



Internal Audit

FINAL

Dacorum Borough Council

Assurance Review of Budgetary Control

2023/24

July 2024

Executive Summary

OVERALL ASSESSMENT



ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Budgetary Control is a fundamental financial process that is audited every other year.

KEY STRATEGIC FINDINGS



Implementation of budgetary control and monitoring training for all relevant staff to increase knowledge and understanding of the budget process, which in turn will create greater efficiency across the organisation.

GOOD PRACTICE IDENTIFIED



Comprehensive Budget setting and sign off process in place across the organisation, evidenced with sign off letters.



Budget Monitoring is evidenced with the inclusion of a Budget Monitoring Calendar log, which details the dates when reports and reviews should be conducted, alongside notes for assistant accounts and if the log requires an update.

SCOPE

Budgetary Control is a fundamental financial process that is audited every other year. Key control objectives that were considered as part of this audit included:

- Formally approved budgets are set each year, taking into account all relevant income and expenditure;
- The financial management system accurately reflects the agreed budgets;
- Budgets are allocated to individuals at an appropriate level, with monitoring responsibilities clearly outlined;
- All budget adjustments (including virements) are authorised;
- Budgets are adequately monitored and regularly reported, with reasonable variance levels being set which trigger action and explanation;
- Appropriate financial reserves are maintained in line with assessed risks.

ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	1

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 Key Findings identified.							

PRIORITY GRADINGS

1 **URGENT** Fundamental control issue on which action should be taken immediately.

2 **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

3 **ROUTINE** Control issue on which action should be taken.

Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
1	Directed	Head of Safe Homes stated in a video call that no training around budgetary control or monitoring is present within the organisation. Though there is no negative impact with it being missing, they felt that if this was implemented it would be of great benefit to the organisation and lead to a more efficient process. The budget holder for Waste Management did not comment on the training as he was already had budget preparation training prior to starting his at DBCC.	Implementation of budgetary control and monitoring training for all relevant staff to increase knowledge and understanding of the budget process, which in turn will create greater efficiency across the organisation.	<i>All members of the Corporate Leadership Team are provided with details of their budgets and supported by a dedicated member of the finance team in the management of their budgets. We find this one- on- one approach to be more effective rather than generic training delivered to large groups. We will look at surveying the wider Corporate Leadership Team to identify satisfaction levels with current budget monitoring and control training and if an alternative/ supplementary approach is needed. We will do this as part of the Q1 2024/25 budget monitoring process. The timescale for the delivery of any associated training will be dependent of the outcomes of this survey.</i>

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	-	1

Other Findings




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Process documentation was evidenced in the form of the Budget Monitoring Guidance Notes and Salary Monitoring Guidance Notes (updated and reviewed 28/09/2023). These documents provided guidance for personnel on how to deal with the process of producing an analysis of all remaining budgets and using them to report on the variances for services at the Head of Service level as well as explain the steps involved in salary monitoring and how to carry them out.
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Expected controls for a process, such as how and when to produce reports along with a guide and pictures of this, were present in each process document provided in the Budget Monitoring Guidance Notes.
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A dedicated Financial Regulations policy document (dated July 2022 and listing the responsible officer as the Chief Finance Officer) was evidenced. This document contains expected regulatory controls.

Other Findings

-  The council's strategic risk register was provided and includes a high-level risk listed as "Financial Resilience" on page 3. The Medium-Term financial strategy has been approved by cabinet and is projecting a balanced budget position for 24/25.
-  Evidence that the finance and resources overview committee meetings take place was provided in the form of the Monitoring calendar.
-  There is documented evidence that budget holders sign off their approval for the set budgets for their department. The sign off letter confirms that the budget was approved at the full council 14th February 2023.

There is also additional evidence that Budget Sign off is extensively tracked with the Budget Sign Off Tracker. This shows the names of the Budget Holders, their post, who their accountant is, when the budget papers were sent and finally the link to the associated budget holder's sign off letter.
-  Budget Monitoring is evidenced with the inclusion of a Budget Monitoring Calendar log, which details the dates when reports and reviews should be conducted, alongside notes for assistant accounts and if the log requires an update.
-  Budget holders from Safe Homes and Waste Management both confirmed in separate video call interviews that the working relationship with the finance team was "efficient, highlighting that the finance department is always on hand to help with any queries, and that meetings with them regarding their budgets take place every month".
-  Both the budget holders for Safe Homes and Waste Management confirmed in separate video call interviews that the level of detail contained within the budget monitoring reports given every month by the finance team is sufficient to monitor their budgets effectively.
-  A Virement Payments log evidenced details reference numbers, the service area, who submitted the payment, who approved the Virement, the date it was approved and the financial value. This evidence corresponds to the Budget Monitoring Guidance notes where the Virement Policy is detailed.



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.	In place	-	-
S	Sustainability The impact on the organisation's sustainability agenda has been considered.	Out of scope	-	-
R	Resilience Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings



Evidence of regular reporting to the Strategic Leadership Team (SLT) was provided.



The minutes for the Finance & Resources Overview and Scrutiny Committee meeting were provided. Evidenced was reviewed that the "Medium Term Financial Strategy" was discussed outlining the Financial Position of the Council for the next 3-5 years. The Chief Finance Officer stated that there were no significant changes to service delivery and over £1m growth for service provision.



On page 31 of the Finance & Resources Overview and Scrutiny Committee meeting from 03/10/2023, the finance and resources quarter 2 operational risk report acknowledge that although the in-year collection rate has underperformed from a budget/cash perspective, the in-year collection of previous year's arrears has exceeded expectations, which meant no budget pressure is currently projected for the year 2023/24.

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:	13 th July 2023	14 th August 2023
Draft Report:	20 th March 2024	24 th June 2024
Final Report:	5 th July 2024	

AUDIT PLANNING MEMORANDUM

Appendix B

Client:	Dacorum Borough Council		
Review:	Budgetary Control		
Type of Review:	Assurance	Audit Lead:	R.G/M.B – Auditors

Outline scope (per Annual Plan):	Budgetary Control is a fundamental financial process that is audited every other year. Key control objectives that will be considered as part of this audit include: <ul style="list-style-type: none"> Formally approved budgets are set each year, taking into account all relevant income and expenditure; The financial management system accurately reflects the agreed budgets; Budgets are allocated to individuals at an appropriate level, with monitoring responsibilities clearly outlined; All budget adjustments (including virements) are authorised; Budgets are adequately monitored and regularly reported, with reasonable variance levels being set which trigger action and explanation; Appropriate financial reserves are maintained in line with assessed risks. 		
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>	Delivery	<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>Sustainability: The impact on the organisation's sustainability agenda has been considered.</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:	Sustainability		

Planned Start Date:	25/09/2023	Exit Meeting Date:	07/03/2024	Exit Meeting to be held with:	Financial Planning & Analysis Manager
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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