

## Central Bedfordshire Council

**AUDIT COMMITTEE**

4 April 2016

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### **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 February 2016.

## **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. 8 of the reviews have received an opinion of Adequate Assurance and 2 reviews have received an opinion of Full Assurance. Work has commenced on the Asset Management 2015/16 and SWIFT Financials audits. 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.
8. In addition to the fundamental audit reviews the following audits have been finalised since the last Committee:
  - Adherence to Procurement Procedures – Financial Procedures – Adequate assurance
  - Residential Care Homes - Review opening balances on clients' funds – Limited assurance
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. Work is currently in progress on the Section 256 grant claim.

11. The following audits, originally in the 2015/16 Audit Plan, have been deferred to either 2016/17 or 2017/18.
- School Transport
  - Compliance- Assets
  - Care Fund/Better Care Fund Integration
  - Review of Leisure Services outcomes
  - Housing Repairs Follow Up
12. These audits have been postponed after consultation with senior managers. The School Transport and Compliance – Assets audits have been deferred, pending the outcome of reviews within the service areas. The Care Fund/Better Care Fund Integration review has been deferred due to national changes in timeframes. The review of Leisure Services outcomes audit has been scoped but it was considered that the audit should be undertaken mid 2016/17 as by this time it should be possible to assess whether the intended outcomes are being delivered. As has previously been reported to the Committee, a follow up audit of the Housing Repairs system is also planned. 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. This audit review will be undertaken in 2016/17.

### **Schools**

13. The rolling programme of school audit visits has continued. To date this year 10 school reports have been finalised. This includes 4 site visits undertaken at the end of 2014/15 and 6 visits undertaken to date during 2015/16. A further site visit has been undertaken and the draft report has been issued to the school.

### **External Assessment of Internal Audit against the Public Sector Internal Audit Standards**

14. 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 was undertaken in January 2016 by CIPFA. The outcome was positive and the final report from CIPFA is included as a separate item on the agenda. All the recommendations made have been implemented to ensure that Internal Audit is fully compliant with the standards.

### **Performance Management**

15. 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 – 29<sup>th</sup> February 2016

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	76%	73%	83%	80%
KPI02	Percentage of the number of planned reviews completed.	62%	66%	65%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	76%	75%	81%	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.	77%	80%	63%	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%	96%	80%
KPI06	Overall customer satisfaction.	92%	80%	91%	80%

## 16. Analysis of indicators:

- KPI01 - As at the end of February, Internal Audit has delivered a total of 958 productive audit days against a total of 1260 planned days for the year. This is slightly above target for the period, but is lower than for the same period last year. 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 February, 62% of the planned reviews had been completed to final report stage along with milestones reached for fundamental systems audit work. This is slightly below target, but also reflects the vacancy earlier in the year. However, this KPI does not reflect work in progress.
- KPI03 - 76% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is slightly 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 February 77 % of draft reports were responded to within the target set. Although this is below target, it does represent a significant improvement on the position reported as at the end of February 2015, which was 63%.
- 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 18 have been returned. The overall satisfaction score is 92%, which remains very positive.

## **Council Priorities**

17. 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**

18. None directly from this report.

### **Financial Implications**

19. 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**

20. None directly from this report.

### **Conclusion and next Steps**

21. 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.

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

### **Appendices**

Appendix A – Progress on Audit Activity

### **Background Papers**

None.