
Meeting: **Audit Committee**

Date: **12 April 2010**

Subject: **Internal Audit and Risk Management Progress Report**

Report of: **Director of Customer and Shared Services**

Summary: This report provides a progress update on the status of internal audit and risk management work for 2009/10.

Contact Officer: Nick Murley, Assistant Director Audit & Risk

Public/Exempt: Public

Wards Affected: All

Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The activities of Internal Audit and Risk Management are crucial to the governance arrangements of the organisation and as such are supporting all of the priorities of the Council.

Financial:

None directly from this report.

Legal:

None directly from this report.

Risk Management:

No risk management implications come directly from this report but the Risk Management team have been actively working with Directors and Assistant Directors to identify and score strategic, directorate and service risk with the controls to mitigate these risks.

Staffing (including Trades Unions):

None directly from this report.

Equalities/Human Rights:

None directly from this report.

Community Safety:

None directly from this report

Sustainability:

None directly from this report

RECOMMENDATION:

That the Audit Committee note the progress made to date.

Background

1. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit and Risk Management review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls.
2. In September 2009, the Audit Committee approved the 2009/10 internal audit plan, drawing information from the Audit Needs Assessment exercise that was being undertaken for the whole council to form that plan. This report builds on the information presented to the January Audit Committee updating progress made against the 2009/10 Audit Plan and the work of the Risk Management team to the end of February.

Progress on the 2009/10 Internal Audit Plan.

3. The Audit Needs Assessment informing our Strategic Internal Audit Plan is complete and the outcomes presented in the Strategic Plan presented elsewhere on this agenda.
4. Regular meetings continue to take place with the Audit Commission discussing progress and sharing our audit work.
5. Final reports for these managed audits will not be finished until early in the next financial year as the substantive transaction testing continues to be undertaken to cover the complete 2009/10 financial year.

7. Progress on all audits is given below:

Review Title	Progress	
	Systems Documentation and Walkthrough	Substantive Testing
Managed Audits		
Accounts Payable	Report issued	Phase 1 fieldwork completed.
Accounts Receivable	Report issued	In progress
Main Accounting System	Report Issued	Phase 1 fieldwork completed.
Cash & Banking	In progress	Not completed.
Treasury Management	Draft report issued	Not completed.
Payroll	Report issued.	Phase 1 completed.
Asset Management	In progress	In progress
SWIFT Financials	In progress	In progress
National Non Domestic Rates	Draft report issued	Phases 1 and 2 in progress
Council Tax	Draft report issued	Phases 1 and 2 in progress
Housing Rents - Arrears	Report issued	Phases 1 and 2 in progress
Housing rents- Calculation	Draft report completed	In progress
Housing Benefits	Report issued	Phases 1 and 2 in progress
SAP Access and Security	n/a	In progress

Other Audits	
Review Title	Progress
Youth Foster Care	Awaiting management action plan update
Grants	Final report issued
Gifts and Hospitality	Final report issued
Leighton Buzzard Theatre	Awaiting management comments on draft report
Teachers Pensions	Fieldwork completed. Report writing in progress
EEDA Grant Claim	Fieldwork completed
Travel and Subsistence	Fieldwork completed. Report writing in progress
Data Quality Management	Fieldwork completed. Report writing in progress
Contactpoint	Fieldwork started.
Section 31 Outturn Statement	Fieldwork started.
Bus Service Operators Grant Claims	Substantially completed.

9. Our assurance ratings on all of the above will be reported to the June 2010 Audit Committee.

National Fraud Initiative (NFI)

10. We continue to complete work around the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes and then investigating any of the positive matches.
11. During 2009/10 we have been completing work started by the legacy authorities including matches around pension payments to registered deaths, matching payrolls between local authorities, and other matches including UK visas, blue badges, private residential care, and Housing Benefits.
12. As a result of our work to date £7,240.92 has been identified as being fraudulent from the former BCC data matches. No savings have been identified from either the South or Mid Beds portals. There are however a number of matches that are still being investigated. The council tax single person discount (SPD) results for your council are now available and these are in the process of being reviewed.

Special Investigations

13. To date we have completed two special investigations which concluded there were no breaches of key controls or any fraudulent activity.
14. We currently have two further investigations underway and as soon as these have been concluded, any significant control weaknesses or fraudulent activity will be presented to the committee.

Schools

16. Of the planned school FMSiS assessments, 83 have been finalised. 90% of the schools assessed have met the standard which equates to 54% of all Central Bedfordshire Schools. A further 22 assessments are in progress and an additional 8 have been submitted and are awaiting assessment.
17. Reports on the progress of the audit work have been taken to the Schools Forum in June 2009, September 2009 and January 2010.
18. In addition to the CBC schools, the team have also completed 17 Bedford Borough Council (BBC) school assessments that were in progress at the start of the financial year. As such BBC has been invoiced for this element of our work.

Performance Management

24. The Internal Audit Charter approved by the Audit Committee in April 2009 requires Internal Audit to report its progress on some key performance indicators. Processes will be developed to ensure that progress reports contain periodically updated indicators.

25. The indicators include both CBC audit activities and school activity.

26. **Activities for 1 April 2009 – 28 February 2010**

KPI	Definition	How we performed	Our target
KPI01	Percentage of total audit days completed.	83%	80%
KPI02	Percentage of the number of planned reviews completed.	49%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	49%	80%
KPI04	Time taken to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	N/A	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	N/A	80%
KPI06	Overall customer satisfaction	85%	80%

27. Analysis of indicators:

KPI01 – In the first eleven months we have delivered a total of 1,244 productive audit days against a total of 1,484 planned days for the year. This exceeds our target for the period.

KPI02 – This KPI measures final reports issued to date, 49% of the planned reviews have been completed to final report stage. However, this excludes work on managed audits for which the final report will not be issued until substantive testing is finalised. In addition, there are 22 FMSiS toolkit assessments in progress.

KPI03 – Only 49% of planned reviews have been completed within the planned time budgets. This includes a number of school FMSiS assessments which have gone over budget. The approach to undertaking these reviews is currently being reviewed. Some audit reviews have taken longer than planned due to staff developing skills in using the new audit software. In addition, the integration of audit teams from three legacy authorities has required harmonisation of working practices and the development of staff to deliver a broader range of audits. Central Bedfordshire Council's systems are still developing which has resulted in additional audit time being taken to identify and document systems.

KPI04 - This indicator cannot be measured until final reports are issued.

KPI05 - This indicator cannot be measured until final reports are issued.

KPI06 - Of the 32 questionnaires sent out, 18 have been returned to date, giving a response rate of 56%. All returned questionnaires relate to FMSiS toolkit assessments. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 85%.

Progress on the 2009/10 Corporate Risk Management Strategy

28. The Corporate Risk Management Strategy was approved in February 2009 by the Shadow Executive and endorsed by the Audit Committee in April 2009. The framework supporting this strategy was also approved by the Audit Committee at the same meeting in April.
29. Appendix A highlights the progress made to date on the Service and Directorate Risk Registers.

Health & Safety

33. The Health and Safety Manager has produced a 2009/10 annual risk based health and safety audit plan for our buildings. This will be resourced using our insurers, contractors and our own staff.
34. To date 42 audits have been carried out to date. The Risk Management Corporate report, attached at Appendix B, gives more information around where the audits have been completed in February and what the key audit findings were.

35. The appendix also provide various information around other Risk Management team activity including the number of accidents that have occurred during the first three quarters of the year and the number of insurance claims closed or that are still open. Both the Health and Safety and Insurance teams have provided advice and support to management around these incidents.

Training

38. A comprehensive 2009/10 Risk Management and Health & Safety training programme has been developed and is available to all staff and Members. As at 28 February 2010, 19 specific training sessions have been run by the team including working safely, managing safely and risk assessment training.

Conclusion and Next Steps

41. Good progress continues to be made by both of the Internal Audit and Risk Management teams and has enabled us to advise management of some of the control weaknesses we have identified at an early stage.
42. Final audit reports will be issued during the early part of the next financial year and annual reports will be produced for both Internal Audit and Health & Safety.

Appendices:

Appendix A Progress on Directorate and Service Risk Registers

Appendix B Risk Management Corporate Report (Exempt Agenda Item 1)

Background Papers:

2009/10 Internal Audit Plan – Audit Committee 21 September 2009

Location of papers: Priory House, Chicksands, Bedfordshire