
Meeting: Audit Committee
Date: 4th April 2011
Subject: Internal Audit Progress Report
Report of: Director of Customer and Shared Services
Summary: This report provides a progress update on the status of Internal Audit work for 2010/11.

Contact Officer: Kathy Riches, Head of Audit
Public/Exempt: Public (with exempt appendices)
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The activities of Internal Audit 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:

None specifically. The Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area 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.

RECOMMENDATIONS:

That the Audit Committee:

- a) 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 reviews, appraises and reports on the efficiency, effectiveness and economy of financial and other management controls.
2. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
3. The Audit Committee approved the 2010/11 Audit Plan in April 2010. This report provides an update on progress made against the plan up to 28th February 2011.

Progress on the 2010/11 Internal Audit Plan**Managed Audits**

4. A number of Phase 1 reports have been completed since the last Committee. The outcomes of these reports are set out in Appendix A. It is important to recognise that the opinions given are provisional, based upon audit testing undertaken to date. The opinions may be revised once substantive testing for the whole year has been undertaken.
5. Work is currently ongoing on the Phase 2 reviews which include substantive testing to cover the complete 2010/11 financial year.

Other Audit Work

6. In addition to the managed audit work, the following reviews have been completed to draft report stage since the last Audit Committee:

- Music Services
- Shared Service Arrangements (SLA.)

The outcome of these reviews will be reported once management actions have been finalised.

7. Work is progressing on the following reviews:

- Performance Management – Follow up of 2009/10 review
- Commissioning in Social Care, Health and Housing
- Commissioning in Children's' Services
- Local Management of Day Centres
- Section 106
- Declaration of Interests
- Contracts Management
- Contracts Register.
- Travel and Subsistence
- EEDA Economic Participation Programme
- Purchasing Cards

Several of these reviews are well progresses. The outcome of these reviews will be reported to a future Audit Committee.

8. Work has not yet started on the following reviews originally planned for 2010/11:

- Budgetary Control
- Sustainability
- Major Projects
- IT Change and Release Management.

Work on these areas will be undertaken during 2011/12.

9. Internal Audit had planned to undertake a review of the IFRS arrangements in place for the implementation of IFRS. However, in scoping the work it was determined that there were clear timetables and processes in place. Therefore a more detailed review was not undertaken. Work had also been planned on Local Area Agreements. It has been confirmed that there is no requirement for further audit work in this area.

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. The 2010/11 data matches are now available for review and work has commenced on analysing the results and also responding to queries from other authorities.

Fraud and Special Investigations

12. There are currently three investigations in progress, two of which are the result of whistle blowing. As soon as these have been concluded, any significant control weaknesses or fraudulent activity will be reported to the Committee.
13. The review of entitlements to Single Person's Council Tax Discount by the Revenues and Benefits Team is ongoing. The exercise has identified significant savings. The final outcomes of this review will be reported to a future Committee.

Schools

14. School audit visits have now been undertaken at 15 schools. 2 reports have been finalised and issued and a further 3 reports have been issued as drafts. The remaining reports are in the process of being drafted.
15. Work on the Financial Management Standard in Schools (FMSiS) assessments is ongoing. As at the end of February 102 schools had met the standard, and 22 reviews were in progress. 5 schools to date have decided not to be assessed.
16. Reports on the progress of the FMSiS work continue to be regularly taken to the Schools Forum.

Performance Management

17. The Internal Audit Charter requires Internal Audit to report its progress on some key performance indicators.
18. The indicators include both CBC audit activities and school audit activity.

19.. **Activities for 1 April 2010 – 28th February 2011**

KPI	Definition	How we performed		Our Period target		Our Annual target
		Current Period		Previous Period (to 31 st December)		
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	84%	73%	67%	58%	80%
KPI02	Percentage of the number of planned reviews completed.	57%	66%	51.4%	55%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	60%	80%	63%	80%	80%
KPI04	Time taken to respond 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.	43%	80%	33%	80%	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.	93.3%	100%	100%	80%	80%
KPI06	Overall customer satisfaction	85%	80%	85%	80%	80%

20. Analysis of indicators:

KPI01 – In the first nine months we have delivered a total of 1,309 productive audit days against a total of 1,560 planned days for the year, which exceeds the planned target, and is an improvement on the previous period.

KPI02 – This KPI measures final reports issued to date, 57% of the planned reviews have been completed to final report stage along with milestones reached for managed audit work. Work is in progress on the managed audits, school visits, FMSiS assessments and a number of other reviews within the plan. This is below target. Although a number of reviews have been prepared to draft report stage, work to agree actions and finalise the report is still ongoing.

KPI03 – 60% of planned reviews have been completed within the planned time budgets. This is below target but represents an improvement on last year. In a number of instances the planned audits have taken longer than expected. In some instances, the planned reviews have only just exceeded the budget. Action continues to be taken to monitor audit work closely in order to improve performance against this indicator.

KPI04 – This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. As at the end of February, only 43% of draft reports were responded to within the target set. However, this represents an improvement over the previous period and Internal Audit will continue to work with departments to encourage a prompt response.

KPI05 – This indicator shows that Internal Audit has continued to issue final reports promptly, once the final response agreeing the report has been received from the auditee.

KPI06 - Of the 40 questionnaires sent out, 29 have been returned to date, giving a response rate of 72.5%. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 85%.

Conclusion and Next Steps

21. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council, and good progress has been made to date in 2010/11.
22. Further work needs to be undertaken in order to improve the delivery of audits within the planned timescales and to encourage officers to respond to draft audit reports within the required timescales.
23. An update on audit progress will be presented to the next Audit Committee.

Appendices: Appendix A – Progress on Audit Activity (Exempt)

Background Papers:

Location of papers: Priory House, Chicksands, Bedfordshire