

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 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 February 2018.

Progress on the 2017/18 Audit Plan

Fundamental System Audits

5. Seven of the Fundamental System audits are at Final report stage; all obtained Adequate Assurance opinions.

Audit	Opinion
Cash and Banking	Adequate
Accounts Receivable	Adequate
Council Tax	Adequate
Housing Benefit	Adequate
Main Accounting System	Adequate
NDR	Adequate
Housing Rents	Adequate

6. The remaining three Fundamental System audits (Swift Financials, Payroll, Accounts Payable) are in progress and nearing completion. No new significant issues have been identified so far.
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:
- LGSS Law (Corporate / Partnership Governance) - Adequate
 - Comensura (Agency Staffing) - Adequate
 - Budgetary Control – Adequate (Draft Report)
 - Accounts Payable – Adequate (Draft Report)
 - Internal Audit Self Assessment review against PSIAS - Compliant
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. There are 5 school audits currently in progress. Initial impressions on the new approach being piloted are positive and there is a lessons learned exercise planned for the staff involved in April to identify good practice and push for further improvement to the process.

Other Matters of Interest

12. Our long term vacant Audit Manager position has now been filled and their induction programme is progressing as hoped.
13. Specialist external expertise has been commissioned to support our ICT audit work with two specific reviews. The first is an ICT universe scoping exercise which will provide a 2-3 year prioritised ICT audit plan, the second is an audit of our Cyber Security arrangements, both pieces of work are currently in progress.

Performance Management

14. The status of the current audit plan is shown on Appendix A.
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 – 28th February 2018

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	68%	73%	81%	80%
KPI02	Percentage of the number of planned reviews completed.	63%	71%	60%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	76%	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.	69%	80%	79%	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.	93%	80%	94%	80%
KPI06	Overall customer satisfaction.	91%	80%	88%	80%

16. Analysis of indicators:

- KPI01 - As at the end of November, Internal Audit has delivered a total of 863 productive audit days against a total of 1260 planned days for the year.
- KPI02 - This KPI measures planned work completed and currently 63% of the revised plan is complete.
- KPI03 - 76% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance.
- 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 69% 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 93%.
- KPI06 – 15 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 revised plan by the year end.
22. A further update on audit progress will be presented to the next Audit Committee.

Appendices

23. Appendix A – Progress on Audit Activity

Background Papers

24. None.