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**Meeting:** Audit Committee  
**Date:** 23 September 2013  
**Subject:** Internal Audit Progress Report  
**Report of:** Charles Warboys, Chief Finance Officer  
**Summary:** This report provides a progress update on the status of Internal Audit work for 2013/14.

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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. However, sound systems assist in preventing loss of resources (by other wastage or fraud), thereby improving effectiveness and efficiency.

### **Legal:**

2. None directly from this report.

### **Risk Management:**

3. No risk management implications come directly from this report but 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.

### **Public Health**

6. None directly from this report.

**Community Safety:**

7. None directly from this report.

**Sustainability:**

8. None directly from this report.

**Procurement:**

9. None directly from this report.

**RECOMMENDATION:**

**The Committee is asked to consider and comment on the contents of the report.**

**Background**

10. 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.
11. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
12. The Audit Committee approved the 2013/14 Audit Plan in April 2013. This report provides an update on progress made against the plan up to the end of August 2013.

**Progress on the 2013/14 Internal Audit Plan**

13. The initial efforts in the first part of the year have been focused on finalising the audit reviews in progress at the end of 2012/13. The majority of these reviews are now either finalised or at draft report stage.

**Managed Audits**

14. The majority of the 2012/13 Managed Audit reviews have now been finalised. Some draft Phase 2 opinions were reported to the June Audit Committee. The final audit opinions are set out in Appendix A. The final reports for SAP Access and Security and IT Disaster Recovery have still to be issued and discussions are currently being held with managers to finalise these reviews.
15. Internal Audit is currently scoping and agreeing briefs for the 2013/14 managed audits and work has commenced on updating the systems documentation.

16. Discussions have been held with the external auditors to agree the approach to be adopted for the 2013/14 Managed Audit reviews. As in previous years the reviews will include systems documentation and walkthrough testing, and also follow up of previous recommendations made. The substantive testing this year will be undertaken in one phase.
17. Consideration has been given to new Government initiatives, such as the Council Tax Support Scheme and Localised Business Rates, when scoping these reviews to provide assurance that the controls surrounding the implementation of these initiatives are robust. Other internal system changes, such as the implementation of the SAP Optimisation Project, will also be considered.
18. The findings of completed Phase 1 reviews will be reported to the January Audit Committee.

### **Other Audit Work**

19. In addition to work on managed audits, work has been finalised on the following reviews:
  - SWIFT Financials – Adequate Assurance
  - Grants Register – Adequate Assurance
  - Officers Declaration of Interests Follow Up – Satisfactory Progress
  - Service Level Agreements Follow Up – Satisfactory Progress
20. Internal Audit has continued to be engaged in several projects, including SAP Optimisation, Routewise and the Local Welfare Provision Board in order to provide advice and guidance on the control environment during project implementation.
21. A number of other reviews are currently progressing, and these are also shown within Appendix A. A number of these reviews are substantially completed and the outcome will be reported to a future committee.

### **National Fraud Initiative (NFI)**

22. 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. The 2012-13 exercise has not identified any savings to date.

### **Fraud and Special Investigations**

23. No investigations have been concluded since the last Committee. There are two investigations ongoing.

### **Schools**

24. The rolling programme of school audit visits has continued. To date this year 4 school reports have been finalised, 4 draft reports have been issued and 4 visits have been completed with reports currently being written.

## **Public Sector Internal Audit Standards**

25. Work is in progress to update the Internal Audit Charter to reflect the requirements of the new Public Sector Internal Audit Standards. Once completed, this will be presented to the Committee for consideration.

## **Performance Management**

26. 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.

27. **Activities for 1 April 2013 – 30<sup>th</sup> August 2013**

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	36%	35%	22%	80%
KPI02	Percentage of the number of planned reviews completed.	23%	27%	23%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	80%	75%	56%	75%
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.	93%	80%	87%	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%	100%
KPI06	Overall customer satisfaction.	85%	80%	n/a	80%

28. Analysis of indicators:

KPI01 – As at the end of August Internal Audit has delivered a total of 454 productive audit days against a total of 1,260 planned days for the year. This is slightly above the target of 35%

KPI02 – This KPI measures final reports issued to date. 23% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. This is slightly below target, however, as Appendix A demonstrates, a number of reviews have been completed to draft report stage, which are not reflected within this figure.

KPI03 – 80% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is above the target agreed for the year.

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 August 93% of draft reports were responded to within the target set. This represents an improvement over last year, and demonstrates that a prompt response was received to the majority of the draft Phase 2 managed audit reports issued.

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 – A total of 15 surveys have been sent out. 5 responses have been received to date. The responses received have been positive.

### **Conclusion and Next Steps**

29. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council. Work is progressing to deliver the agreed plan by the year end.
30. An update on audit progress will be presented to the next Audit Committee.

### **Appendices:**

Appendix A – Progress on Audit Activity

### **Background Papers:**

None

### **Location of papers:**

N/A