

## Central Bedfordshire Council

AUDIT COMMITTEE

9 January 2017

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### Internal Audit Progress Report

Report of Charles Warboys, Director of Resources  
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#### **Purpose of this report:**

This report provides a progress update on the status of Internal Audit work for 2016/17.

#### **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 2016-19 (3 year) Internal Audit Plan in April 2016. This report provides an update on progress made against the plan up to the end of November 2016.

## **Progress on the 2016/17 Audit Plan**

### **Fundamental System Audits**

5. At the time of the last Committee meeting all the fundamental reviews relating to 2015/16 had been finalised, except for SWIFT Financials. This review is now complete and received a Limited Assurance opinion.
6. Work is progressing on the 2016/17 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 undertaken 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. 2 final reports have been issued, 6 draft reports have been issued and 1 report is in the process of being drafted. The Treasury Management and Council Tax systems both received a Full assurance opinion during 2015/16 and they have again received the same opinion this year. Adequate opinions have been given to the other fundamental reviews completed to report stage. No issues of particular concern have been identified. The opinions given are based upon limited sample testing in view of the light touch approach adopted.
7. 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.
8. The Asset Management 2016/17 and SWIFT Financials audits have still to be started. This work is usually undertaken later in the year.

### **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. These include the Success Factors project which relates to core HR and recruitment processes. Work has also been undertaken on grant certification work.
10. In addition to the fundamental audit reviews the following audits have been finalised since the last Committee:
  - Children's Centres - Adequate Assurance Opinion

- Section 278 Follow Up Audit – Satisfactory Progress
- Supporting Families – Data Quality – Limited Assurance Opinion
- Assets Compliance – Limited Assurance Opinion

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 meeting.

### **Schools**

12. The rolling programme of school audit visits has continued. To date this year 5 school reports have been finalised.

### **Investigations**

13. A whistle blowing investigation has just been concluded. The concerns raised related to the non banking of cash collected and recorded, and the alteration of accounting records. Over £1600 was identified as not banked. The officer concerned was dismissed.

### **Other Matters of Interest – External auditor Appointment**

14. The Public Sector Audit Appointments Ltd (PSAA) has issued formal invitations to Council to opt in to the sector led arrangement for external auditor appointments. The Director of Resources formally accepted the invitation to opt in during November 2016.

### **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 2016 –30<sup>th</sup> November 2016

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	58%	52%	50%	80%
KPI02	Percentage of the number of planned reviews completed.	47%	45%	46%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	74%	75%	84%	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.	76%	80%	68%	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.	92%	80%	100%	80%
KPI06	Overall customer satisfaction.	88%	80%	92%	80%

## 16. Analysis of indicators:

KPI01 - As at the end of November, Internal Audit has delivered a total of 737 productive audit days against a total of 1260 planned days for the year. This is above target.

KPI02 - This KPI measures final reports issued to date. 47% of the planned reviews have been completed to final report stage along with milestones reached for fundamental systems audit work. In addition, a number of reviews have been completed to draft report stage.

KPI03 - 74% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is just below the target agreed for the year. Some reviews have taken longer than originally planned because the audits identified issues that took some time to resolve.

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 76 % of draft reports were responded to within the target set. Although slightly below target, this represents an improvement in response times compared to the same period last year.

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 satisfaction surveys have been sent out and 15 of these have been returned. The overall customer satisfaction is 88%.

## **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