



# Dacorum Borough Council

## Final Internal Audit Report

### Benefits and Savings Realisation

May 2018

This report has been prepared on the basis of the limitations set out on page 8.

CONFIDENTIAL

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**Key Dates:**

Date of fieldwork: March/April 2018  
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## Contents

1. Executive Summary .....	1
2. Scope of Assignment .....	3
3. Assessment of Control Environment.....	4
4. Observations and Recommendations .....	5
Appendix A - Reporting Definitions .....	6
Appendix B - Staff Interviewed.....	7
Statement of Responsibility.....	8

# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Programme for 2017/18, we have undertaken an audit of the Council's systems of internal control in respect of Benefits and Savings Realisation.

As part of the annual budget setting, budget holders are required to submit savings and growth targets. Within these targets the risks and benefits of the projects are included and the benefits and savings are reviewed as part of monthly budget monitoring completed by budget holders and accountants. The Corporate Management Team and Council also review savings and growth targets on a periodic basis.

## 1.2. Audit Objective and Scope

The overall objective of this audit was to provide assurance over the adequacy and effectiveness of current controls over the management of the savings and growth targets (benefits and savings realisation) process and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Governance Arrangements, Three Year Savings/Growth Target, and Monitoring and Management Reporting.

## 1.3. Summary Assessment

Our audit of the Council's internal controls operating over the management of savings and growth targets (Benefits and Savings Realisation) found that there is a sound system of internal control designed to achieve the system objectives and that the controls are being consistently applied.

Our assessment in terms of the design of, and compliance with, the system of internal control covered is set out below:

Evaluation Assessment	Testing Assessment
Full	Full

Management should be aware that our internal audit work was performed according to UK Public Sector Internal Audit Standards (PSIAS) which are different from audits performed in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. Similarly, the assurance gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Similarly, the assessment gradings provided in our internal audit report are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board. The classifications of our audit assessments and priority ratings definitions for our recommendations are set out in more detail in Appendix A, whilst further analysis of the control environment over Benefits Realisation are shown in Section 3.

1.4. **Key Findings**

We have identified no areas where we believe there is scope for improvement within the control environment.

1.5. **Management Response**

We did not raise any recommendations to which management response was required.

1.6. **Acknowledgement**

We would like to take this opportunity to thank all staff involved for their time and co-operation during the course of this visit.

## 2. Scope of Assignment

### 2.1. Objective

The overall objective of this audit was to provide assurance that the systems of control in respect of benefits and savings realisation, with regards to the areas set out in section 2.3, are adequate and being consistently applied.

### 2.2. Approach and Methodology

The following procedures were adopted to identify and assess risks and controls and thus enable us to recommend control improvements:

- Discussions with key members of staff to ascertain the nature of the systems in operation;
- Evaluation of the current systems of internal control through walk-through and other non-statistical sample testing;
- Identification of control weaknesses and potential process improvement opportunities;
- Discussion of our findings with management and further development of our recommendations; and
- Preparation and agreement of a draft report with the process owner.

### 2.3. Areas Covered

The audit was carried out to evaluate and test controls over the following areas:

#### **Governance Arrangements**

There is a clear accountability and adequate structure is in place to facilitate an efficient, effective and transparent delivery of the benefit/savings targets.

#### **Three Year Savings/Growth Target**

Savings/growth targets support the delivery of the DBC's financial strategy whilst also ensuring that they are realistic and achievable.

Key risks threatening the achievement of savings/growth targets and any potential adverse impacts arising from the proposed targets are identified correctly and preventative measures or response plans are put in place to manage these risks.

#### **Monitoring and Management Reporting**

Progress against the achievement of the proposed targets is monitored regularly and preventative measures are put in place, where possible, to avoid overspend or underachievement of the growth targets and corrective actions are taken as appropriate.

Impacts materialising as a result of changes introduced to achieve the proposed targets are monitored regularly and remedial actions are taken where appropriate.







Evaluation of success for each proposal takes account of any impacts suffered as a result of changes to ensure that the overall benefit achieved from each proposal is correctly assessed.

Information need of management is clarified and complete, accurate and relevant performance information is provided to facilitate effective and efficient management oversight and decision making.

### 3. Assessment of Control Environment

The following table sets out in summary the control objectives we have covered as part of this audit, our assessment of risk based on the adequacy of controls in place, the effectiveness of the controls tested and any resultant recommendations.

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.

Control Objectives Assessed	Design of Controls	Operation of Controls	Recommendations Raised
Governance Arrangements			
Three Year Savings/Growth Target			
Monitoring and Management Reporting			

The classifications of our assessment of risk for the design and operation of controls are set out in more detail in Appendix A.





## 4. Observations and Recommendations

No recommendations have been raised as a result of our testing.

## Appendix A - Reporting Definitions

### Audit assessment

In order to provide management with an assessment of the adequacy and effectiveness of their systems of internal control, the following definitions are used:

Level	Symbol	Evaluation Assessment	Testing Assessment
<b>Full</b>		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
<b>Substantial</b>		Whilst there is a basically sound system of internal control design, there are weaknesses in design which may place some of the system objectives at risk.	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
<b>Limited</b>		Weaknesses in the system of internal control design are such as to put the system objectives at risk.	The level of non-compliance puts the system objectives at risk.
<b>Nil</b>		Control is generally weak leaving the system open to significant error or abuse.	Significant non-compliance with basic controls leaves the system open to error or abuse.

The assessment gradings provided here are not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board and as such the grading of 'Full' does not imply that there are no risks to the stated control objectives.

### Grading of recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
<b>Priority 1</b>	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
<b>Priority 2</b>	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
<b>Priority 3</b>	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
<b>System Improvement Opportunity</b>	Issues concerning potential opportunities for management to improve the operational efficiency and/or effectiveness of the system.



## Appendix B - Staff Interviewed

The following personnel were consulted:

- Caroline Souto - Financial Planning and Analysis Team Leader

We would like to thank the staff involved for their co-operation during the audit.

## Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

### **Mazars Public Sector Internal Audit Limited**

**London**

**May 2018**

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