

Central Bedfordshire Council

AUDIT COMMITTEE

11th March 2019

Internal Audit Progress Report

Responsible Director(s): Charles Warboys, Director of Resources
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Purpose of this report

1. 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.

Issues

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 January 2019.

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 are also being 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 complete and the remainder are 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. The following audits have been completed since the last update:
 - Houghton Regis Lower School (Final Report – Limited Assurance)
 - Accounts Payable (Final Report – Adequate Assurance)
 - Accounts Receivable (Final Report – Adequate Assurance)
 - Main Accounting System (Final Report – Adequate Assurance)
 - Housing Benefits Key control walkthrough (Briefing Note only – no opinion)
 - NDR (Final Report – Adequate)
 - Housing Rents (Final Report – Substantial)
 - Capital Programme (Final Report – Adequate)
 - Houghton Conquest Lower School (Final Report – Substantial)
 - Corporate Parenting (Final Report – Adequate)
 - School Themed Review – School Financial Regulations (Briefing note – Adequate)
 - Homelessness (Final Report – Adequate)
 - Procurement (Draft Report – Adequate)
 - Slip End Lower School (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 and progress on those which have commenced is shown within Appendix A.

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 – 31st January 2019

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	66%	67%	76%	80%
KPI02	Percentage of the number of planned reviews completed.	52%	67%	72%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	71%	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.	74%	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.	86%	80%	93%	80%
KPI06	Overall customer satisfaction.	86%	80%	91%	80%

12. Analysis of indicators:

- KPI01 - As at the 31st January, Internal Audit has delivered a total of 827 productive audit days, which is 66% of the total 1260 planned days for the year.
- KPI02 - This KPI measures planned work completed and currently 50% of the plan is complete, which includes the finalisation of work in progress at the start of the year.
- KPI03 - 71% 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 74% 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 86%.
- KPI06 – A ‘satisfactory’ response to all questions would provide an average score of 75%.
14 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. The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk. An adequate system of internal audit is inherent. This report demonstrates how the Council is fulfilling its obligations in this regard.
15. There are no direct legal implications arising from this report.

Financial and Risk Implications

16. 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

17. Central Bedfordshire Council has a statutory duty to promote equality of opportunity, eliminate unlawful discrimination, harassment and victimization and foster good relations in respect of nine protected characteristics; age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
18. There are no equality implications arising directly from this report. If any equality implications were found to arise during the course of any audit activity it would be the responsibility of management in that service area to consider and address through the standard Policy and Procedural response. Equality implications are also addressed via the Corporate Equalities Action Plan.

Conclusion and next Steps

19. 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.
20. A further update on audit progress will be presented to the next Audit Committee.

Appendices

Appendix A: Progress on Audit Activity

Background Papers

None

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