

## Central Bedfordshire Council

AUDIT COMMITTEE

3 April 2017

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### Internal Audit Progress Report

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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 February 2017.

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

#### **Fundamental System Audits**

5. At the time of the last audit, a number of the fundamental reviews had been completed to draft report stage and provisional audit opinions had

been issued. The current position is set out in Appendix A. 9 final reports have now been issued. The Treasury Management, Council Tax, NDR and Housing Rents systems have each received a Full Assurance Opinion. Adequate opinions have been given to the Accounts Receivable, Housing Benefits, Main Accounting, Cash and Banking and Payroll systems. 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. Although the Accounts Payable report has still to be finalised, the provisional opinion is adequate.

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.
7. The Asset Management 2016/17 and SWIFT Financials audits have still to be finalised.

### **Other Audit Work**

8. 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. In addition, Internal Audit has supported Public Health in developing their approach to undertaking a review of work to reduce the impact of harm to children and families caused by drugs and alcohol.
9. In addition to the fundamental audit reviews the following audits have been finalised since the last Committee:
  - Information Governance - assessment against Information Governance Toolkit (briefing note produced)
  - Proactive Anti Fraud – timesheets (briefing note produced)
  - Proactive Anti Fraud – Expenses (briefing note produced)
  - Safer Recruitment – Adequate assurance
  - Housing repairs follow up – Satisfactory progress
10. The work undertaken with regard to timesheets and expense claims will be used to help inform the future development of SAP.
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.
12. The planned review of Section 106 agreements has been deferred, pending the outcome of an external review, which is currently in progress.

## **Schools**

13. The rolling programme of school audit visits has continued. To date this year 5 school reports have been finalised. Two further reports are in preparation.

## **Investigations**

14. No investigations have been concluded since the last Committee. One review is in progress.

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

15. The Council has been advised that from 1st April 2018 Public Sector Audit Appointments (PSAA Ltd) will no longer oversee or appoint auditors for Housing Benefit (HB) Certification work. From the aforementioned date, the DWP will assume responsibility for issuing guidance and providing support for this assurance process. However, the DWP will not appoint auditors on behalf of Local Authorities. The Sector-Led Body arrangement with PSAA Ltd for the appointment of auditors for final accounts, will not include the assurance of HB, this must be procured separately. The deadline for this appointment will be the 1st March 2018 for the 2018/19 subsidy year.
16. The DWP is due to publish the full HB assurance guidance including engagement instructions and detailed testing instructions on gov.uk shortly.
17. It is understood that the quantum of work will remain unchanged and the current procedures for testing will remain the same.

## **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 2016 –28<sup>th</sup> February 2017

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	81%	73%	76%	80%
KPI02	Percentage of the number of planned reviews completed.	60%	66%	62%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	74%	75%	76%	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.	79%	80%	77%	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.	94%	80%	100%	80%
KPI06	Overall customer satisfaction.	88%	80%	92%	80%

## 19. Analysis of indicators:

- KPI01 - As at the end of February, Internal Audit has delivered a total of 1023 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. 60% 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 February 79 % of draft reports were responded to within the target set.
- 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**

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

### **Background Papers**

None.