

Central Bedfordshire Council

AUDIT COMMITTEE

28 September 2015

INTERNAL AUDIT PROGRESS REPORT

Report of Charles Warboys, Chief Finance Officer
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Purpose of this report:

This report provides a progress update on the status of Internal Audit work for 2015/16.

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 2015/16 Audit Plan in March 2015. This report provides an update on progress made against the plan up to the end of August 2015.

Progress on the 2015/16 Audit Plan

Fundamental System Audits

5. All the 2014/15 fundamental system Phase 2 reviews have now been finalised, with the exception of Asset Management. No revisions have been required to the Phase 1 opinions as a result of the work undertaken. The audit opinions for the Phase 2 work are set out in Appendix A. The final reports for Asset Management 2014/15 Phase 1 and SWIFT Financials have also been issued, and both were given an opinion of adequate.
6. The majority of the 2015/16 fundamental system audit reviews have now been scoped and agreed and work has commenced on updating the systems documentation.
7. Discussions have been held with the external auditors to agree the approach to be adopted for the 2015/16 fundamental system reviews. If there has not been any significant change in the system over the previous year, a light touch approach will be adopted. This will include comprehensive walkthrough testing of all key controls, documented evaluation of whether the walkthrough has confirmed the system and whether the control environment has materially altered. Substantive testing will also be undertaken on the key controls relied upon by the external auditors. A follow up of previous recommendations made will also be carried out. Where significant changes in the system have occurred a full audit will be undertaken. This will also include substantive testing of all key controls within the system.
8. Consideration has been given to internal system changes when scoping these reviews to provide assurance that the controls surrounding the implementation of revised processes are robust. Consideration has also been given to whether there have been any Government initiatives that would impact on controls and processes. No significant issues have been identified, to date.
9. The findings of completed Phase 1 reviews will be reported to the January Audit Committee.

Other Audit Work

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.
11. In addition to the fundamental audit reviews the following audits have been finalised since the last Committee:
 - Integrated Asset Management System – Adequate opinion
 - Public Health Compliance with Best Practice – Obesity Management – Adequate opinion

- Housing Tenancy Management – Adequate opinion
12. 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 meeting.

National Fraud Initiative (NFI)

13. We continue to complete work around the National Fraud Initiative (NFI). The overall responsibility for this exercise has now passed from the Audit Commission to the Cabinet Office. Data sets are supplied when requested and matches investigated as required.
14. One of the data matches considers the entitlement to Single Person's Council Tax Discount. This has been the subject of a detailed review outside the scope of the NFI data matching. As a result of the review, over 1,000 Single Person's Discounts have been removed and it is estimated that this will result in an extra £270k in Council tax receipts.

Fraud and Special Investigations

15. One investigation undertaken by Internal Audit has been finalised since the last Committee. This is 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 9 school reports have been finalised. This includes 4 site visits undertaken at the end of 2014/15 and 5 visits undertaken to date during 2015/16.

Public Sector Internal Audit Standards Update

17. As has been previously reported to the Committee, the Public Sector Internal Audit Standards (PSIAS) require an external assessment of the internal audit service to be undertaken at least once every 5 years. Arrangements are currently being made for this. It is anticipated that the review will be undertaken in January 2016 and the outcome will be reported to a future Committee meeting.

Performance Management

18. 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 2015 – 31st August 2015

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	33%	35%	35%	80%
KPI02	Percentage of the number of planned reviews completed.	25%	27%	23%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	69%	75%	80%	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.	69%	80%	58%	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%	80%
KPI06	Overall customer satisfaction.	n/a	80%	80%	80%

19. Analysis of indicators:

- KPI01 - As at the end of August, Internal Audit has delivered a total of 416 productive audit days against a total of 1260 planned days for the year. This is slightly below target for the period. This reflects that there is currently a vacancy within Internal Audit.
- KPI02 - This KPI measures final reports issued to date. 25% 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 - 69% 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 and is partly as a result of a conscious effort to expand the experience of auditors and allocate to them audits they have not undertaken before. The time taken has in some cases gone over budget as an element of training has also been included.
- 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 August 69 % 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 March 2015, which was 64%.
- 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 – Due to staff vacancies no staff satisfaction surveys have been sent out to date this year. This exercise will commence shortly and the feedback will be presented to the next Committee.

Council Priorities

20. 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

21. None directly from this report.

Financial Implications

22. 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

23. None directly from this report.

Conclusion and next Steps

24. 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.

25. A further update on audit progress will be presented to the next Audit Committee.

Appendices

Appendix A – Progress on Audit Activity

Appendix B – Special Investigations Completed

Background Papers

None