



Dacorum Borough Council

Final Internal Audit Report

Budgetary Control

April 2016

This report has been prepared on the basis of the limitations set out on page 7.

CONFIDENTIAL

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Key Dates:

Date of fieldwork: February/March 2016

Date of final report: April 2016

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1. Executive Summary

1.1. Background

As part of the Internal Audit Programme for 2015/16, we have undertaken an audit of the Council's systems of internal control in respect of Budgetary Control.

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 savings realization; budget alterations and virements; and management information.

1.3. Summary Assessment

Our audit of the Council's internal controls operating over Budgetary Control found 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.

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 Budgetary Control is shown in Section 3.

1.4. Key Findings

We have raised no recommendations as a result of our work in this area.

1.5. 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 are 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 administration of the budget setting and control 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 organisations strategic and operational objectives. Where savings are required, budget holders have identified appropriate efficiencies to meet the savings required. The means of achieving savings are approved and included in the setting of the budget for the respective services.

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 Savings Realisation

Robust procedures are in place for the monitoring of budgets.

Any variances identified are investigated and remedial action taken where appropriate so as to minimise the risk of budget over/under spends.

All savings offered are being monitored to ensure realisation.

Budget Alterations and Virements

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













Management Information

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.

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 Savings Realisation			
Budget Alterations and Virements			
Management Information			

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

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
Full		There is a sound system of internal control designed to achieve the system objectives.	The controls are being consistently applied.
Substantial		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.
Limited		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.
Nil		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
Priority 1	Recommendations which are fundamental to the system and upon which the organisation should take immediate action.
Priority 2	Recommendations which, although not fundamental to the system, provide scope for improvements to be made.
Priority 3	Recommendations concerning issues which are considered to be of a minor nature, but which nevertheless need to be addressed.
System Improvement Opportunity	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
- Keshika Naidoo - Finance and Operations Accountant
- Lucy Tash - Finance and Operations Accountant

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

London

April 2016

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