



Internal Audit

FINAL

Dacorum Borough Council

Assurance Review of Benefits and Savings Realisation

2020/21

March 2021

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

SR1 - Funding and Income

KEY STRATEGIC FINDINGS



The Medium Term Financial Strategy is reviewed annually by Finance and presented to Cabinet for approval.



Finance maintain a 'Savings Tracker,' which lists savings identified during the annual budget setting process.



Savings identified for 2020/21 have been impacted, namely the income streams, due to the pandemic.



The Council is forecasting financial pressure of circa £3.1m, at the end of quarter two, of which £3m is a direct result of the impact of the pandemic.

GOOD PRACTICE IDENTIFIED



The Savings Tracker is monitored monthly as part of the budget monitoring process and movements reported to Cabinet as part of the quarterly Management Accounts submission.

SCOPE

The audit reviewed a sample of savings, to ensure that:

- they have been accurately assessed both in terms of the costs that can be saved and the timescale within in which the savings are to be achieved;
- there are action plans in place to deliver the savings;
- savings proposals are monitored, and potential problems are reported promptly; and
- the risks that might prevent these savings from being achieved are being appropriately managed in accordance with the risk assessment published as part of the Financial Strategy.

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 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 Operational Effectiveness Matters 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.	N/a	-	-

Other Findings

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The Medium Term Financial Strategy (MTFS) is the Council’s key financial planning document which informs the delivery of the Corporate plan in financial terms, over a five year period.
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The MTFS is updated annually by the Finance team and presented to the July Cabinet, every year. However for 2020/21, this was delayed to October 2020, as it was felt that a more accurate picture of the implication of the pandemic could be reported whilst still noting that there is an element of uncertainty both in the short and medium term.
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Savings and growth targets are primarily identified during the annual budget setting process but also throughout the year. Finance maintains a ‘Savings Tracker’ which documents the potential savings and growth identified for the financial year, for 2020/21 the General Fund savings/ growth totalled circa £1,659k and Housing Revenue Accounts circa £1,996k.

Other Findings



The 'Savings Tracker' is reviewed monthly and updated post meetings with Budget holders, by the assigned Management Accountants.



The Saving Tracker is reported to the Senior Leadership Team, monthly, as part of the financial information pack.



Review of a sample of five Saving/ growth targets was undertaken, comprising of:

General Fund

1. Employees £175k;
2. Income Generation - Berkhamsted Car Park £250k;
 - Leisure £300k;
 - Temporary Accommodation £208k.

HRA

1. Supplies & Services - Insurance Cost/ Income 80% - £80k

It was noted that the Income Generation savings relating to Berkhamsted Car Park and Leisure, were identified initially at the time of the project construction approval and the appointment of the new leisure provider (2018/19), respectively. Both these areas have been identified as 'At Risk' on the Savings Tracker, which is most likely not to be realised, due to the impact of the pandemic and national lockdowns.

The remaining areas had been identified as savings during the 2020/21 annual budget setting process, which was conducted in 2019/20 and supported by a 'Savings Proposal' document.



Discussions held with the Team Leader of Financial Planning & Analysis (TLFPA) indicated that savings are generally delivered, however some are not, due to extenuating circumstances. At outturn, the budget must be balanced and any pressures are offset by new underspends or are funded from an appropriate reserve. For 2020/21, there are some significant savings proposals, which cannot be met due to the impact of the pandemic. The overall budget pressure will be met primarily from a new reserve specifically set up, entitled 'Economic Recovery Reserve'.



Following on from the above, the TLFPA also advised that for those savings/ growth areas which have been identified as 'At Risk', these will not be carried forward into the new financial year, 2021/22. As savings and growth identified for any given year are specifically for that year and not over a period of time.



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.	In place	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	N/a	-	-

Other Findings



The Council is facing financial pressure as a result of the pandemic and its impact on service delivery, in particular income generation streams. This was originally forecasted as circa £5m, at the start of 2020/21 which has reduced to circa £3.1m, per the quarter 2 financial reporting to Cabinet. It is acknowledged that the final figure will be funded through the General Fund Reserves at year end.

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:	23 rd October 2020	27 th October 2020
Draft Report:	26 th February 2021	5 th March 2021
Final Report:	5 th March 2021	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Benefits & Savings Realisation		
Type of Review:	Assurance	Audit Lead:	Y Mehmood

Outline scope (per Annual Plan):	To provide assurance processes are in place to measure initiatives.		
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:	N/a		

Planned Start Date:	7th December 2020	Exit Meeting Date:	24/02/2021	Exit Meeting to be held with:	Head of Financial Planning and Team Leader - Financial Planning & Analysis and the Group Manager Financial Services
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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?	N
Have there been any breakdowns in the internal controls resulting in disciplinary action or similar?	N
Have there been any significant changes to the process?	N
Are there any particular matters/periods of time you would like the review to consider?	N