

Central Bedfordshire Council

AUDIT COMMITTEE

08 January 2018

Internal Audit Progress Report

Report of Charles Warboys, Director of Resources

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

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 November 2017.

Progress on the 2017/18 Audit Plan

Fundamental System Audits

5. Three of the Fundamental System audits are at Draft report stage; Accounts Receivable, Main Accounting System and Housing Benefits and all obtained Adequate Assurance opinions.
6. Apart from Swift Financials all the other Fundamental Systems audits are in progress and nearing completion and no significant issues have been identified to date. Swift Financials will commence shortly.
7. As previously reported a light touch approach has been in place for these reviews for several years; so more detailed substantive testing has been undertaken for each audit on a prioritised risk basis. Any recommendations made in previous years have also been followed up.

Other Audit Work

8. Internal Audit continues 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 Acolaid replacement Project. Work has also been undertaken on grant certification work.
9. In addition to the Fundamental System audit reviews the following audits have been completed since the last update:
 - Members Declarations of Interest, Gifts & Hospitality (Final report – Adequate)
 - IT inventories (Final report – Adequate)
 - Leisure Services Outcomes – Post implementation review (Final Report – Adequate)
 - Pro-active Fraud review - Cash Disbursements (Final Report – Adequate)
10. A number of other reviews are currently progressing, which are shown within Appendix A. The outcomes will be reported to a future committee meeting.

Schools

11. No further school audits have been undertaken since the last update, however initial preparations have been made for 7 audits to be undertaken in the next quarter piloting our new approach.

Other Matters of Interest

12. In terms of Internal Audit resource, we have had a new Senior Auditor join us in October who although being new to the profession has settled well. Additionally the external round of recruitment for the vacant Audit Manager position has proved successful with an appointment being made and once the pre-employment checks are complete we can then agree a start date.
13. We are currently in the early stages of looking to bring in some specialist external expertise to support our ICT audit work with some specific reviews. This will include an ICT universe scoping exercise resulting in a 2-3 year prioritised ICT audit plan along with audits of Cyber Security and IT Disaster Recovery.
14. Following on from the last update, Ernst and Young have now been confirmed as our External Auditor from 18/19.

Performance Management

15. The remaining audit plan has been re-prioritised in light of our remaining capacity and relevant business/risk factors with a number of planned audits either being cancelled or deferred to the 2018/19 year (as shown on Appendix A).
16. 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 – 31st November 2017

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	50%	53%	58%	80%
KPI02	Percentage of the number of planned reviews completed.	40%	47%	47%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	88%	75%	74%	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.	61%	80%	76%	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%	92%	80%
KPI06	Overall customer satisfaction.	95%	80%	88	80%

17. Analysis of indicators:

- KPI01 - As at the end of November, Internal Audit has delivered a total of 645 productive audit days against a total of 1260 planned days for the year.
- KPI02 - This KPI measures planned work completed and currently 40% of the plan is complete. A further four reviews have been completed to draft report stage.
- KPI03 - 88% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. Whilst this is higher than the target it does only reflect the completed work and we recognise that this figure is likely to reduce by the end of the year as current work in progress is finalised.
- 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 61% 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 at 94%.
- KPI06 – 10 responses have been received for customer satisfaction surveys so far this year and all have been either satisfied or very satisfied.

Council Priorities

18. 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

19. None directly from this report.

Financial Implications

20. 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

21. None directly from this report.

Conclusion and next Steps

22. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council. Work is progressing to deliver the revised plan by the year end.

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

Appendices

24. Appendix A – Progress on Audit Activity

Background Papers

25. None.