

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 2018/19.

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 2018-19 Internal Audit Plan in April 2018. This report provides an update on progress made against the plan up to the end of 26th October 2018.

Progress on the 2018/19 Audit Plan

Fundamental System Audits

5. The approach taken last year on the Fundamental audits is largely continued this year with detailed substantive testing undertaken on a prioritised risk basis. Any recommendations made in previous years will also be followed up. Three reviews are solely walk through testing on the material workflows to verify key controls as previously documented. Most of these are now in progress and nearing completion.

Other Audit Work

6. Internal Audit continues to be engaged in key projects and will have an ongoing advisory role in the SAP S4 Hana work that is working towards implementation for the next financial year. Work also continues to be undertaken on grant certification.
7. In addition to the Fundamental System audit reviews the following audits have been completed since the last update:
 - School Transport (Final Report – Limited Assurance)
 - School Build Commissioning (Final Report – Adequate Assurance)
 - SAP Access and Security (Final Report – Adequate Assurance)
 - Beaudesert Lower School (Final Report – Adequate Assurance)
 - Ethics – Declarations of Interests, Gifts & Hospitality (Final Report – Adequate Assurance)
 - Joint Procurement Arrangements (Final Report – Adequate)
 - ICT Customer Service – Problem Resolution (Draft Report – Adequate)
8. 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

9. Arrangements have been made for 13 Lower Schools to be reviewed before the end of the financial year.

Performance Management

10. The status of the current audit plan is shown on Appendix A.

11. 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 2018 – 26th October 2018

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	46%	45%	76%	80%
KPI02	Percentage of the number of planned reviews completed.	35%	45%	72%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	68%	75%	79%	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.	59%	80%	71%	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.	82%	80%	93%	80%
KPI06	Overall customer satisfaction.	86%	80%	91%	80%

12. Analysis of indicators:

- KPI01 - As at the 26th October, Internal Audit has delivered a total of 578 productive audit days, which is 46% of the total 1260 planned days for the year.
- KPI02 - This KPI measures planned work completed and currently 35% of the plan is complete, which includes from the finalisation of work in progress at the start of the year.
- KPI03 - 68% 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. So far this year 59% of draft reports were responded to within the target set.
- KPI05 - This indicator measures the percentage of final reports issued by Internal Audit within ten working days of receipt of agreed response from the auditee, currently 82%.
- KPI06 – A 'satisfactory' response to all questions would provide an average score of 75%.
17 responses have been received for customer satisfaction surveys over the last 12 months and all have been either satisfied or very satisfied with an average score of 86%.

Council Priorities

13. 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

14. None directly from this report.

Financial Implications

15. 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

16. None directly from this report.

Conclusion and next Steps

17. 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.

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

Appendices

19. Appendix A – Progress on Audit Activity

Background Papers

20. None.