



# Hinckley and Bosworth Borough Council: Internal Audit Final Report **Service Level Budget Monitoring (25/26)**

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**Reporting Timetable**

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## Disclaimer

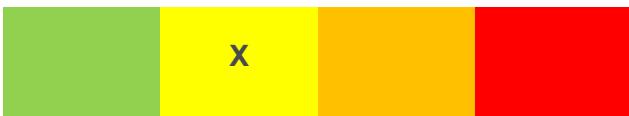
This report (“Report”) was prepared by Forvis Mazars LLP at the request of Hinckley and Bosworth Borough Council (HBBC) and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit 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 HBBC and to the fullest extent permitted by law Forvis 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 A1 of this report for further information about responsibilities, limitations, and confidentiality.

# Your One Page Summary

## Engagement Objective: assess the design and effectiveness of the control framework for Service Level Budget Monitoring within HBBC.

This review has not provided a view on whether HBBC's budgets are accurate or realistic and whether HBBC will or will not achieve the set budgets but rather the controls in place to set and monitor budgets at a service level.

Engagement rationale														
Why the engagement is in Your 2025/26 Plan	Your Strategic Risk	Your Strategic / Tactical Objective												
To review the strategic approach to coordinating budgetary control at a service level including monitoring and reporting. This area has not been subject to internal audit activity recently.	Financial instability, and misalignment with corporate priorities.	Budgetary control processes are strategically aligned with the Council's financial sustainability goals, enabling proactive decision-making, effective resource allocation, and transparent accountability.												
Summary of our opinion														
<b>Moderate Opinion</b> See Appendix A1 for definitions		<b>Summary of Recommendations</b>												
	<table><tbody><tr><td>High (Priority 1)</td><td>-</td></tr><tr><td>Medium (Priority 2)</td><td>3</td></tr><tr><td>Low (Priority 3)</td><td>2</td></tr></tbody></table>	High (Priority 1)	-	Medium (Priority 2)	3	Low (Priority 3)	2	<table><tbody><tr><td><b>Actions agreed by you</b></td><td>100%</td></tr><tr><td>High Priority completion</td><td>N/A</td></tr><tr><td><b>Overall completion</b></td><td>31 December 2026</td></tr></tbody></table>	<b>Actions agreed by you</b>	100%	High Priority completion	N/A	<b>Overall completion</b>	31 December 2026
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<b>Overall completion</b>	31 December 2026													
Summary of findings														
Examples of good practice	Medium Priority Findings	Key root causes												
<ul style="list-style-type: none"><li>For a sample of five budgets, we confirmed that a budget setting working paper, which sets out draft figures for 25/26 and captures assumptions, was created, and a meeting was held between the budget holder and their accountant to discuss.</li></ul>	<ul style="list-style-type: none"><li>Variance explanations not documented, and action plans not followed up on from budget monitoring meetings.</li><li>No budget monitoring training materials or system to record training completion.</li></ul>	<ul style="list-style-type: none"><li>No established procedure for consistently documenting variance explanations and ensuring follow-up on agreed actions.</li><li>Dependence on internal experience and knowledge rather than formal training materials.</li></ul>												

- ✓ Monthly budget monitoring reports were sent to each of the sampled five budget holders for the months June 2025 to August 2025.
- ✓ Budget outturn reports were discussed monthly by Senior Leadership Team (SLT) and quarterly at Finance Committee.
- Data analytics tests could not be completed due to the required datasets not being received.
- Lack of clarity over existence of required datasets.

## 01 Introduction and Background

Hinckley & Bosworth Borough Council manages a gross expenditure budget of £65.94 million for 2025/26, supporting a wide range of services including Waste, IT, and Grounds Maintenance.

Effective budget setting and monitoring are essential to maintain financial sustainability and ensure alignment with the Council's Medium-Term Financial Strategy (MTFS).

The S151 Officer is responsible for creating a budget strategy which was formally agreed in a Scrutiny Commission meeting in December 2024. The final budget for 2025/26 is then presented to Council and this was approved on 20<sup>th</sup> February. There is a budget timetable in place which finance staff use as a guide that sets out the key tasks for the full budget setting cycle.

As part of this review, we considered the processes in place for setting service-level budgets, monitoring actual vs forecast performance, and reporting to senior management.

In the latest outturn report we were provided with (July 2025), the budget was £16.94m and outturn was £17.37m, resulting in a 2.5% overspend.

We selected the following five service level budgets to investigate what documentation was available regarding budget setting and monitoring. We also carried out interviews with all five budget holders around current arrangements.

Service Level and Code
CP12: Communications and Promotion
CP13: Council Offices
CP16: IT Support
EP03: DSO Grounds Maintenance
JC03: Refuse

### Scope Limitations

We were not provided with the datasets required to conduct the data analytics tests specified in the audit terms of reference so were not able to complete these tests. Therefore, we have raised a recommendation around quality of data available.

This review has not provided a view on whether HBBC's budgets are accurate or realistic and whether HBBC will or will not achieve the set budgets but rather the controls in place to set and monitor budgets at a service level.

## Data Analytics

We prefer to use data analysis techniques to test your whole population, rather than traditional sampling methods. As part of this engagement, we conducted data analytics on the complete set of user permissions within the Civica finance system. Our analysis confirmed that all budget holders were assigned view-only access to their respective budgets, and all other users who had permissions to edit budgets were members of the Finance team.

We were not provided with the datasets required to conduct the data analytics tests outlined within the audit terms of reference. Therefore, we have raised a recommendation about this in **Section 02**. Refer to Appendix A2 for further details.

## Areas with controls working as expected

- A detailed budget setting timetable was in place, covering all key tasks, responsible parties and deadlines for the full budget cycle.
- The budget was approved timely by the Full Council on 20 February 2025, ahead of the 11 March deadline set out in its financial procedure rules.
- Monthly budget monitoring reports for June to August 2025 were auto generated from Civica and through a spot-check review, we found no inconsistencies between the figures in these reports and the figures in the Civica system.
- The Budget Strategy for 25/26 was approved by Executive (December 2024) before detailed budgets were prepared, which is in line with the Council's financial procedure rules.

## 02 Detailed Action Plan

We have identified areas where there is scope to improve the control environment. Our detailed findings are provided below. Definitions for the levels of assurance and recommendations used within our reports are included in Appendix A1.

1 Variance explanations not documented, and action plans not followed up on from budget monitoring meetings.	
Finding(s) and Risk	Recommendation(s)
<p>Budget variances should be consistently discussed, documented, and shared with Budget Holders as part of the monthly monitoring process as this can help them to understand the drivers behind budget performance, supports informed decision-making, and enables effective follow-up on corrective actions.</p> <p>Action plans should be tracked and appropriately followed up on to ensure that actions are progressing and any delays to these can be suitably escalated, which aids in reducing budget overspends.</p> <p>We verified that monthly budget reports were produced for each of the five services in our sample for July and August 2025. Our review of these reports showed that they automatically highlighted ledger codes with significant variances. While Budget Holders informed us during interviews that these variances were discussed in meetings, there was no documented evidence of these discussions, nor any formal requirement to record them. Therefore, we were unable to verify whether they occurred.</p> <p>Additionally, our interviews with the five Budget Holders revealed there were two occasions where they were unable to explain certain significant negative variances. We were advised that the Accountant would have these explanations and confirmed these were explained. See Appendix A3 for these.</p> <p>Through a review, the explanations for variances were included in the monthly Outturn Report for June and July 2025, which was shared with the Senior Leadership Team (SLT) and the Finance Committee. We were informed by the Accountancy Manager that Accountants provided these explanations during the preparation of the report. However, Budget Holders were not involved in this.</p> <p>Furthermore, the five Budget Holders informed us that actions were discussed during the monthly meetings, but these were not formally recorded. We were provided with</p>	<p>The Council should:</p> <ol style="list-style-type: none"><li>1. Implement a formal process to ensure that material budget variances are consistently explained, documented, and shared with Budget Holders.</li><li>2. Explore including agreed actions within the same document to serve as a record of the meeting held and to follow up on in subsequent meetings.</li></ol>
Root Cause(s)	
No established procedure for consistently documenting variance explanations and ensuring follow-up on agreed actions.	

various email chains showing that actions had been discussed between Accountants and Budget Holders; however, it was unclear how these actions were followed up and whether they had been completed.

**Risk and Impact:** Where variance explanations and follow up actions are not formally documented or shared with Budget Holders, there is a risk that key financial insights may be lost, leading to unresolved budget issues, ineffective corrective action, and reduced accountability.

#### Management Comments

We accept that documenting will help advance the discussions had, but stress that discussions with budget holders are held regularly and accountants explain issues to them and are available at any tie to answer any questions they may have on variances or other budge issues

Responsible Person	Ilyas Bham Accountancy Manager	Action Due Date	30 September 2026
		Priority Level	Medium

## 2 No budget monitoring training materials or system to record training completion.

Finding(s) and Risk	Recommendation(s)
<p>Budget Holders should receive formal training and clear guidance to support their responsibilities in budget setting and monitoring. Completion of this training should be centrally recorded to ensure accountability. This would help Budget Holders better understand their role, manage budgets effectively, and apply consistent practices across the organisation.</p> <p>Section 4.9 of the Financial Procedure Rules (April 2023), stated 'The S151 Officer will ensure that each service manager and appropriate officer will receive adequate training to enable them to control those parts of the budget for which they are responsible.'. However, when we requested evidence of training materials, we were advised by the Accountancy Manager that none exist specifically relating to budget monitoring.</p> <p>We selected a sample of five service-level budgets and conducted interviews with the respective Budget Holders. All had been in post for several years and were experienced in budget management. So, none could recall specific details about any training they had been offered or completed.</p> <p><b>Risk and Impact:</b> In the absence of dedicated training materials and records of training completion, there is a risk that Budget Holders may lack the necessary skills to monitor budgets effectively. This could lead to budget overspends and reduced financial control.</p>	<p>The Council should:</p> <ol style="list-style-type: none"> <li>1. Develop and implement formal training materials for Budget Holders, including guidance on their responsibilities, budget setting processes, and monitoring expectations. Webinars or workshops could be explored to fulfil training requirements.</li> <li>2. Maintain a training completion log centrally and monitor to ensure completion by all Budget Holders, and follow up any incomplete or outstanding training.</li> </ol>
	Dependence on internal experience and knowledge rather than formal training materials.

Training tends to be done with budget holders informally when they are taken on, with many budget holders being in place for many years and well experienced. We will develop formal training and invite budget holders to attend.

Responsible Person	Ilyas Bham Accountancy Manager	Action Due Date	30 September 2026
		Priority Level	Medium

### 3 Data analytics tests could not be completed due to the required datasets not being received.

Finding(s) and Risk	Recommendation(s)
<p>Organisations should be able to extract their data into accessible formats in order to periodically conduct data analysis, to provide assurance over the accuracy and timeliness of operations.</p> <p>We made repeated requests for the datasets outlined in the data analytics section of the terms of reference, starting on 17 September 2025 and continuing through to 7 October 2025. However, as the required datasets were not provided, we were unable to carry out the planned data analytics testing. See appendix A2 for further details.</p> <p><b>Risk and Impact:</b> Where datasets are not accessible, there is a risk that by not conducting periodic checks on the data integrity, budget anomalies or errors are not being detected which can lead to a worsening of the Council's financial position.</p>	<p>The Council should:</p> <ol style="list-style-type: none"> <li>1. Identify the data available within current systems.</li> <li>2. Conduct its own data analysis checks to gain assurance over budget monitoring performance.</li> </ol>
Root Cause(s)	
	<p>Lack of clarity over existence of required datasets.</p>

### Management Comments / Agreed Actions

It is agreed the information was not provided, which is due to human error. This has been noted for future reference. A review of the data set required will be completed and shared with Internal audit.

<b>Responsible Person</b>	Ilyas Bham Accountancy Manager	<b>Action Due Date</b>	30 September 2026
		<b>Priority Level</b>	Medium

#### 4 No procedural document covering budget setting and monitoring arrangements.

Finding(s) and Risk	Recommendation(s)
<p>A procedural document should be in place that clearly outlines the arrangements for budget setting and monitoring and defines the associated operational responsibilities. This can promote consistency and clarity across service areas, helping to prevent inappropriate payments, misaligned budgets, and ineffective monitoring.</p> <p>During our review, we examined the Council's Constitution and Financial Procedure Rules (April 2023), which outline high-level responsibilities for the S151 Officer and Budget Holders. These documents confirm that while the S151 Officer was responsible for preparing the Budget Strategy and providing monthly comparative statements, and Budget Holders were expected to prepare estimates and manage budgets prudently, the existing documents lacked operational detail. Specifically, they did not outline the frequency of budget meetings, escalation protocols for addressing variances, or standards for documenting discussions and actions.</p> <p>In our interviews with the five budget holders, we did note that one Budget Holders created their own sets of notes which were used as a guide for discussion within the monthly meetings, but this was not done by any of the other four budget holders.</p> <p><b>Risk and Impact:</b> In the absence of clear and readily available guidance on budget management arrangements, there is a risk that service areas may adopt inconsistent approaches. This can result in ineffective budget monitoring and potential financial mismanagement.</p>	<p>The Council should assign responsibility for developing and maintaining a procedural document outlining the budget setting and monitoring process, including defined roles and responsibilities. This can then be shared with Budget Holders for their awareness.</p>
Root Cause(s)	

#### Management Comments / Agreed Actions

Agreed, but stress that discussions with budget holders are held regularly and accountants explain issues to them and are available at any time to answer any questions they may have on variances or other budget issues

Responsible Person	Ilyas Bham Accountancy Manager	Action Due Date	31 December 2026
		Priority Level	Low

## 5 Inconsistent budget monitoring approaches between service areas.

Finding(s) and Risk	Recommendation(s)
<p>Meetings to review service-level budgets should be held between the relevant Budget Holder and Accountant at a frequency that reflects the risk profile of each budget. This can support regular engagement with budget performance and facilitate timely implementation of corrective actions.</p> <p>Although the Financial Procedure Rules stated that monthly budget reports were to be sent to Budget Holders, they did not specify any requirement for meetings to be held. Discussions with the Accountancy Manager indicated an expectation that monthly meetings would occur between Budget Holders and their assigned Accountants.</p> <p>In interviews with five Budget Holders, three confirmed that meetings were held monthly, while two reported that meetings were more ad hoc and only convened when significant issues arose. The reasons provided for not holding regular meetings included a comparatively smaller and less volatile budget in one case (CP12: Communication and Promotion, £174k), and resource constraints affecting both the Accountant and the service team in the other (CP13: Council Offices, £15.3m) .</p> <p><b>Risk and Impact:</b> Where meetings are not held regularly across all service-level budgets, there is a risk that budgets are not being monitored frequently enough, potentially allowing overspends to go undetected.</p>	<p>The Council should:</p> <ol style="list-style-type: none"> <li>1. Implement a risk-based framework to define the required frequency of budget monitoring meetings across service areas.</li> <li>2. Communicate this framework to all Budget Holders and Accountants.</li> </ol> <p><b>Root Cause(s)</b></p> <p>Lack of formalised expectations and guidance around budget monitoring practices</p>
Management Comments / Agreed Actions	

Agreed, but note that the realities of service pressures in an organisation with a relatively small finance department means it sometimes must use resources most effectively and at where the higher risks reside, so it may be that sometime lower risk budget areas are not getting the same frequency of meeting as other higher risk or higher value areas. Also, we stress that discussions with budget holders are held regularly and accountants explain issues to them and are available at any time to answer any questions they may have on variances or other budget issues

Responsible Person	Ilyas Bham Accountancy Manager	Action Due Date	30 September 2026
		Priority Level	Low

## A1 Engagement Information

### Agreed Engagement Objective and Scope

The objectives of our engagement were to assess whether HBBC has in place adequate and appropriate policies, procedures, and controls in relation to Service Level Budget Monitoring with a view to providing an opinion on the extent to which risks in this area are managed. The engagement considered the following risks relating to the area under review:

- **Budget Setting and Monitoring Framework** - Inadequate approval processes in place leading to inappropriate payments being made;
- **Budget Setting** - Budgets may be unrealistic or misaligned to service priorities which could cause overspends or service disruption;
- **Budget Setting** - Budget forecasts may be inaccurate, and the Council may be unprepared for inflationary pressures or changes in demand;
- **Budget Setting** - Unauthorised changes are made to budget data;
- **Budget Monitoring** - Actual vs budgeted spend is not monitored, resulting in overspend going unidentified; and
- **Management Reporting** - A lack of senior management oversight over budget monitoring, which could lead to failure to identify and correct overspend.

### Scope Limitations

In giving this assessment, it should be noted that assurance cannot be absolute. The most an Internal Audit service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control. Any testing performed was conducted on a sample basis. Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

We were not provided with the datasets required to conduct the data analytics tests specified in the audit terms of reference so were not able to complete these tests. Therefore, we have raised a recommendation around quality of data available.

This review has not provided a view on whether HBBC's budgets are accurate or realistic and whether HBBC will or will not achieve the set budgets but rather the controls in place to set and monitor budgets at a service level.

## A2 Data Analysis Testing

Where possible, we sought to carry out data analytics testing to support our findings. The results of these are set out below.

Risk	Data analysis to undertake	Result
Risk Area 1 - Inadequate approval processes in place leading to inappropriate payments being made.	<b>Approval Trail Analysis:</b> Check if all service-level budgets have documented approval from designated Budget Holders, Accountants, Finance, and SLT.	Due to not receiving requested evidence, this testing was unable to be completed.
	<b>Timeliness Test:</b> Compare actual budget setting dates against the defined timetable to identify delays or missed deadlines.	Due to not receiving requested evidence, this testing was unable to be completed.
	<b>Role-based Access Review:</b> Analyse user access logs in Civica to ensure only authorized personnel accessed budget-setting modules.	Due to not receiving requested evidence, this testing was unable to be completed.
Risk Area 2 - Budgets may be unrealistic or misaligned to service priorities which could cause overspends or service disruption.	<b>Variance Analysis:</b> Compare previous years' budget vs actuals to identify consistently over/under-budgeted services.	Due to not receiving requested evidence, this testing was unable to be completed.
	<b>Change Log Review:</b> Identify any budget changes made post-approval and check for proper authorisation.	Due to not receiving requested evidence, this testing was unable to be completed.
Risk Area 3 - Actual vs budgeted spend is not monitored, resulting in overspend going unidentified.	<b>Actual vs Budget Trend Analysis:</b> Monthly comparison of actual spend vs budgeted figures to detect anomalies or overspending trends.	Due to not receiving requested evidence, this testing was unable to be completed.
	<b>Material Variance Flagging:</b> Identify services with material variances (e.g. >10%)	Due to not receiving requested evidence, this testing was unable to be completed.

Risk	Data analysis to undertake	Result
Risk Area 4 - A lack of senior management oversight over budget monitoring, which could lead to failure to identify and correct overspend.	<p><b>Report Timeliness and Completeness Check:</b> Validate that reports are generated and shared with SLT, Finance Committee, and Cabinet on schedule.</p>	Due to not receiving requested evidence, this testing was unable to be completed.
	<p><b>Exception Reporting:</b> Identify services consistently flagged in reports for overspend or poor forecasting.</p>	Due to not receiving requested evidence, this testing was unable to be completed.

### A3 Large Negative Variances

Code: Description	Cost Centre	Variance	Report
CP16: IT Support	SYM ICT Strategic Improvements	-£114,841	Period 5 25/26 – August 2025
JC03: Refuse	RDD Food Waste Service	-£1,236,662	Period 5 25/26 – August 2025

## Definitions of Assurance Levels and Recommendation Priority Levels

Definitions of Assurance Levels	
Substantial Assurance	The framework of governance, risk management and control is adequate and effective.
Moderate Assurance	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited Assurance	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory Assurance	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations		
High (Priority 1)	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium (Priority 2)	Recommendations represent significant control weaknesses which expose the organisation to a moderate degree of unnecessary risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low (Priority 3)	Recommendations show areas where we have highlighted opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk.	Remedial action should be prioritised and undertaken within an agreed timescale.

## Statement of Responsibility

We take responsibility to Hinckley and Bosworth 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 to 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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