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**Meeting:** Audit Committee  
**Date:** 13 January 2014  
**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:**

1. **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 November 2013.

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

13. Work is progressing on the 2013/14 managed audit reviews and the progress made to date is summarised at Appendix A.
14. The primary focus of the work undertaken 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. Substantive testing has also been undertaken, where appropriate.

15. Recognising the need to communicate initial findings, meetings have been held where possible where draft recommendations and provisional audit opinions have been discussed. The outcomes of these reviews are set out at Appendix A. It is important to recognise that the opinions given are provisional based upon audit testing undertaken to date, and verbal updates will be given to the Committee. During recent discussions with the external auditors it has been agreed that further substantive testing to cover the whole year will be required and the opinions may be revised once the substantive testing for the whole year has been undertaken.
16. The reviews have taken account of new Government initiatives, such as the Council Tax Support Scheme and Localised Business Rates and also internal system changes, designed to deliver service improvement, such as the SAP Optimisation Project and the move towards a paperless working environment.

### **Other Audit Work**

17. In addition to work on managed audits, work has been finalised on the following reviews:
  - Domiciliary Care Units – Adequate assurance
  - SAP Access and Security – Limited
  - Biggleswade Day Centre – Adequate
  - Leighton Buzzard Day Centre – Adequate
  - Ethical Governance – Members sitting on Outside Bodies – Adequate
  - Amey Fixed Cost Services – Adequate
  - IT Disaster Recovery - Limited

Work has also been finalised on the following consultancy reviews for which, due to the nature of the work, an audit opinion has not been given:

- Mileage Expenses – External workers
  - Review of Procurement Process for Sponsorship Contract
  - Direct Schools Grant (DSG) Outturn Statement Review
18. Internal Audit has continued to be engaged in several projects and new initiatives in order to provide advice and guidance on the control environment during implementation.
  19. 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)**

20. 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, however, exercises to identify matches of single person discount against the electoral roll and also to identify potential duplicate payments are in progress and the outcome of this work will be reported to a future committee.

## 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 9 school reports have been finalised, and 3 further draft reports have been prepared.

## 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> November 2013

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	62%	52%	70%	80%
KPI02	Percentage of the number of planned reviews completed.	47%	45%	48%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	70%	75%	60%	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.	81%	80%	84%	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.	86%	80%	95%	80%

28. Analysis of indicators:

KPI01 – As at the end of November Internal Audit has delivered a total of 777 productive audit days against a total of 1,260 planned days for the year. This is above the target of 52%

KPI02 – This KPI measures final reports issued to date. 47% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. This is consistent with the previous year.

KPI03 – 70% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is below the target agreed for the year, but does represent an improvement on the previous year.

KPI04 – This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. This is on target.

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 32 surveys have been sent out. 14 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 further 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