



# Dacorum Borough Council

## Final Internal Audit Report

### Budgetary Control

April 2019

This report has been prepared on the basis of the limitations set out on page 10.

CONFIDENTIAL

#### **Distribution List:**

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#### **Key Dates:**

Date of fieldwork: March 2019  
Date of draft report: April 2019  
Receipt of responses: April 2019  
Date of final report: April 2019

#### **Status of our reports**

This report ("Report") was prepared by Mazars LLP at the request of Dacorum Borough Council and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

The Report was prepared solely for the use and benefit of Dacorum Borough Council and to the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk. Please refer to the Statement of Responsibility in Appendix C of this report for further information about responsibilities, limitations and confidentiality.

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# 1. Executive Summary

## 1.1. Background

As part of the Internal Audit Programme for 2018/19, we have undertaken an audit of the Council's systems of internal control in respect of Budgetary Control.

The Section 151 Officer is responsible for determining the format of the revenue budgets and ensuring that they are prepared on an annual basis for consideration by the Cabinet, before submission to the Council in the fourth quarter of the financial year.

Corporate Directors, and their delegated representatives, are responsible for ensuring that budget estimates reflect agreed service plans and comply with the budget guidance issued by the S151 Officer which will take account of the Council's approved Medium Term Financial Strategy.

The submitted budgets will be scrutinised and endorsed by appropriate Members, including Portfolio Holders. These will be collated by the S151 Officer for submission to a combined meeting of the Overview and Scrutiny Committees to scrutinise the draft budget, prior to submission to Cabinet.

## 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 Budgetary Control, and provide guidance on how to improve the current controls going forward.

In summary, the scope covered the following areas: Policies, Procedures and Legislation; Budget Setting; Budget Upload; Budget Monitoring and Management Information; and Budget Adjustments and Virements.

## 1.3. Summary Assessment

Our audit of the Council's internal controls operating over the Budgetary Control found that there is a sound system of internal control designed to achieve the system objectives. 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.

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 Budgetary Control is shown in Section 3.

1.4. **Key Findings**

We 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 Budgetary Control, 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:

#### **Policies, Procedures and Legislation**

All members of staff act consistently in compliance with the legislative and management requirements and the budget management functions are conducted in an economic, efficient and effective manner. Responsibility for managing budgets is clearly established and is delegated to appropriately qualified, trained and competent staff.

#### **Budget Setting**

Budgets are set and funds allocated so as to achieve the organisation's strategic and operational objectives.

#### **Budget Upload**

Budgets are appropriately approved and are completely and accurately loaded onto the financial management system in a timely manner.

Budgets are communicated to all the relevant parties to allow effective monitoring by budget holders.

#### **Budget Monitoring and Management Information**

Robust procedures are in place for the monitoring of budgets. Any variances identified are investigated and remedial actions taken, where appropriate, so as to minimise the risk of budget over/underspends.

Timely and accurate financial information is produced on a regular basis and is reported to the appropriate forum to facilitate effective monitoring and decision making.











#### **Budget Adjustments and Virements**

Budget adjustments, including virements, are completely, accurately, and validly processed in a timely manner and supporting documentation is retained to support the actions taken.

### 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
Policies, Procedures and Legislation			
Budget Setting			
Budget Upload			
Budget Monitoring and Management Information			
Budget Adjustments and Virements			

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 part of this audit.

## 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 & Analysis Team Leader
- Fiona Jump                         Financial Services Group Manager

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

## Statement of Responsibility

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any 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.

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.

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