
Meeting: Audit Committee
Date: 31 March 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.

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 February 2014.

Progress on the 2013/14 Internal Audit Plan**Fundamental Systems Audits**

13. Work is progressing on the 2013/14 fundamental system audit reviews and the progress made to date is summarised in Appendix A. Final Phase 1 reports have been issued for the majority of the key systems. Work is in progress for Asset Management and SWIFT Financials.
14. 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).
15. As reported to the last Committee, following 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. This work is currently in progress and the outcome of this work will be reported to the June Committee.

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.
17. Each of the fundamental system reviews finalised has received an adequate audit opinion. The Payroll system has received an adequate opinion for the first time since the inception of the Council, having previously received limited opinions. The audit testing identified that improvements had been made in a number of areas, including the documentation of procedures, documentation to support payroll amendments and other control processes.

Other Audit Work

18. In addition to work on managed audits, work has been finalised on the following reviews:
 - Members' Declaration of Interests - Adequate
 - Data Quality – Adequate
 - Values for Money Review – Legal Spend. This was a consultancy review with no opinion given.
19. Work has concluded on the review of Council procedures relevant to the employment of contractors and consultants, as requested by the Committee. An overview of the work undertaken, along with findings and agreed actions will be presented to the Committee during the March meeting..
20. 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.
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 current 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. The outcome of these reviews will be analysed to identify whether any improvement in controls is required.

Fraud and Special Investigations

23. Three investigations have been concluded since the last Committee. The outcome of these reviews are summarised at Appendix B.

Schools

24. The rolling programme of school audit visits has continued. To date this year 12 school reports have been finalised and one further draft report has been prepared. Work is progressing on two further school audit reports.

Performance Management

25. 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.

26. Activities for 1 April 2013 – 28 February 2014

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	85%	73%	92%	80%
KPI02	Percentage of the number of planned reviews completed.	64%	66%	67%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	73%	75%	59%	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.	79%	80%	76%	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%	85%	80%
KPI06	Overall customer satisfaction.	86%	80%	93%	80%

27. Analysis of indicators:

KPI01 – As at the end of February Internal Audit has delivered a total of 1081 productive audit days against a total of 1,260 planned days for the year. This is above the target of 73%

KPI02 – This KPI measures final reports issued to date. 64% of the planned reviews have been completed to final report stage along with milestones reached for Fundamental Systems Audit work. This is slightly below target.

KPI03 – 73% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is slightly 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 just below target but shows an improvement compared to the previous 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 – 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

28. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council, both through audit assurance work and, increasingly, through advising on new controls at the design stage for new systems. Work is progressing on the delivery of the outstanding reviews, and the outcomes will be reported to the next Audit Committee.

Appendices:

Appendix A – Progress on Audit Activity

Appendix B – Special Investigations Completed

Background Papers:

None