

Auditor's Annual Report on Dacorum Borough Council

2020-21

December 2021



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive Summary	3
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	4
Financial sustainability	5
Governance	8
Improving economy, efficiency and effectiveness	11
COVID-19 arrangements	13
Improvement recommendations	14
Opinion on the financial statements	16
Appendices	
A – The responsibilities of the Council	
B – An explanatory note on recommendations	
C- Use of formal auditor's powers	

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether Dacorum Borough Council (the 'Council') has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risks in respect of any of the three criteria:

Financial sustainability

Governance

Improving economy, efficiency and effectiveness



Financial sustainability

We assessed the arrangements concerning Financial Sustainability and raised no indications of potential significant weaknesses.

We note the Council is operating in an increasingly uncertain financial environment and for the second successive year, the Comprehensive Spending Review was a single year spending review. Whilst the Council will need to continue to plan with a lack of certainty over funding in the medium term it has the assurance of a track record of delivering its financial position.



Governance

We assessed the arrangements concerning Governance and raised no indications of potential significant weaknesses.

The Council has demonstrated that both its business as usual and temporary arrangements arising due to Covid-19 were appropriately robust and applied across the organisation.



Improving economy, efficiency and effectiveness

We assessed the arrangements concerning the 3e's and raised no indications of potential significant weaknesses.

The Council has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Covid-19 has had an adverse impact on finances but the Council, despite having to re-deploy and alter priorities, was still able to maintain a large proportion of its services as planned.



Opinion on the financial statements

We have audited the financial statements of Dacorum Borough Council for the year ended 31 March 2021 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account and notes, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Council's and of the Authority as at 31 March 2021 and of the Council's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on the following pages.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has consistently demonstrated a track record of robust budget setting and delivery. We have reported previously that the processes in place incorporates an appropriate level of challenge and scrutiny from Committees to ensure budgets are achievable operationally, there is a good level of support from finance to ensure budgets are achievable from a resourcing perspective and timely and accurate budget monitoring throughout the year to ensure budgets remain relevant with risks identified quickly. The strong processes underpinning financial management has allowed the Council to consistently identify significant financial pressures and build these into short and medium term plans.

In 2019/20 the Council recorded a surplus outturn position on both the General Fund and Housing Revenue Account (HRA) of £153k and £1.2 million respectively. Covid-19 did not particularly impact the 2019/20 financial position. Covid-19 evidently had a major impact on the Council's operations in 2020/21 and will continue to do so in 2021/22 and beyond. Before the official declaration of a pandemic in March 2020 the Council had already approved its 2020/21 budget and its Medium Term Financial Plan (MTFS) for 2021-25.

These financial projections included minimal uses of reserves to deliver balanced budgets over the life the of the MTFS (£3.2m over the four year period). Consequently, despite a need to make savings £1.7m over the MTFS the Council's financial position was looking healthy with usable reserves as at 31 March 2021 of £101.2m.

Due to Covid-19, some services were suspended while staff were diverted to Covid related work including paying out Covid related support grants across the District. The Council required

£14.4m of funding from government to make up the shortfall on expected income relating to the Collection Fund to draw down on reserves (see below) to enable it to deliver a balanced budget.

The Council updated its medium-term financial plan in October 2020 covering the years to 2024/25 to account for Covid-19. Pre-Covid-19 saving targets of £1.7m over the period were revised upwards to £9.2m. This was to mainly offset income pressures rather than cover additional costs. The revised plan identified a need to draw down on £3.2m of reserves over the period.

In February 2021 the Council approved the creation of an Economic Recovery Reserve, containing £7.5m to fund the forecast Covid-related pressures over the medium-term. It only needed to draw down £2.5m of the £3.5m allocated for 2020/21 although the Council is still wary of future Covid-19 costs when crystalised to offset this initial underspend.

Given the uncertainty of the financial regime, the Council's budgets throughout the pandemic have been drawn up on prudent assumption on future income streams. The Council has considered the financial pressures brought about by the pandemic and has also look at long term pressures on funding streams such as Council Tax, Business Rates and the Government funding settlement.

The future financing of local government is still unclear. A planned government long term spending review has been postponed from 2020 due to the pandemic and the current settlement only covers the 2021/22. The date of the long-term review is yet to be confirmed. The lack of information on future funding is a national issue but we note the Council has a track record of robust financial planning and budget management.

Financial plans are discussed at Finance Overview and Scrutiny Committee, Cabinet and Council. The Council has a history of transparency in financial matters and financial plans are

Financial sustainability

discussed with stakeholders through an annual consultation exercise, although Covid precluded having a public meeting in 2020. Review of Council papers indicate the assumptions used for the financial planning for 2020/21 and 2021/22 are sound. We have seen no evidence that short term measures are being used to relieve current pressures.

Whilst Covid-19 has clearly impacted the Council and its previous financial plans however it still has sufficient reserves to be able to fund such deficits in the short and medium term. The Council also has reasonable investments and low level of debt that with repayments are not expensive to services (£4.9m for 2020/21).

How the body plans to bridge its funding gaps and identifies achievable savings

An indicative savings target is issued to services following the update of the MTFS at the start of the budget setting process. Services submit savings proposals, which are then scrutinised by senior management and Members. As part of the process, services are expected to consider service implications of their proposals, so it is ensured that cost reductions do not adversely impact quality of services. The final budget including savings plans which is then approved by Council. Progress against savings targets are monitored on a monthly basis and reported to the Senior Leadership team and Cabinet. The Council maintains a savings tracker to manage the delivery of savings. Internal Audit undertook a review of “Benefits and Savings Realisation” in 2020/21 providing “Substantial” assurance and raising no recommendation for improvement. The Council has a history of delivering on savings and on its budget.

The revised MTFS highlighted a potential savings requirement of £9.2m between 2021-25 which is a substantial increase on the £1.7m planned pre Covid-19. In the situation where no immediate savings can be identified within the base budget then the Council will have to draw down reserves to bridge that gap. As above, the Council currently holds a healthy level of reserves. However, the financial outlook is unclear and many things may change that could mean future revisions up or down on what is now planned.

Savings plans are developed in conjunction with departments. Changes identified are incremental rather than transformational so that they will not put unnecessary pressure on services in the short term.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

The Council has financial planning process which ties in with corporate objectives. There is extensive consultation to ensure the budget meets the needs of the service. The process ensures that key services remain funded. We found no evidence of the need to curtail services to support short term funding deficiencies. We note the People Strategy elapsed in 2020 and will be updated once the Council’s senior manager re-organisation is complete.

The Council has the necessary resources for financial management including a financial system able to provide timely financial information, the necessary financial skills, experience and capacity in the finance team and budget holders in the services, clearly defined responsibilities for budget management and Corporate Management and member challenge of performance, holding budget holders to account, and making decisive interventions where necessary. The Finance team is well established with significant experience of managing the Council’s finances. The Council appears to have a positive financial culture and an appropriate ‘tone from the top’. The ongoing management of the Council’s financial position over recent years is evidence of this.

Budgets are monitored on a monthly cycle and the financial position is reported to Finance Overview and Scrutiny and Cabinet quarterly so any deviations from plan are quickly identified and appropriate actions taken to rectify.

The capital programme is overseen by Cabinet and the relevant Overview and Scrutiny Committee, while individual projects are subject of a robust planning and approval process and are overseen by project boards. Capital funding is targeted at property maintenance and service improvement. Planning is currently underway to redevelop Berkhamsted Leisure Centre.

The Council is currently assessing the benefits of establishing a Development Company (DevCo) to develop residential or commercial opportunities on existing Council owned land. The objectives of such a move are twofold -maximising revenue income and contributing to the delivery of local housing. There is a budget set aside for the DevCo to undertake

Financial sustainability

feasibility work. We understand the Council is therefore currently seeking external consultant support to help develop the new Commercial Strategy with a first phase high level plan to be complete in February 2022 and a detailed plan to be in place by April/May 2022. The Council will obviously need to ensure any new commercial approach is appropriately appraised, risk assessed and signed off within the governance structure. We've not seen any examples of poor decision making to suggest this is a particular risk to the Council.

The Council had £143m of operational assets and £65m of investment property as at 31 March 2021. To date the value of these assets have held up despite uncertainties arising from the pandemic. The Council's investment property delivered a £4m on income (net after direct operating expenses) in 2020/21. Many in the sector are needing to assess whether previous strategies take into account changes in risk and the differing ways of working and providing services that could become permanent due to Covid-19 e.g. the need for office space given a potential continuation of hybrid/home working. From an operational perspective Dacorum does not have a large number of assets and its investment portfolio is diverse and has delivered returns despite the pandemic. The opportunities for disposals or risks around existing investments are therefore not likely to be changed much due to Covid-19 in a way that it has for other local government bodies.

The Council's General Fund capital programme over the MTF5 is £75.8m and is not yet funded. The Council has detailed plans on how the spending will be financed and includes a borrowing need of £25m. The need for such a plan will need to be kept under review to ensure it continues to meet the objectives of the Council.

How the body identifies and manages risks to financial resilience, e.g., unplanned changes in demand, including challenge of the assumptions underlying its plans.

The pandemic has created challenges to routine financial management in 2020/21, with the temporary cessation of some services to deal with Covid demands and a changing profile of demands of other services. The Council had to be flexible and agile in terms of how it managed the changes in demand and needed to have sound reporting processes to understand what this meant for financial delivery. As noted already, the financial impact and potential income gaps moved significantly during 2020/21 until there was clarity on what funding would be received from government. The Council has needed to demonstrate flexibility and an understanding of its costs and service provision to manage the position as the pandemic has developed.

In terms of capturing the risks from the pandemic and discussing these within the governance structure, the Council has identified the risk of reductions in income and other factors leading to financial unsustainability within the Strategic Risk Register. The risk was recorded with an

initial risk score of "Red" and a mitigated risk score as "Amber" indicating that whilst the risk is being managed to a degree it cannot be eliminated without further work. **CONCLUSION**

CONCLUSION

We found no evidence or indication of significant risks to your financial sustainability as such no further risk-based work has been undertaken in this area.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Governance is the system by which an organisation is controlled and operates and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all element of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve and no fear to speak the truth.

We note risk management has not been reviewed by Internal Audit in recent years but we understand that a review of Governance and Risk Management processes is planned in the current year.

The Council Corporate Risk Register is reported to Audit Committee and Cabinet every quarter. Council minutes show there is detailed discussions of risks, the causes of risk and the Council approaches to mitigate those risks and not just debate around risk scores.

The Corporate Risk Register is limited to the top seven Council risks. Councils do allow for Audit Committee and Cabinet to be able to adequately discuss, challenge the identification of risks and the plans to mitigate these. Councils can choose various approaches to how risk is reported within their Governance structure. Some Councils chose to present very high level risk registers with the assurance more detailed documented are used by management to risks on a day to day basis. Dacorum has chosen to provide greater detail to members which feels reasonable when the number of risks is limited to seven.

The Corporate Risk Register's format is similar to that used across the sector with a 4x4 risk scoring matrix (more common is 5x5 but either approach is reasonable). It contains key

controls/mitigations and a RAG rating for each risk. Each risk is allocated a Senior Officer and linked to Council's Year Plan (Corporate objectives). The Council has also avoided the common pitfall of having current risk scores equal to or above the gross score with scores decreasing to indicate the impact of existing mitigating actions.

Whilst the format of the Corporate Risk Register does include numerous examples of good practice there are further opportunities available to further enhance its effectiveness. For example, the Corporate Risk Register should have a target score to provide an indication of what level of risk is tolerable and show how far the existing arrangements are from achieving this. Furthermore, the Corporate Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified would need to be SMART (specific, measurable, achievable, realistic, and timely).

The Council's Risk Strategy was last updated in November 2020. The strategy is comprehensive clearly documenting the Council's agreed risk appetite, roles and responsibilities and how risks are identified, assessed, monitored and controlled.

Internal Audit services have been provided by TIAA since April 2020. Although the agreed plan had to be adjusted because of the pandemic, the Internal Audit fieldwork was completed within the year and all reports and the Head of Internal Audit Opinion provided to the Council by June 2021. Progress reports highlighting key issues and findings on reviews are reported to Audit Committee periodically. The Head of Internal Audit Opinion concludes that the Council has reasonable and effective risk management, control and governance processes in place. Internal Audit work has identified further enhancements to the framework of risk management, governance and internal control to ensure it remains effective and adequate. Review of the Annual Internal Audit Opinion indicates a wide breath of work during the year covering financial and operational processes and including a flexible approach which allowed adjustments to the plan in year.

Governance

Counter fraud services are provided in-house. Counter fraud operations are underpinned by a code of conduct and a whistleblowing and a separate anti-fraud and corruption policy included within the Constitution. Fraud Awareness, Anti-Money Laundering and Whistleblowing training are Compulsory Training Requirements for all staff. There were no fraud or irregularities identified, reported or investigated by Counter Fraud Services during 2020/21.

Internal audit presented no limited assurance report in 2020/21 and 2019/20 and no Priority 1 recommendations are raised indicating the strong controls framework operated at the organisation. It is clear from Audit Committee minutes that actions have been taken to address the small number of issues identified and the findings of internal audit is given appropriate attention.

The annual work plans for internal audit are currently approved and overseen by Audit Committee. From our attendance at Audit Committee, we consider it to robustly review the work of internal audit, providing appropriate challenge.

How the body approaches and carries out its annual budget setting process

The financial landscape due to Covid-19 made 2020/21 a unique year for financial planning. Whilst future funding is unclear, a pre-Covid 19 medium-term financial plan was produced based on prudent assumptions about future income streams.

We've previously concluded the Council has effective arrangements in place, using analysis and scenario planning to understand its financial position and identify saving and investment options. Despite the pandemic there is no evidence the arrangements in place have been compromised. Budgets are discussed with budget holders, senior leadership and other stakeholders prior to approval at Committee level. It is also evident from a review of the 2021/22 budget that the impact of Covid-19 on budgets was factored in revised saving plans from October 2020.

A 'Budget Review Council's' (BRG) has been established to oversee the annual budget setting process and to scrutinise the budget proposals submitted by the Budget Holders. The BRG comprises of Chief Officers, Leader of the Council and other Cabinet Members and is chaired by the section 151 Officer. There have been no fundamental changes to the budget setting process for a number of years and contained within the Financial Regulations Annex 2, is the detailed process relating to the annual budget setting exercise for both capital and revenue.

How the body ensures effective processes and systems are in place to ensure budgetary control.

Budget managers have access to finance system and can review budgets at any time. All budget holders in the council have a specific named service accountant that supports specific service areas in the Council. The budget holders meet with their service accountants on a monthly basis to feed into the monthly corporate monitoring returns. Variances are highlighted and mitigation plans are created where applicable.

The monthly corporate revenue monitoring process means SLT discuss any ongoing variances and reflect on mitigation ideas or alternative plans for financial management and the outcome is reported to scrutiny and cabinet on a quarterly basis.

The Council has a strong history of financial control. In 2020/21 both budgetary control and key financial controls were provided with "Substantial" assurance by Internal Audit and Internal Audit raised no recommendation for improvement.

Budgets are reviewed at Cabinet meetings every quarter and review of minutes indicates that variances are adequately identified and explained.

The Finance team is duly qualified, stable and experienced. A recent temporary appointment for team leader in financial and regulatory accounting has been replaced by a permanent appointment to further stabilise the team.

Budget management arrangements are robust and we have found no areas of concern during our work.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Council's decision-making processes are open, transparent and strong and we have no evidence that reactive or unlawful decisions have been made.

Council and Cabinet are attended by the Chief Executive and relevant Directors and Assistant Directors to help provide sufficient support and explanation to the members in discharge of their function.

Governance

It is evident from our review of papers that sufficient information is provided to your members and they hold senior management to account. The Council is engaged and provides appropriate levels of scrutiny to External and Internal Audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements

Covid-19 did impact on many organisations ability to make decisions in line with existing delegations (e.g. decisions often having to be made outside of Committee cycles) however we have not identified any indication that existing arrangements were overridden at the expense of appropriate scrutiny and challenge.

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

Various internal and external mechanisms are used to ensure that the Council meets the necessary standards and legislative requirements.

Our work has not identified any non-compliance with the Constitution, statutory requirements or expected standards of behaviour. We have not been made aware of any data breaches at the Council.

Officer and Member conduct is set in codes of conduct. As referenced previously, these documents have been current for some time and consideration should be given to their review. Members interests are currently published on the Council website and there is an opportunity for Members to declare interests at every meeting as a set agenda item. Related party transactions are required to be declared as part of year end closure of accounts and sent to all Members and Senior officers for their completion. The gifts and hospitality register is retained by the Monitoring Officer and is available for inspection on request. A reminder of the rules and declaration requirements is sent to all members and officers annually. We found no evidence of adverse outcomes of interests not being declared.

CONCLUSION

We found no evidence or indication of significant risks to your governance arrangements as such no further risk-based work has been undertaken in this area.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

How financial and performance information has been used to assess performance to identify areas for improvement

The Council has a four year Corporate Plan running from 2024-25 which sets out the strategies, priorities and services for the period. As per the plan it 'outlines our vision and priorities for the next five years as well as providing a focus for service delivery and performance'.

As a framework the Council's approach to performance reporting is similar to others in the sector. The Overview and Scrutiny Committee receives quarterly updates on progress in delivering 36 Key Performance Indicators (KPIs) across three areas:

- Finance & Resources
- Corporate & Contracted Services
- Performance, People & Innovation

As we explain on page 14, Covid-19 has impacted on both the cycle with the actual achievement of performance. This was to be expected and the Council has still continued to collate its performance data and explain clearly where Covid-19 is specifically impacting on data during the year. As performance is reported quarterly and performance RAG rated, members were clearly aware of those KPIs impacted by Covid-19.

Each quarter the three performance reports include a summary paper explaining movements and other information of interest with an Appendix including details on KPI performance. The Appendix includes information on that quarter's performance, the previous quarter, the prior year and required actions when performance is not being met. The reports are clear and concise and minutes from the meetings indicate there is detailed discussion and challenge on performance. There are always different opportunities to present the type of information in different ways – examples such as incorporating various visual content like graphs and charts

however the existing format is sufficient to meet the needs of the Committee. One potential improvement however would be consider whether the report should include information on the accuracy of each KPI. This would include how the indicator is complied e.g. from an electronic system/manual and whether it has subject to any verification, audit or any other type of validation either internal or external).

Whilst there has not been a specific Internal Audit on performance data in recent years there are various reviews completed as part of the annual plan that will consider the quality and accuracy of performance information. These reviews will occasionally result in limited assurance ratings but in general the majority of reviews end up with substantive or reasonable assurance conclusions. The annual Audit Plan also includes a key financial control audit covering areas like accounts payable and receivable.

The Council currently uses the Rocket performance management system called "CorCouncil" to provide performance data. The Council is currently replacing this with a new system called "In phase" to go live in April 2022. As part of the implementation process the Council is reviewing its performance indicators to development a new performance dashboard.

We note the Council does not have a Data Strategy or policy. Such a strategy should set out how the Council is delivering transparency in a way which is safe, accurate and secure, and which complies with the relevant transparency regulations as well as the General Data Protection Regulations and the Data Protection Act 2018. The Strategy should define how good quality data is being collected and handled to inform evidence-based decision making. Protecting and managing information is a key risk area with significant associated financial and reputation impacts.

Improving economy, efficiency and effectiveness

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council liaises regularly with other Hertfordshire Districts and has a good knowledge for what others are doing and where good practice is in place. The Council regularly takes advantage of LGA peer reviews – the most recent one taking place in 2019. There is evidence that within services there is an awareness of comparative data and this is used as part of formal decision making e.g. development of business cases. The Council is part of the wider LG futures benchmarking group and have recently commissioned work to produce some local Hertfordshire wide analysis.

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve.

There are two partnerships with service delivery partners in leisure and housing repairs. Also, a number of strategic partnerships such as the Wider Herts Council's or local authority delivery partners such as South West Herts joint strategic plan the Hemel Garden Communities. Review of Cabinet papers indicate regular reporting on progress with all partnerships except housing repairs. The leisure contract has been subject to close scrutiny in 2020/21 as the facilities were closed during the various lockdowns and there were significant financial impacts from this.

The Council also works with other agencies to co-ordinate and improve services and value for money.

How the body ensures it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits

The Council has a Commissioning and Procurement Strategy covering the period 2019- 2024. Commissioning & Procurement falls within the Chief Executive's department at the Council, supporting services across the organisation, including the delivery of the front line and back-office services. They work under the National Procurement Strategy for Local Government in England 2018. The National Procurement Strategy also provides a toolkit for the Council to assess its progress against the themes and objectives within the strategy.

The Council spend approximately £70 million a year on obtaining a vast range of supplies, services and works from the external market. The Council has a legal duty to secure value for money in commissioning and procuring its requirements and to continually improve the quality in everything the public sees and expects from it. Central Government policy seeks to ensure that all commissioning and procurement activity should be based on obtaining value for money. We found no evidence that appropriate procurement processes were not followed during 2020/21.

The Council is establishing a project management office who oversee all projects. Dependent on the size and the nature of the project, monitoring may be carried out by Property Board, Finance Scrutiny Committee or Cabinet. A new governance structure of delivery boards and a corporate delivery board for high-risk project has recently been established.

CONCLUSION

We found no evidence or indication of significant risks to your economy, effectiveness and efficiency arrangements as such no further risk-based work has been undertaken in this area.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

Covid-19 has had a significant impact on the services Councils have been required to provide. The Council has needed to step in to support vulnerable residents with food, prescriptions and other needs, has been required to put in place measures to make public spaces secure and also support local businesses by administering government funded grants. At the same time the Council has to transition to remote working and deal with resourcing issues when staff were either unwell with Covid-19 or required to isolate.

The impact on finances to date has ultimately been limited due to government support but as we reported earlier in this report there were periods of uncertainty when it was unclear what support would be received. In February 2021 the Council approved the creation of an Economic Recovery Reserve, containing £7.5m to fund the forecast Covid-related pressures over the medium-term. It only needed to draw down £2.5m of the £3.5m allocated for 2020/21 although the Council is still wary of future Covid-19 costs with crystallise to offset this initial underspend.

There is likely to be significant pressure on public funds in future years given the levels of borrowing undertaken by Government to fund Covid-19 support measures. The Council has reworked future budgets but will need to wait for clarity on what support will be forthcoming in the medium term. Fortunately the Council is in a strong financial position with reasonable levels of reserves for its size but these cannot be utilised indefinitely and saving targets, service provision and commercial strategies will need to be revisited.

Governance

Governance arrangements were amended to meet the challenges of the pandemic. Specific cost centres were set up to allow for accurate recording of Covid related costs.

As soon as these were lawful, the Council started holding members' meetings online. This allowed for Council and key Committees to continue to meet, discuss and continue to be involved in decision

making. Many corporate support staff began to working from home as the Council was required to transition to IT-enabled home working away from the office.

The Council was required to act in response the government's 'Working safely during Coronavirus' guidance issued in May 2020. This created a significant amount of work to ensure buildings and services were subject to health and safety measures to be Covid Secure. To maintain essential services, the Council procured and supplied necessary PPE.

The Internal Audit Plan was updated to reflect the changes, new systems and processes, and to provide additional assurances over revised arrangements. The delivery of the internal audit plan was impacted but has not affected the ability to provide a Head of Internal Audit's year end opinion. The changes to the plan were set out and approved by the Audit Committee.

Improving economy, efficiency and effectiveness

During the pandemic the Council has continued to measure performance against its four year Corporate Plan 2020-24. Despite the obvious impact of Covid-19 on performance the Council only missed 6 of its 36 KPIs. Those indicators that missed were either directly because of Covid-19 e.g. not making the car park income target or indirectly e.g. failure to answer all requests in the agreed time because of resource constraints.

CONCLUSION

We found no evidence or indication of significant risks to your Covid-19 arrangements as such no further risk-based work has been undertaken in this area.

Improvement recommendations



Governance

Recommendation One

Auditor judgement

As part of our audit we reviewed the version of the Corporate Risk Register presented quarterly to the Audit Committee and Cabinet. The current format is clear showing risk score, risk owners, current controls, potential consequences of risks and sources of assurance. However the current format of the Risk Register does not include a target score nor does not identify any further actions. It is therefore difficult to determine whether the existing controls are sufficient in managing the risk identified or whether further actions are required.

Summary recommendation

The Council should consider the following additions to the format of its Risk Register:

- Include a target score to provide an indication of what level of risk is tolerable and how far the existing arrangements are from achieving this.
- The Risk Register would benefit from identifying future actions to support the management/mitigation of each risk. All actions identified should be SMART (specific, measurable, achievable, realistic, and timely).

Management comment

A review of the Strategic Risk Register and reporting processes is scheduled for 22/23 and through this process a review of targets, target scoring and mitigations will be undertaken.
Strategic Lead: Nigel Howcutt



Improving economy, efficiency and effectiveness

Recommendation Two

The Council does not currently have a formal Data Strategy in place. Its good practice to have a formally published strategy or policy which sets out the Council's approach to ensure information is fit for purpose, with appropriate balance between the characteristics of good quality data (relevance, accuracy, timeliness, accessibility, coherence and comparability). Such a policy supports an organisation in enabling it to set expectations of staff and other organisations it works with regards to the treatment of data, whether from a collection or a decision making point of view.

The Council should consider producing a Data Strategy for approval within the Governance Structure.

An outline Data Strategy will be created, detailing data collection, utilisation and storage.
Strategic Lead: Jody Nason

The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation Three

Auditor judgement	The current performance reporting to the Overview and Scrutiny Committee is fit for purpose with clear and concise cover reports and Appendices detailing individual KPI performance. Members can see quarterly performance, prior year performance and receive explanations for those KPIs not on target. However the Council should consider as part of its next review of the process on whether there are further improvements that could be made relating to the accuracy of each KPI.
Summary recommendation	We recommend the Council Includes information on the accuracy of each KPI. This should include how the indicator is complied e.g. from an electronic system/manual and whether it has subject to any verification, audit or any other type of validation either internal or external]. Other organisations use a scoring mechanism or dial to show the quality of the metric (with indicators subject to audit or external scrutiny and obtained via system reports scoring higher).
Management comment	A review of KPIs will be undertaken and concluded in February 2022, to identify changes and improvements to be made in the short term. Additionally, as part of the Service Planning Process, KPIs and outcome measures will be reviewed alongside the services. As part of this review the process for collation, collection and reporting of KPI's will be assessed. Strategic Lead: Jody Nason

The range of recommendations that external auditors can make is explained in Appendix B

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the financial statements in September 2021.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council in September 2021.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

As in previous years we expect the Council to be below the threshold requiring audit procedures however at the time of issuing this report the Group Instructions have not been issued by the NAO to confirm the approach for 2020/21.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

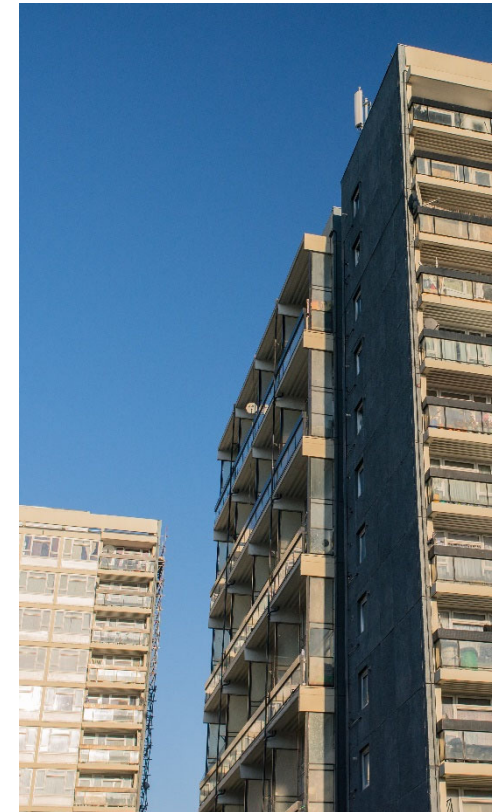
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	no	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	n/a
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	15-16

Appendix C - Use of formal auditor's powers

The following are formal powers that can be used by auditors:

Formal power	Used by auditor in 2020/21
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	Not required.
<p>Public interest report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	Not required.
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	Not required.
<p>Advisory notice</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful. 	Not required.
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	Not required.



[grantthornton.co.uk](https://www.grantthornton.co.uk)

© 2021 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.