

Central Bedfordshire Council

AUDIT COMMITTEE

12 January 2015

INTERNAL AUDIT PROGRESS REPORT

Advising Officers:

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Purpose of this report:

This report provides a progress update on the status of Internal Audit work for 2014/15.

RECOMMENDATION

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

Overview and Scrutiny Comments/Recommendations

1. This report is not scheduled to be considered by Overview and Scrutiny as the Audit Committee provides independent scrutiny of the Authority's financial performance.

Background

2. 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.
3. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
4. The Audit Committee approved the 2014/15 Audit Plan in March 2014. This report provides an update on progress made against the plan up to the end of November 2014.

Progress on the 2014/15 Audit Plan

5. The initial efforts in the first part of the year have been focused on finalising the audit reviews in progress at the end of 2013/14 and undertaking the fundamental systems reviews. A substantial number of these reviews are now either finalised or at draft report stage.

Fundamental System Audits

6. Work is progressing on the 2014/15 fundamental systems audit reviews and the progress made to date is summarised at Appendix A.
7. 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 discussions with the external auditors it has been agreed that some 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.
8. 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.

Other Audit Work

9. In addition to work on the fundamental systems, work has been finalised on the following reviews.
 - IT Governance Phase 2 – Limited assurance
 - Recruitment Controls – Adequate assurance
 - Data Quality – Customer Surveys Roads and Pavements – Adequate assurance
 - Data Quality – Invitations to Health Checks – Limited assurance
 - Section 278 Agreements – Limited assurance
10. Internal Audit has continued to be engaged in several projects, in order to provide advice and guidance on the control environment during project implementation, including the transfer arrangements for the management of the Council's residential care homes for older people.
11. A number of other reviews are currently progressing, and these are also shown within Appendix A. The outcomes will be reported to a future committee.
12. The 2014/15 Audit Plan had included a review on the Impact of Welfare Reform. This review has been removed from the plan following discussions with the Chief Finance Officer, as there are on going monitoring mechanisms in place

National Fraud Initiative (NFI)

13. 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.
14. Data sets were extracted in October 2014 and submitted via the secure web application. It is anticipated that the 2014/15 matches will be available for review from the end of January 2015.

Fraud and Special Investigations

15. Two investigations supported by Internal Audit have now been finalised. The details are summarised at Appendix B. A further investigation is in progress.

Schools

16. The rolling programme of school audit visits has continued. To date this year 4 school reports have been finalised, 1 draft report has been issued and 6 further visits have been completed with reports currently being finalised.

Performance Management

17. 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.

Activities for 1 April 2014 – 30th November 2014

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	61%	52%	62%	80%
KPI02	Percentage of the number of planned reviews completed.	46%	45%	48%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	85%	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.	50%	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.	94%	80%	100%	80%
KPI06	Overall customer satisfaction.	94%	80%	95%	80%

18. Analysis of indicators:

KPI01 – As at the end of November, Internal Audit has delivered a total of 773 productive audit days against a total of 1260 planned days for the year. This is above target for the period and consistent with the previous year.

KPI02 – This KPI measures final reports issued to date. 46% of the planned reviews have been completed to final report stage along with milestones reached for fundamental systems audit work. This is slightly above target and is consistent with the previous year.

KPI03 – 85% 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, and demonstrates a continued improvement.

KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During the period up to the end of November, 50% of draft reports were responded to within the target set. This is below target. Internal Audit has raised this issue with the director of relevant service areas to try to improve response times.

KPI05 - This indicator measures the time taken by Internal Audit to issue the final report upon receipt of an agreed response from the auditee, and continues to be positive.

KPI06 –20 surveys have been returned this year. The overall satisfaction is 94%, which is positive.

Council Priorities

19. 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.

Corporate Implications

Legal Implications

20. There are no legal implications.

Financial Implications

21. None directly from this report. However, sound systems assist in preventing loss of resources (by other wastage or fraud), thereby improving effectiveness and efficiency.

Equalities Implications

22. There are no equalities implications.

Conclusion and next Steps

23. 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.

24. An update on audit progress will be presented to the next Audit Committee.

Appendices

Appendix A – Progress on Audit Activity

Appendix B – Summary of Special Investigations finalised since last Committee

Background Papers

None