes of the program, failures in processes, people and systems.

SCOPE

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over the Capital Programme and provide guidance on how to improve the current controls going forward. In summary, the scope covered the following areas: Policies and Procedures, Governance Arrangements, Allocation of Capital Programme Budget, Project Initiation, Monitoring, End of Project Evaluation and Tracking Realisation of Proposed Benefits.

KEY STRATEGIC FINDINGS

- High level and frequent monitoring of the capital programme is in place including reports to senior leadership, Capital Board, Committee and Council.
- One project has required retendering due to contractor administration, however prior due diligence was evidenced and the situation was fully reported and escalated when required.
- Supporting documentation was evidenced and was in line with policy requirements.

GOOD PRACTICE IDENTIFIED

- The Council has prepared for upcoming legislation changes in relation to procurement, has assessed the impact this will have on the capital programme and communicated this to relevant staff.
- An array of trackers is in use for various stages projects, for actions that arise from meetings and for policy document reviews.

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 | The Financial Regulations policy advises that it is subject to the approval of the Council and that the Section 151 Officer (Chief Finance Officer) is accountable. The policy also states, however, that it is non-applicable for expiry and does not currently contain a review date or frequency of its review. | The Financial Regulations policy date of review by the Council be included within the version control details. | 3 | <i>The Council's Financial Regulations are reviewed on an annual basis and formally approved by Members. The next review date will be added to the cover page of the regulations when they are next reviewed.</i> | 30/04/25 (the regulations are next due for review by this date) | Head of Financial Services |
| 2 | Directed | Capital Board programme action trackers are in use in the form of spreadsheets providing the latest updates in respect of actions arising from each Capital Board meeting. A review of the last five months of these trackers showed consistency with updates and archived actions that have been completed. Whilst reports are provided at each Board meeting on specific projects listed within the tracker, it was found that not all updates were dated and some did not contain the date of completion. | It be ensured that action trackers going forward contain dates of actions taken in regard to progression and also once finalised that completion dates are consistently added. | 3 | <i>We have immediately taken steps to ensure that the action tracker for the Capital Programme Board clearly captures dates of actions identified, dates of actions taken and dates actions are completed.</i> | 15/11/24 | David Barrett Assistant Director Strategic Housing and Delivery |

PRIORITY GRADINGS

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.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

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

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings





Directed Risk:


Failure to properly direct the service to ensure compliance with the requirements of the organisation.


| Ref | Expected Key Risk Mitigation | Effectiveness of arrangements | Cross Reference to MAP | Cross Reference to OEM |
|-----|--|-------------------------------|------------------------|------------------------|
| GF | Governance Framework There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation. | In place | 1 | - |
| RM | Risk Mitigation The documented process aligns with the mitigating arrangements set out in the corporate risk register. | In place | - | - |
| C | Compliance Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance. | In place | 2 | - |

Other Findings

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The Council has key policies in place in relation to the capital programme such as the Financial Regulations (March 2023) and the Project Management Handbook. The Project Management Handbook is currently separated out in sections rather than as one policy and, through further discussion, it was advised that this method allows the Council to review sections rather than a much larger policy. Sections from the Handbook are version controlled and were seen to have been reviewed in the last 12 months. A tracker is also in use outlining those responsible for reviews and updates in relevant sections.
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The Financial Regulations policy outlines the duties of the Council in relation to capital programmes and budget setting. The policy also provides details on the responsibilities of the Section 151 Officer to prepare a rolling five year capital programme annually to be submitted to the Cabinet and Council as part of budget setting processes. Testing confirmed this process was followed.
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A Project Management Handbook checklist is in use and provides a breakdown of each stage within the projects process. The Handbook itself contains areas including risk management, lessons learnt, approvals and reporting; all of which has detailed processes set out and responsible staff identified.
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The Council last completed a capital programme internal audit in 2020 through Mazars LLP. The report shows the highest level of assurance and no recommendations were made.

Other Findings



The Capital Strategy 2024/25 was approved by the full Council in February 2024 in adherence with the Prudential Code requirements. The Strategy itself has been informed by stock condition reviews as well as an ongoing strategic asset review, the objectives of which are also outlined within the Strategy. The Strategy provides the process of the Council's capitalisation processes on property, plant, equipment and software when bringing an economic benefit of over one year and a spend greater than £10,000. The Strategy covers medium to long term expenditure plans as well as monitoring controls that were confirmed as in place during the audit.



No specific risks associated with a failure in capital programme processes were identified within the current risk register, however, a variety of mitigating controls relevant to overall capital programme management are in place and were evidenced as working effectively.



Each project within the programme is subject to reporting to SLT, OSC and the Cabinet which provides RAG rated issues identified with narrative and progress updates. A review of monthly reports showed that updates were consistent and progress with deadlines was being managed.



The 2024/25 budget was scrutinised by the Cabinet and then also approved at the full Council meeting in February 2024.



The 2024/25 Capital Programme and Capital Strategy were approved by the full Council in February 2024 as part of the budget setting processes.



Supporting documentation including project bid and approval, in line with policy and procedure guidance, was provided for sampled projects within the current capital programme and no issues were identified.











Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

| Ref | Expected Key Risk Mitigation | Effectiveness of arrangements | Cross Reference to MAP | Cross Reference to OEM |
|-----|--|-------------------------------|------------------------|------------------------|
| PM | Performance Monitoring There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner. | In place | - | - |
| S | Sustainability The impact on the organisation's sustainability agenda has been considered. | In place | - | - |
| R | Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted. | In place | - | - |

Other Findings

-  Monthly highlight reports are created by project leads and provide details on risks/issues including mitigation put in place and any required escalation. The reports also provide progress of previous months to date and any activities to be completed. The data from these reports is collated by the project management office and summarised in a monthly report to Capital Board which covers all high risks and key progress updates on all projects.
-  The papers for the last five months of Capital Board meetings were reviewed and included in the pack, are highlight reports on individual projects with the current programme, an updated programme with progress updates and narratives, action trackers for the meetings themselves and financial overviews. Minutes from the monthly meetings show scrutiny and required approvals.
-  Lessons Learnt meetings and evaluation reports were evidenced as per policy guidance and outline outstanding works, issues identified, what to do differently, positives and next steps.
-  Quarterly financial reports are provided to SLT, the latest of which at the time of the audit was presented in July 2024 providing performance figures on the capital programme up to Q3 2023/24 and the forecast of financial position as at Q1 2024/25. The latest outturn report provides narrative on surplus and slippage.
-  One project in particular (Paradise Depot) was temporarily stopped due to the tendered contractor going into administration. Action trackers and meetings held show updates since the administration and the steps that the Council has taken to rectify the situation. Scrutiny was shown in discussions with the Capital Board and at full Council meetings and it was evidenced that due diligence had been demonstrated when reviewing the companies finance prior to the tender.
-  The Corporate Plan 2020-2025 outlines the Council's corporate priorities around sustainability and this is echoed within the Capital Strategy and capital programme. The documents provide detailed steps taken such as the collection of food waste from 10,000 properties and an increase in recycling rates over the last 12 months to 52.3%. The 2020-2025 Corporate Plan also sets out the Council's projects and targets in relation to sustainability, including tree planting programmes and recycling services for commercial business.
-  Supporting documentation in relation to capital programme projects includes sustainability implications with Cabinet reports. Due diligence on contractors is evidenced with any environmental awards, performance and accreditation listed within the reports.
-  The latest governmental updates regarding the UK Procurement Bill (FKA The Procurement Act 2023) advises that the newest legislation requirements will come into effect on 24th February 2025, delayed from October 2024. The Council has prepared for this legislative change by updating the Commissioning and Procurement Standing Orders policy with the newest requirements published, including how it will affect the capital programme and providing updates to SLT and above on the upcoming changes in early September.

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

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

Effectiveness of Arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

| | |
|---------------------------|--|
| In place | The control arrangements in place mitigate the risk from arising. |
| Partially in place | The control arrangements in place only partially mitigate the risk from arising. |
| Not in place | The control arrangements in place do not effectively mitigate the risk from arising. |

Assurance Assessment

4. The definitions of the assurance assessments are:

| | |
|------------------------------|--|
| Substantial Assurance | There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved. |
| Reasonable Assurance | The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved. |
| Limited Assurance | The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved. |
| No Assurance | There is a fundamental breakdown or absence of core internal controls requiring immediate action. |

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report:

| Stage | Issued | Response Received |
|-----------------------------------|--------------------------------|--------------------------------|
| Audit Planning Memorandum: | 9 th September 2024 | 9 th September 2024 |
| Draft Report: | 6 th November 2024 | 8 th November 2024 |
| Final Report: | 12 th November 2024 | |