

Central Bedfordshire Council

Audit Committee

11 January 2016

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 November 2015.

Progress on the 2015/16 Audit Plan

Fundamental System Audits

5. Work is progressing on the 2015/16 fundamental systems audit reviews and the progress made to date is summarised at Appendix A. There has not been any fundamental system change in any of the reviews finalised to date, and, therefore, a light touch approach has been adopted as detailed in the report to the September Audit Committee. This has included comprehensive walkthrough testing of all key controls, documented evaluation of whether the walkthrough has confirmed the system and confirmation that the control environment has not materially altered. Substantive testing has also been undertaken on the key controls relied upon by the external auditors. A follow up of previous recommendations made has also been carried out. The audit opinions are set out in Appendix A. 7 of the reviews have received an opinion of Adequate Assurance and 2 reviews have received an opinion of Full Assurance. The Asset Management 2015/16 and SWIFT Financials audits have still to be started. This work is usually undertaken later in the year. The opinions given are based upon limited sample testing in view of the light touch approach adopted.
6. The work undertaken covers the period April – October. The opinions given are based upon audit testing undertaken to date. During discussions with the external auditors it has been agreed that some further substantive testing to cover the whole year may be required and the opinions may be revised once the substantive testing for the whole year has been undertaken.

Other Audit Work

7. Internal Audit has continued to be engaged in several projects, in order to provide advice and guidance on the control environment during project implementation. It has been agreed that the time allocated within the Audit Plan for the Broadband review will be used to participate in the End of Project Review scheduled for March/April 2016.
8. In addition to the fundamental audit reviews the following audits have been finalised since the last Committee:
 - Care Homes – Accredited Scheme for Dementia (Dementia Quality Mark) – Adequate Assurance opinion
 - NNDR1 and 3 Return – Processes for Assurance on Compilation – Adequate Assurance opinion.
9. 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.

10. Internal audit has also been involved in the certification of certain grant claims, including Broadband, Troubled Families and the Flood Resilience Grant (Repair and Renew 2013/14).
11. Included within the plan is a review of the mechanisms for the alignment of S106 and the Community Infrastructure Levy (CIL). Due to the delays in adopting the CIL, it has been agreed that the focus this year will be on following up the recommendations made in the last audit of S106 and the review of the alignment of the two processes will be deferred until the new levy has been introduced.
12. A follow up audit of the Housing Repairs system is also in the plan. The timing of this review is subject to progress made in implementing the SAP/QL interface. This is considered in more detail in the Tracking of High Priority Recommendations report. It is likely that this audit review will slip into 2016/17.

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. A Fair Processing Compliance declaration has recently been submitted.

Fraud and Special Investigations

14. One investigation undertaken by Internal Audit has been finalised since the last Committee. This is summarised at Appendix B.

Schools

15. 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. A further site visit has been undertaken and the report is currently being drafted.

Other Matters of Interest

16. 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. The review will be undertaken in January 2016 by CIPFA and the outcome will be reported to a future Committee meeting.
17. A number of members of the Audit Committee recently attended a training session designed to provide an overview of the framework for the provision of Internal Audit. The training included the purpose of Internal Audit, an overview of the principles that underpin the work (PSIAS), the

framework in place, the processes for producing and monitoring the Audit Plan, an overview of risk management processes and also an update on issues that may be of interest to the Committee.

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 – 30th November 2015

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	50%	52%	61%	80%
KPI02	Percentage of the number of planned reviews completed.	46%	45%	46%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	84%	75%	85%	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.	68%	80%	50%	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%	100%	94%	80%
KPI06	Overall customer satisfaction.	92%	80%	94%	80%

19. Analysis of indicators:

- KPI01 - As at the end of November, Internal Audit has delivered a total of 625 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 was a vacancy within Internal Audit for the period April – end October 2015.
- KPI02 - This KPI measures final reports issued to date. At the end of November, 46% of the planned reviews had 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 - 84% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is consistent with the previous year and above target.
- 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 68 % 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 2014, which was 50%.
- 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 – 28 staff surveys have been sent out this year and 17 have been returned. The overall satisfaction score is 92%, which remains very positive.

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