



Dacorum Borough Council

Assurance Review of Key Financial Controls

September 2024

Final



Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

The Council subject to a successful cyber attack and/ or data breach.

SCOPE

Key financial controls will be reviewed on an annual basis covering main finance systems and processes, with a more detailed review of each finance area on a modular basis over a three-year period. For 2024/25, this will include payments, debtors and income.

KEY STRATEGIC FINDINGS

- There are robust system of internal controls operating effectively to ensure that risks are managed, and process objectives achieved.
- Adequate policies and procedures relating to Debtors and Creditors have been documented. However, the Corporate Debt Policy has yet to be finalised.
- In relation to Debtors for the sample selected the debt had been adequately followed up and regular reports are produced and reviewed by The Head Financial Services and where relevant monitoring meetings are held with the relevant service area.
- In relation to Creditors majority of the invoices are being paid on time (Within 30 days).

GOOD PRACTICE IDENTIFIED

- In general, The Finance Team contribute with a paperless office, electronic processes, and hybrid working to limit travel.

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)
No recommendations were identified.							

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
1	Directed	Discussions with the Financial Services Manager confirmed that the Corporate Debt Policy was still in the process of being finalised.	The Corporate Debt Policy to be Finalised.	<i>The Corporate Debt Policy has been drafted and is going through the approval process.</i>

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	-	-

Other Findings



The Financial Services Manager confirmed that the overarching procedures relating to the Key Financial Controls were documented as part of the Councils Financial Regulation. The Councils Financial Regulations dated March 2023 was obtained and reviewed. It was noted that the author was the Head of Financial Services, and the responsible officer was the Chief Finance Officer. It covered the following:

- Issuing of invoices.
- Reasons for cancellation of an invoice.
- Debt write-off Authorisation.
- Payment of goods and services.

The Financial Regulations are reviewed every 2 years, so the next review is not due till March 2025.

Other Findings



The Financial Services Manager confirmed that in addition to the Councils Financial Regulation, there were the following policies / procedures relating to the Key Financial Controls within the Council.

Debt Management Policy dated May 2024

The main aspects included were as follows:

- Definition of a Debtor.
- Issuing Invoices.
- Performance Management.
- Monitoring and Reporting of Debt.
- Collection and Recovery.
- Dispute Resolution.
- Write Off Procedures.
- Customer Care.
- Advice and Assistance.

The updated Debt Management Policy has incorporated the recommendations made as part of the previous audit.

Operational Procedures:

They are several operational procedures such as:

- Raising a sales order dated January 2022, which sets out how to input request on system.
- Write-offs dated July 2023, which sets out details required including reason codes and a field for case summary, authorisation levels, provides pro-forma.
- Monthly reconciliation process.

The operational procedures are in the process of being updated and form part of the staff review objectives for 2024.



As per the previous audit they were two Operational Effectiveness Matters outstanding relating to the updating of the Debt Management Policy. The Debt Management Policy was updated in May 2024 and the recommendations implemented as part of the updating process.



A copy of the Organisational Structure was obtained and reviewed. It was noted that the Finance Department form part of the Corporate & Commercial Services Directorate. The Accounts Receivable and The Accounts Payable Team are under the responsibility of the Head of Financial Services, who reports to the Chief Finance Officer.

Review of the relevant team structure chart and discussion with the Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) indicated that there is segregation of duties within the process and sufficient resilience within the team.



The Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed that the Financial Information Systems used is Unit four. The system allows "role-based" user accounts to be assigned to enable the users to meet the requirement of their job.

Other Findings



The Corporate Strategic Risk Register was obtained. It was noted that the following risks and mitigation arrangements had been reported/identified relating to the Key Financial Controls is that the Council is subject to a successful cyber-attack and/ or data breach. The mitigating factors identified were as follows:

- Obtaining cyber essentials accreditation.
- Council wide cyber resilience exercise.



The Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed the following:

- 1) Some service areas run their own invoice on Unit four and these then go to the Accounts Receivable Team to check.
- 2) One off manual invoice is raised through an Invoice Request Form. The Invoice Request Form is completed online by the service area and the Accounts Receivable Team is alerted. An invoice is then created on the Unit four system and once a week a listing is run to generate/issue the invoices.
- 3) Subscriptions are automatically set up on the system and a monthly listing is run to generate/issue the invoice.
- 4) Leasehold insurance premiums are automatically set up on Unit four system, and a percentage age uplift applied annually.

As per the Debt Management Policy an invoice must include the following information in order to expedite payment:

- Full details of the service invoiced.
- Service dates.
- Contact names were issued to an organisation.
- Appropriate service contact details at the Council.
- Valid Purchase Order number (PO) where required.
- Appropriate documents and evidence attached.

In addition, various informal checks are conducted before the payment run is authorised and implemented.

A sample of 10 invoices raised for the period April and May 2024 was selected from a list of all invoices raised for that period.

For the invoices raised the following was obtained and reviewed:

- Authorisation of the Invoice.
- Appropriate segregation of duties.
- Timely raising of the Invoices.
- Accuracy of the Invoice.

It was noted that in all cases the invoice had been authorised appropriately, raised in a timely manner and was accurate.

Other Findings



The Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed that a credit note is raised by a member of the Accounts Receivable Team following a written request from a service area stating the reason why the credit note is required.

A sample of 10 credit notes raised for the period April and May 2024 was selected from a list of all credit notes raised for that period.

For the credit notes selected the following was obtained and reviewed:

- Authorisation of the Credit note.
- Timely raising of the Credit note.
- Accuracy of the Credit note.

It was noted that in all cases the Credit Note had been authorised appropriately, raised in a timely manner and was accurate. The system of internal control in relation to the issuing of credit notes was considered efficient and effective. No issues were identified.



As per the Debt Management Policy:

- 1) Except in the case of an invoice payable by instalments, or as otherwise contractually agreed, the settlement period for all invoices will be within 21 days.
- 2) Recovery action will commence 31 days after the demand has fallen due. Escalation processes up to and including litigation are to be agreed between the Customer Accounts team and the service departments.
- 3) The Council will attempt at all times to use the most appropriate and cost-effective method of debt recovery in order to maximise income.
- 4) Before enforcement action is taken, the Council will utilise automated reminders, correspondence, e-mail and telephone contact including text messaging. Where appropriate, designated Council officers may visit the debtor's home or place of business, which includes joint visits with service leads.
- 5) Re-payment arrangements can be considered where payment cannot be made in full by the due date but should extend payment terms for the shortest period possible.

A sample of 10 outstanding debts was selected. For the sample selected the following information was obtained/reviewed:

- Appropriate reminder letters had been sent.
- Where appropriate the debt had been referred to the Debt Collection Agency.

In addition, discussions were held with the Lead Officer Customer Accounts and Income (Financial Services) to establish the reason the debt was outstanding specifically in relation to debt that had been outstanding for a considerable amount of time. It was noted that several of the debt had been referred to the service area to follow up for example. Commercial Rent and Insurance and that the Accounts Receivable Team were awaiting a response. No recommendation was made as regular monitoring meetings are held.



As per the Sundry debt policy details arrangements should be made to pay within Twelve months unless exceptional reasons. However, discussions with the with the Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed the following:

- There are a lot of leasehold debts that are going onto instalment plans due to high costs of major works, some repaying over 6 years.
- The Leasehold team are looking to review and revise lease terms possibly repaying over twenty-five years for very high repair costs for example over £40k, where customer unable to repay.
- Formal payment plans are set up on the system. This will auto-generate a recovery letter if not adhered to or only part payment received.
- There are also some informal payment plans which are noted on the system and monitored by the Accounts Receivable team.

Other Findings



As per the Debt Management Policy an aged debt report is produced by the Lead Officer, Financial Services monthly to report the overall position on sundry debt. In addition, the following is reported to the Financial Services Manager Monthly:

- Total Arrears Balance (excluding payment plans, not due and less than one month).
- In year percentage collection (% collected of invoices issued in the current financial year).
- Average age of outstanding debt.



Where recovery efforts are exhausted or it would be uneconomical to pursue the debt, it may be written off. According to the Debt Management Policy debt may be considered as uncollectable where:

- The debt is uneconomic to collect i.e. the cost of collection is greater than the value of the debt.
- The debt is time barred, where statute of limitation applies generally this means that if a period of 6 years has elapsed since the sum was last demanded the debt cannot be enforced through the Council's taking legal action.
- The debtor cannot be found or communicated with despite all reasonable attempts to trace.
- Where all suitable debt recovery options have been exhausted.
- Insolvency where there is no likelihood of a settlement and written confirmation from the Official Receiver or Administrator.
- The debtor is deceased and there is no likely settlement from the estate or next of kin and where there is written confirmation from the Receiver or where no estate or next of kin can be identified.
- A debt is secured against a property and the annual review identifies little likelihood of being recovered.

According to the Debt Management Policy and Financial Regulation authorisation of write -off is as follows:

- a) Up to £20,000 - Section 151 Officer in consultation with the relevant Corporate Director.
- b) Above £20,000 - Portfolio Holder (Finance & Resources) on advice of the Section 151 Officer and the relevant Corporate Director or Cabinet (Finance & Resources) on advice of the Section 151 Officer and the relevant Corporate Director.
- c) Any value, where the amount written-off will cause the Councils General Fund or Housing Revenue Account to fall into deficit on advice of 151 Officer.

A sample of two write-off relating to the period February 2024 and March 2024 were reviewed. It was noted that the reason for the write- off had been appropriate and that the write-off had been authorised appropriately. The systems of internal control in relation to debt write-off was considered efficient and effective. No issues were identified.



The Creditors and Debtors modules are reconciled to the General Ledger on a monthly basis as part of the period end processes and then reviewed. The Debtors and Creditors reconciliation for the month of April 2024 and the 23/24 year end reconciliation were obtained and reviewed. The following was noted:

- The monthly Debtors and Creditor reconciliation had been produced by The Finance Officer and reviewed by the Lead Officer Customer Accounts and Income (Financial Services).
- The 2023/24 year end reconciliation was produced by The Finance Officer and reviewed by the Manager responsible for Accounts Payable and Payroll.
- In all cases the reconciliation had been produced and reviewed in a timely manner.

The system of internal control in relation to the reconciliation of Debtors and Creditors was considered efficient and effective. No issues were identified.

Other Findings



The Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed that there is a holding account for General Income and Housing / Council Tax. These are for allocation of income that they are unable to apply. In addition, the holding account is checked daily to resolve if possible and reviewed fully on a monthly basis. The General Income and Housing / Council Tax Holding Account as at 20th May 2024 was reviewed. It was noted that they were only a few entries.



The Head of Financial Services confirmed that discussions are held with the various service areas and The Accounts Receivable Team to establish what debt is likely to be unrecovered as part of the year-end financial process. The bad debt provision is than estimate based on the information collated. The provision for Bad Debt for the financial year 24/25 is £2.52million.



The Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed that the purchase order (PO) process begins with logging in and reviewing requisition details for accuracy. Once verified, the Purchase Order is created by entering vendor, item, quantity, and pricing information, ensuring all details are correct. The Purchase Order is than submitted for approval, which includes financial approval to check budget and compliance, followed by necessary departmental and managerial approvals.



The Financial Services Manager confirmed that the council operates a non-purchase order no payment policy. In all cases The Accounts Payable Team check the invoice to the purchase order before payment is made. However, for agency spend and invoice above £40,000 an additional authorisation is required so as the spend on agency and high value invoices can be monitored.

A sample of 15 invoices paid for the period April to May 2024 was selected from a list of invoices paid for the period. The following information was obtained/reviewed for the sample selected:

- Supplier Information: Each entry includes a unique supplier reference, the supplier's name, and the invoice or credit note number.
- Goods Description: A brief description of the goods or services provided.
- Dates: Several dates are recorded, including the date the invoice was received by creditor payments, the value date, the transaction pay date, and the due date.
- Financial Amount: The gross amount of each invoice.
- Authorisation: Confirmation if each invoice was appropriately authorised.
- Matching: Verification if the invoice details and payment match.

It was noted for the sample selected that in all cases the invoice details and payment detail matched and that the invoice had been appropriately authorised for payment. The system of internal control in relation to the payment of invoices was considered efficient and effective. No issues were identified.



The Financial Services Manager confirmed that payment runs are done weekly. For each payment the following authorisation/signature is required:

- Lead Officer/Team leader or Accountant (Schedule for the transactions shown above is in the supporting documentation).
- Two Bank Account signatories (one if payments under £40k).
- Lead Officer/Team leader or Accountant (confirm that the sum shown above was transferred to cSeries and the accounts, date and errors have been checked signed and dated).
- Accounts Section.

The BACs Control sheet for the fourth and 11 of July was reviewed. It was noted that the payment run had been appropriately authorised.

Other Findings



The Late Payment Directive was introduced by the government in 2013. In summary, the regulations require the Council to pay invoices within 30 calendar days. Invoices paid after the 30-day deadline will be subject to the addition of interest at 8 percentage points above the Bank of England's reference rate plus a fixed compensation payment based on the value of the unpaid invoice.

Value of the unpaid invoice compensation payment:

Up to £999.99 - £40.

£1,000 to £9,999.99 - £70.

£10,000 or more - £100.

The onus is on the Council to pay the supplier on time. Invoices can be disputed but the verification or acceptance of goods and services should not exceed, as a rule, 30 days. If the verification does exceed 30 days, it must be agreed by both parties and not be grossly unfair to the supplier.

Reasons that allowable are as follows:

- Account was in dispute.
- Awaiting a credit note.
- Invoice received in advance (the 30-day or agreed term period then starts from the satisfactory receipt of goods and/or services).

Reasons that do not allow us to disregard late payment include:

- Invoice was lost, or mislaid.
- Member of staff could not authorise the invoice since they were too busy, or on holiday.

Discussions with the Financial Services Manager confirmed that only two very minor penalty payments that had been made relating to the 24/25 financial year.



As per the New Supplier Process:

- If the spend is likely to be a one off spend, then completion of a Payment Requisition Form is advisable and coded to the 199997supplier reference code.
- If we are going to use the supplier more than once, then a supplier pack to be sent out to that supplier for their completion. The Client Officer and Group Manager will also need to sign the new supplier form.

A selection of five newly added suppliers were sampled for the April 24. upon review, the following was noted:

- The necessary evidence/information was provided.
- The information was accurately entered into the system.

Other Findings



As per the supplier amendment process, the following process will occur when a change to supplier details occurs:

- The Payments team require the changes by suppliers to be put in writing on letter headed paper or via email. The email address needs to be confirmed as a legitimate email address used previously in correspondence between Dacorum Borough Council and the supplier.

If the change relates to a change in bank details the following checks will take place:

Check one - All requests to change bank details must be verified by making a call to the supplier and asking them to confirm the details that they are changing. The telephone number used must be taken from a previous invoice, or the company website, not the letter or email received.

Check two - The second person checking should also contact the company and speak to a different employee (where possible); this is to protect the Council from an employee at another company undertaking fraud. Once again, the telephone number used must be taken from a previous invoice, or the company website, not the letter or email received.

Final Check - This check is in place to check that the prescribed process has been followed and that bank details have been updated correctly.

A sample of five amendments was selected from a list of amendments processed relating to the current financial year. For the sample selected the following information was obtained/reviewed:

- Supplier name and code.
- Amendment type.
- Date of Amendment.
- Checks conducted/Supporting evidence.

It was noted that in all cases the appropriate checks had been conducted 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



Discussion with the Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed that in relation to the Key Performance Indicators these are produced monthly and are reported to the Senior Leadership Team by the Head of Financial Services and quarterly to the Resources Overview and Scrutiny Group.

In addition, Key Performance Indicators are reported quarterly as part of the Corporate Indicators.

The following Indicators were reviewed as part of the audit (FIN02A- Time taken for Debtors to Pay) and FIN01 (Creditor trade invoices paid within 30 days):

FIN02A- Time taken for Debtors to Pay

For April 2024 time taken for debtors to pay, was 50.5 days versus a target of 40 days. For March 24 it was noted as 64 days, however for the previous 12 months actual (for the year 2023-24) it was noted as 37.7 days. Further discussions with the Financial Services Manager and Lead Officer Customer Accounts and Income (Financial Services) confirmed that the time taken to pay debtors for the beginning of the financial year will be higher overall and then reduces over the year.

FIN01 - Creditor trade invoices paid within 30 days

Target set is 96.0%, April 2024 actual was 99.1%. March 24 actual was 98.6%, and for the Year 2023-24 actual was 99.6%.



In general, The Finance Team contribute with a paperless office, electronic processes, and hybrid working to limit travel.

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:	15 th May 2024	15 th May 2024
Draft Report:	26 th June 2024	9 th September 2024
Final Report:	12 th September 2024	