



Internal Audit

FINAL

Dacorum Borough Council

Assurance Review of Budgetary Control

2020/21

October 2020

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objective

KEY STRATEGIC FINDINGS

The 'Budget Review Group' scrutinises the annual budget proposals submitted by the budget holders, which is chaired by the section 151 officer.

The annual budget is presented to Joint Overview and Scrutiny and Cabinet for review and to Full Council for approval and adoption.

All three Council Scrutiny Committees and Cabinet receive quarterly management accounts.

The Council's Strategic Risk Register is presented to the Audit Committee on a quarterly basis.

GOOD PRACTICE IDENTIFIED



The annual budget setting process is underpinned by a timetable which is monitored by Finance.



Budget holders have access to 'live' budgetary information as well as monthly meetings with Management accountants.

SCOPE

The control objectives considered were:

- Formally approved budgets are set each year, taking into account all relevant income and expenditure:
- All budget adjustments (including virements) are authorised:
- The financial management system accurately reflects the agreed budgets;
- Budgets are allocated to named individuals Budgets are adequately monitored;
- The budget position is regularly reported; and
- Appropriate financial reserves are maintained in line with assessed risks.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No audit recommendations raised during the audit.							

PRIORITY GRADINGS

1	URGENT	Fundamental control issue on which action should be taken immediately.
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2	IMPORTANT	Control issue on which action should be taken at the earliest opportunity.
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3	ROUTINE	Control issue on which action should be taken.
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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
There were no OEMs raised during the audit.				

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	-	-
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 Council's Financial Regulations was last reviewed in December 2019, and the section 151 Officer is the author of the document. The Financial Planning team maintains in-house procedure guidance notes on budgetary aspects, such as Budget Monitoring, which is subject to annual review by the nominated Team Leader.
- The Chief Officers of the Council along with the Board Members review and update the four year Medium Term Financial Strategy prior to commencing the annual budget setting exercise.
- A 'Budget Review Group' (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.
- The Council's Strategic Risk Register contains risk 'SR1 - Funding and income is not sufficient to deliver the Council's Corporate Objectives', which notes the Medium Term Financial Strategy and the Housing Revenue Business plan as the mitigating controls.

Other Findings

-  The annual budget setting process is underpinned by a timetable which is monitored by Finance. Review of the timetable revealed that the 2020/21 annual budget had been presented to Cabinet and Full Council in line with the prescribed timeframe.
-  Budget holders are provided with saving and growth targets to be achieved in their respective service area.
-  There has 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.
-  Management accounts are presented to all three Scrutiny committees and Cabinet every quarter and is accompanied with a report detailing movements during the period under review.
-  The Council has circa 25 budget holders, who receive monthly budget statements from their designated Management Accountant, which are discussed and the meetings are minuted.
-  Budget holders, who have joined the Council, receive one-to-one training from the Management Accountants.
-  Through monthly budget monitoring it can be determined whether budgets can be better aligned which may result in a virement being raised. Inter directorate virements are not raised. At the time of the audit, no virements had been raised or processed.



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.	N/a	-	-
FC	Financial Constraint	The process operates within the agreed financial budget for the year.	N/a	-	-
R	Resilience	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	N/a	-	-

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

- 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

- 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

- 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

- 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

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

Release of Report

- The table below sets out the history of this report.

Stage	Issued	Response Received
Audit Planning Memorandum:	8 th July 2020	8 th July 2020
Draft Report:	9 th September 2020	11 th September 2020
Final Report:	14 th September 2020	
Revised Final Report:	30 th October 2020	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Budgetary Control		
Type of Review:	Assurance	Audit Lead:	Yasmeen Mehmood

Outline scope (per Annual Plan):	<p>Rationale: Budgetary Control is a fundamental finance system that is audited every other year. The Council is currently in the final year of a 4-year funding deal with MHCLG, which has provided relative certainty over the minimum level of funding the Council can expect until April 2020. Scope: The control objectives that will be considered as part of this audit include: Formally approved budgets are set each year, taking into account all relevant income and expenditure. All budget adjustments (including virements) are authorised. The financial management system accurately reflects the agreed budgets. Budgets are allocated to named individuals Budgets are adequately monitored The budget position is regularly reported Appropriate financial reserves are maintained in line with assessed risks.</p>		
Detailed scope will consider:	<p>Directed</p> <p>Governance Framework: There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.</p> <p>Risk Mitigation: The documented process aligns with the mitigating arrangements set out in the corporate risk register.</p> <p>Compliance: Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.</p>	<p>Delivery</p> <p>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.</p> <p>Financial constraint: The process operates with the agreed financial budget for the year.</p> <p>Resilience: Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.</p>	
Requested additions to scope:	(if required then please provide brief detail)		
Exclusions from scope:			

Planned Start Date:	02/09/2020	Exit Meeting Date:	7th Sept 2020	Exit Meeting to be held with:	Team Leader - Financial Planning
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SELF ASSESSMENT RESPONSE

Matters over the previous 12 months relating to activity to be reviewed	Y/N (if Y then please provide brief details separately)
Has there been any reduction in the effectiveness of the internal controls due to staff absences through sickness and/or vacancies etc?	No
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	No
Have there been any significant changes to the process?	No
Are there any particular matters/periods of time you would like the review to consider?	No