
Meeting: Audit Committee
Date: 23 January 2012
Subject: Internal Audit Progress Report
Report of: Chief Finance Officer
Summary: This report provides a progress update on the status of Internal Audit work for 2011/12.

Contact Officer: Kathy Riches, Head of Internal Audit and Risk
Public/Exempt: Public
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:

1. None directly from this report.

Legal:

2. None directly from this report.

Risk Management:

3. 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):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Community Safety:

6. None directly from this report.

Sustainability:

7. None directly from this report.

RECOMMENDATION:**That the Audit Committee:**

- a) notes the progress made to date, and
- b) approves the proposed revisions to the 2011/12 Plan.

Background

- 8. 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.
- 9. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
- 10. The Audit Committee approved the 2011/12 Audit Plan in April 2011. This report provides an update on progress made against the plan up to 31st December 2011.

Updated Internal Audit Plan

- 11. The September Audit Committee approved several revisions to the original audit plan. As a result of reduced staffing resources, due to the extended secondment of a member of the audit team to Finance, and the need to deliver in year budget savings, some further revisions to the plan have been made. The plan was reassessed, and, in consultation with directors, several reviews have either been taken out of the plan or deferred to next year. These reviews are shown in italics in Appendix A.

Progress on the 2011/12 Internal Audit Plan**Managed Audits**

- 12. Work is progressing on the 2011/12 Managed audit reviews and the progress made to date is summarised in Appendix A.
- 13. The primary focus of the work undertaken to date has been to document the systems in detail, identifying the key controls and undertaking walkthrough testing to confirm whether the key controls identified are operating effectively. Where appropriate, substantive testing has been undertaken covering the period April – October (Phase 1 testing) and further testing will be undertaken to cover the complete financial year (Phase 2 testing).

14. Recognising the need to communicate initial findings Phase 1 draft reports have been produced for a number of the reviews setting out draft recommendations and provisional audit opinions. In addition, the Phase 1 reviews for Council Tax and National Non Domestic rates (NNDR) have been finalised. The outcomes of these reports are also 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.
15. The Managed Audit work is ongoing and further progress will be reported verbally at the Audit Committee Meeting.

Other Audit Work

16. In addition to work on Managed Audits, the following work has been finalised since the last report to the Committee:
 - Children's Services – Commissioning (adequate)
 - Children's Services – Procurement of Services (limited)
 - Members Code of Conduct (full)
 - Declaration of Interests (limited)
 - Local Management of Day Centres - two reports on separate centres (both adequate)
 - Contracts Management – Amey Highways Contract (adequate)
 - Data Quality Management Follow Up (satisfactory progress)The assurance opinion given is indicated in brackets.

17. For each review, where areas of improvement have been identified, actions to address the issues have been agreed with management.
18. A number of other reviews are currently progressing, and these are also shown within Appendix A. Work will continue with these reviews in the final quarter, along with those reviews not yet started.

National Fraud Initiative (NFI)

19. Work on the latest data matching exercise is nearing completion. No savings in addition to those previously reported have been identified.

Fraud and Special Investigations

20. No investigations have been concluded since the last Committee. There is one investigation ongoing.

Schools

21. The rolling programme of school audit visits has continued. To date this year 9 school reports have been finalised and 5 reports have been issued as drafts. 4 further site visits have been undertaken with reports still to be prepared and 8 school visits are planned for the final quarter.

Performance Management

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

23. Activities for 1 April 2011 – 31 December 2011

KPI	Definition	Current Year		Previous Year		Annual target
		Actual	Target	Actual	Target	
		Current Period to 31 December 2011		April – December 2010		
		Actual	Target	Actual	Target	
KPI01	Percentage of total audit days completed.	70%	58%	67%	58%	80%
KPI02	Percentage of the number of planned reviews completed.	56%	55%	51.4%	55%	80%
KPI03	Percentage of audit reviews completed within the planned time budget.	66%	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.	54%	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.	100%	80%	100%	80%	80%
KPI06	Overall customer satisfaction.	82%	80%	85%	80%	80%

24. Analysis of indicators:

KPI01 – In the first 9 months we have delivered a total of 1,051 productive audit days against a total of 1,500 planned days for the year. The performance of previous years has been maintained.

KPI02 – This KPI measures final reports issued to date, 56% 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, and a number of other reviews within the plan. This is slightly above target and represents an improvement on last year. Although a number of reviews have been prepared to draft report stage, work to agree actions and finalise the report is still ongoing.

KPI03 – 66% of planned reviews have been completed within the planned time budgets. This is below target but represents an improvement on last year. 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 continue 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 December, 54% of draft reports were responded to within the target set. However, this represents a significant improvement over last year.

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 36 questionnaires sent out, 12 have been returned to date, giving a response rate of 33%. Overall, the feedback has been very positive. The analysis indicates an overall satisfaction rate of 82%.

Conclusion and Next Steps

25. 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 2011/12.
26. An update on audit progress will be presented to the next Audit Committee.

Appendices: Appendix A – 2011/12 Internal Audit Plan – Summary of Progress as at 31.12.11

Background Papers: None

Location of papers: N/A