

**Central Bedfordshire Council**

**AUDIT COMMITTEE**

**27 September 2017**

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**Internal Audit Progress Report**

Report of Charles Warboys, Chief Finance Officer

Contact Officer: Clint Horne, Head of Internal Audit and Risk

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**Purpose of this report:**

This report provides a progress update on the status of Internal Audit work for 2017/18.

**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 2017-19 Internal Audit Plan in April 2017. This report provides an update on progress made against the plan up to the end of August 2017.

## **Progress on the 2017/18 Audit Plan**

### **Fundamental System Audits**

5. In the last progress update there were three Fundamental Financial system audits that were in progress. All three are now finalised; Accounts Payable and Asset Management were both Adequate opinions and Swift Financials continued as Limited.
6. Scoping has commenced on the majority of the 2017/18 Fundamental Financial system audit reviews. Consideration is being given to internal system changes when scoping these reviews to provide assurance that the controls surrounding the implementation of any revised processes are robust. Consideration will also be given to whether there have been any Government initiatives that would impact on controls and processes. No significant issues have been identified to date.
7. A light touch approach has been in place for these reviews for several years; more detailed substantive testing will now be undertaken on a prioritised risk basis. A follow up of previous recommendations made will also be carried out.
8. The findings of completed Phase 1 reviews will be reported to the January Audit Committee.

### **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 which has included the SuccessFactors Project and the Fiori Project (both part of the SAP Optimisation Programme) and shortly with the Accolaid replacement Project. Work has also been undertaken on grant certification work.
10. In addition to the fundamental financial system audit reviews the following audits have been completed since the last update:
  - VAT (Final report – Adequate)
  - Financial Assessment & Charging for Residential Care (Final report – Adequate)
  - Data Centre Contracts Management (Briefing Note)
  - Proactive anti fraud review of Employee Self Service (Expense claims and Timesheets) (Briefing Note)
  - Maulden Lower School (Final report – Limited)
  - Members, Declarations of Interest, Gifts & Hospitality (Draft report – Adequate)
  - Watling Lower School (Draft report – Limited)
  - Comensura (Draft report – Adequate)

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 1 school report has been finalised and a further report has been issued as a draft. An investment of time has been made to update our audit approach to schools to allow us to concentrate on key risks using more desktop review approach and targeted site visit. The aim is to reduce the time taken per school review overall and specifically on site; this new approach will be piloted later this term.

### **Other Matters of Interest**

13. The Committee has previously been advised of the arrangements for appointing external auditors through Public Sector Audit Appointments (PSAA) Ltd. Contracts have been awarded for the various lots available and arrangements are now being finalised for matching lot winners to Local Authorities. The Director of Resources has recently been asked whether the Authority would have any issues were Ernst & Young to be appointed to our contract and has replied in the negative
14. Internal Audit continues to have a vacancy (since April 2017) in the Audit Manager role. Internal attempts at recruitment have proved unsuccessful and further options are now being considered. A Senior Auditor has also now resigned due to personal circumstances and an internal candidate has been appointed in their place and is due to start in October.

### **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 2017 – 31<sup>st</sup> August 2017

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	28%	35%	35%	80%
KPI02	Percentage of the number of planned reviews completed.	11%	27%	21%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	83%	75%	63%	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.	100%	80%	94%	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.	100%	80%	n/a	80%

## 16. Analysis of indicators:

As previously reported to the Audit Committee Internal Audit has had several resourcing / staffing issues over the last year and this is reflected in the performance reported for this quarter.

A review is currently underway to reprioritise outstanding work and explore the use of additional temporary resource to support delivery of high priority areas of the audit plan. It is hoped that the Audit Manager vacancy will also be filled before the year end.

- KPI01 - As at the end of August, Internal Audit has delivered a total of 349 productive audit days against a total of 1260 planned days for the year.
- KPI02 - This KPI measures final reports issued to date. 11% of the planned reviews have been completed to final report stage. In addition, a number of reviews have been completed to draft report stage and nearly all of the Fundamental Financial audits are now in progress.
- KPI03 - 83% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. Whilst this is positive it is more reflective of the low volumes at this stage of the year.
- 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 100% 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 – 7 responses have been received for customer satisfaction surveys so far this year and all have been either satisfied or very satisfied.

## **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.