

# Bolton Council

**Report to:** Audit Committee

**Date:** 6th December 2013

**Report of:** Head of Internal Audit & Risk

**Report No:**

**Contact Officer:** John Midlane

**Tele No:** 331620

**Report Title:** **Internal Audit Interim Report 2013/14**

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**Confidential /  
Non Confidential:**

(**Non-Confidential**) This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

**Purpose:**

To inform Audit Committee of the work undertaken by the Internal Audit Section to 30th September 2013 and the level of assurance gained.

**Recommendations:**

Audit Committee is asked to note the Internal Audit activity to 30<sup>th</sup> September 2013 along with the opinion on the internal control environment, and to comment as appropriate.

**Decision:**

**Background Doc(s):**

Internal Audit Plan 2013/14  
Internal audit performance  
Internal audit reports 2012/13 – 2013/14

## 1. BACKGROUND:

1. One of the core functions of the Audit Committee is to review a summary of internal audit reports. Internal Audit is one of the main sources of assurance provided to Audit Committee and this report is produced to inform committee of the progress against the agreed audit plan and to summarise the findings of the internal audit reviews which have been undertaken.

1.2. This report covers four specific areas:

- Comment on the overall adequacy and effectiveness of the internal control environment.
- Any qualifications to the opinion.
- A summary of the work undertaken to date to formulate the opinion.
- To comment on the compliance with the PSIAS and internal audit performance.

This report covers the period from 1st April 2013 to 30th September 2013.

## 2. INTERNAL AUDIT RESOURCES 2013/14:

2.1. At its meeting in March 2013 Audit Committee approved the annual internal audit plan for 2013/14. This plan is based upon the establishment of 11.17 full time equivalent posts and produced an estimate of 2904 days for the year. The internal resource is supplemented with 20 days from the Salford Computer Audit Consortium which provides very specialist computer audit skills. The table below shows a summary of the planned days and the days that have been worked to 30<sup>th</sup> September 2013:

Audit area	Planned days	Actual days	% coverage
Key financial systems	160	76	48%
Adult & Community Services	115	15	13%
Children's Services	421	230	55%
Chief Executive's	153	35	23%
Environmental Services	100	41	41%
Development & Regeneration	59	10	17%
Computer Audit	188	50	27%
Contracts Audit	80	33	41%
External clients	212	73	34%
Anti-Fraud	75	34	45%
Cross cutting reviews	35	22	63%
Follow up	63	41	65%
Contingency	121	24	20%
2012/13 audits	58	130	224%
<b>Total operational days</b>	<b>1840</b>	<b>814</b>	<b>44%</b>

Non operational	1084	613	56%
<b>Total days</b>	<b>2924</b>	<b>1427</b>	<b>49%</b>

2.2. The number of days worked is on target at 49% of the total for the year, there are, however, some variations in individual services. Completion of previous years audits have taken longer than anticipated due to increased complexity in these areas, this can be made up from the contingency allocation. There are variations between departments and this is due to the scheduling of the individual audits across the year which is caused by priorities and the need to minimise disruption for auditees.

2.3. Total days to 30<sup>th</sup> September represent the completion of 44 % of the plan for the year against a target of 50% as this is half the year, this is higher than the same period last year.

### **3. INTERNAL AUDIT COVERAGE:**

3.1. Between 1<sup>st</sup> April 2013 and 30<sup>th</sup> September 2013 the following audits have been completed:

- final reports from 2012/13 audits                      12
- final reports from 2013/14 audits                      7
- draft reports from 2013/14 audits                      1

In addition to the above 19 schools audits have been completed and reports issued.

The section provides an internal audit service to Bolton at Home and in the first six months of the year 7 final reports have been issued and a further two are in draft. Progress on the contract is reported to Bolton at Home Audit Committee on a regular basis.

3.2. In the first six months the section has been involved in 2 investigations which have taken 9 days, these days are met from the contingency allocation. Work on grant claims and duplicate payments taking a further 15 days has also been taken from the contingency allocation.

3.3. Based upon internal audit work to 30<sup>th</sup> September 44% of the 2013/14 plan has been completed. During September two members have staff have left to take up jobs outside the council , in order to respond to budgetary pressures, these posts have been left vacant. One temporary person has been employed for the remainder of the year to assist with the plan. The plan is being closely monitored on a monthly basis and resources managed in the second half of the year to ensure that the 90% target for the year is met

#### **4. INTERNAL AUDIT PERFORMANCE INDICATORS:**

- 4.1. Internal audit has developed a range of key performance indicators (KPIs) to assist in the management of the service, progress on these at 30<sup>th</sup> September is shown below:

<b>Indicator</b>	<b>Target</b>	<b>Actual to 30<sup>th</sup> September 2013</b>
Percentage of audit plan completed	50%	44%
Percentage of productive days	63%	54%
Cost per productive day	£291.52	£296.97
Auditee satisfaction		
• satisfied	100%	100%
• very satisfied	80%	83%

- 4.2. The table shows good performance against the KPIs with high rates of customer satisfaction and good progress against the plan. Progress against the annual plan is slightly lower than target but close monitoring and control in the second half of the year should ensure that the planned level of coverage is achieved.
- 4.3. The Public Sector Internal Audit Standards (PSIAS) came into effect on 1<sup>st</sup> April 2013 and represents good practice for the internal audit service. Compliance with the standard is reported elsewhere on this agenda, and that report includes a draft Improvement Plan to fill the gaps that have been identified. At the time of writing the internal audit section at Bolton does not fully comply with the standard, however, I am confident that the work of the team is able to support the assurance given regarding the control environment of the council.

#### **5. LEVEL OF ASSURANCE:**

- 5.1. Each audit assignment contains a formal audit opinion which indicates the level of assurance that the internal audit work has given either:
- High
  - Moderate
  - Low
  - Minimal/None

A summary of the findings from the reports issued to date is included at Appendix A to this report.

- 5.2. In addition to the above the Internal Audit Section continues to provide assessments for schools. At 30<sup>th</sup> September nineteen school report that had been issued, the remaining schools have been scheduled in for the autumn and spring terms.

5.3. Four audits or key financial systems have been completed and these have provided either “high” or “moderate” assurance this gives a high level of assurance about the controls within these fundamental systems.

5.4. The other assurance reviews produced the following audit conclusions:

- |                               |   |
|-------------------------------|---|
| • High level of assurance     | 7 |
| • Moderate level of assurance | 6 |
| • Limited level of assurance  | 2 |
| • None/minimal assurance      | 0 |

All internal audit reports include an improvement plan containing a number of recommendations which are agreed with management. Progress with the implementation of the recommendations is reported to departmental management teams and back to Audit Committee.

**5.5. On the basis of the work carried out by internal audit and the records made available I am of the opinion that overall the internal control environment of the authority is adequate and effective and there are no significant areas which need bringing to committees attention.**

## **6. RECOMMENDATIONS:**

6.1. Audit Committee is asked to note the Internal Audit activity to 30<sup>th</sup> September 2013 along with the opinion on the internal control environment and to comment as appropriate.

## APPENDIX A

### INTERNAL AUDIT REPORTS 1<sup>ST</sup> APRIL TO 30<sup>TH</sup> SEPTEMBER 2013

Audit area	Level of assurance :
<b>Key Financial Systems:</b> Departmental Accounts Payable Payroll Departmental Accounts Receivable General Ledger	Moderate Moderate Moderate High
<b>Assurance audits:</b> Fuel Cards Highways & Engineering Framework Elections Home Care Income Music service Travel & subsistence Purchase Cards ICS Protocol Information System CareFirst Information System Upgrade 2013 Libraries museums & Archives Car Mileage Shared Care Assistance to pupils – bus passes Townscape Heritage Initiative Blue Badges	Moderate Limited High High High Moderate Moderate High High Moderate High Moderate High High Moderate Limited

