

Central Bedfordshire Council

Audit Committee

30 March 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.

RECOMMENDATIONS

The Committee is asked to:

1. 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 it is the responsibility of the Audit Committee.

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 February 2015.

Progress on the 2014/15 Audit Plan

Fundamental System Audits

5. Work is progressing on the 2014/15 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.
6. 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). Each of the fundamental system reviews finalised has received an adequate audit opinion.
7. 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. 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 change in provider for agency staff and the Highways contract retender.
10. 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.
11. Following discussions with HR colleagues, the review of timesheets processed through Employee Self Service (ESS) will be postponed until 2015/16. Although the work has been scoped, the service area has requested the review be deferred, due to their resourcing issues.

National Fraud Initiative (NFI)

12. 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.
13. The 2014/15 matches were made available for review at the end of January 2015 and work is in progress to review and investigate the

matches. To date, savings of £12,194.15 have been identified and recovered relating to a duplicate payment.

Fraud and Special Investigations

14. No investigations supported by Internal Audit have been finalised since the last Committee. One investigation is in progress.

Schools

15. The rolling programme of school audit visits has continued. To date this year 9 school reports have been finalised, 1 draft report has been issued and 4 further visits have been completed with reports currently being finalised.

Performance Management

16. 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 – 28 February 2015

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	83%	73%	85%	80%
KPI02	Percentage of the number of planned reviews completed.	65%	66%	64%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	81%	75%	73%	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.	63%	80%	79%	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.	96%	80%	100%	80%
KPI06	Overall customer satisfaction.	91%	80%	86%	80%

17. Analysis of indicators:

- KPI01 - As at the end of February, Internal Audit has delivered a total of 1040 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. 65% of the planned reviews have been completed to final report stage along with milestones reached for fundamental systems audit work. This is consistent with the previous year. In addition, a number of reviews have been completed to draft report stage.
- KPI03 - 81% 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. During the period up to the end of February 63 % of draft reports were responded to within the target set. Although this is below target, it does represent an improvement on the position reported as at the end of November, which was 50%. As reported to the January Committee, 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 - 23 surveys have been returned this year. The overall satisfaction is 91%, which is positive.

Council Priorities

18. 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

19. None directly from this report.

Financial Implications

20. 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

21. None directly from this report.

Conclusion and next Steps

22. 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.

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

Appendices

Appendix A – Progress on Audit Activity

Background Papers

None