

# Public Document Pack



<b>MEETING:</b>	Audit Committee
<b>DATE:</b>	Wednesday, 19 April 2017
<b>TIME:</b>	4.00 pm
<b>VENUE:</b>	Reception Room, Barnsley Town Hall

## SUPPLEMENTARY AGENDA - 1

### Items for Discussion/Decision

4. Internal Audit Charter and Strategy (*Pages 3 - 18*)

The Head of Internal Audit and Corporate Anti-Fraud will submit a report prefacing the annually reviewed and revised Internal Audit Charter and Strategy.

5. Internal Audit Quarterly Report - Quarter Ended 31st March, 2017 (*Pages 19 - 38*)

The Head of Internal Audit and Corporate Anti-Fraud will submit a report providing a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work covering the fourth quarter ending 31<sup>st</sup> March, 2017.

To: Chair and Members of Audit Committee:-

Councillors Richardson (Chair), Barnard, Clements and Lofts; together with Independent members Ms K Armitage, Ms D Brown, Mr S Gill, Mr P Johnson and Mr M Marks

Diana Terris, Chief Executive  
All Executive Directors  
Andrew Frosdick, Executive Director Core Services  
Rob Winter, Head of Internal Audit  
Neil Copley, Service Director Finance  
Ian Rooth, Head of Technical Services  
Adrian Hunt, Risk Management Manager  
Michael Potter, Service Director Business Improvement and Communications  
Julie Winham, Senior Audit Manager

Council Governance Unit – 3 copies

Please contact William Ward on 01226 773451 or email [governance@barnsley.gov.uk](mailto:governance@barnsley.gov.uk)

12<sup>th</sup> April, 2017

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# Item 4

## Report of the Head of Internal Audit and Corporate Ant-Fraud

**AUDIT COMMITTEE – 19<sup>th</sup> April 2017**

### **INTERNAL AUDIT CHARTER 2017/18**

#### **1. Purpose of the Report**

- 1.1 This report prefaces the annually reviewed and revised Internal Audit Charter. The Charter is attached.

#### **2. Recommendation**

- 2.1 **It is recommended that the Audit Committee consider the Internal Audit Charter and be satisfied that it meets the requirements of the Public Sector Internal Audit Standards and adequately represents and describes the required function to provide the Audit Committee and senior management with a professional service.**

#### **3. Background**

- 3.1 The update of the Charter has considered the requirements of the revised Public Sector Internal Audit Standards which became effective from the 1<sup>st</sup> April 2017.
- 3.2 The Charter, prepared by the Head of Internal Audit (HoIA) and complemented by regular reports and an annual report, are intended to give the Audit Committee assurances regarding how the Internal Audit function is resourced, managed, organised and delivers its responsibilities.

#### **4. The Internal Audit Charter**

- 4.1 The Audit Committee considers the Charter annually as required by the Public Sector Internal Audit Standards (PSIAS).
- 4.2 This latest review has ensured that the Charter reflects the current working arrangements of the function but also the aspirations and developments necessary to ensure continuous improvement. The Charter will be made available to all employees through the Service's Intranet site.
- 4.3 The Charter has been revised to also reflect the changes within the broad client base and the revised structure of the Service that became effective from 1<sup>st</sup> April 2017 following a fundamental review through the Future Council programme.
- 4.4 The Internal Audit Team provides services to Barnsley MBC, Berneslai Homes, the South Yorkshire Police and Crime Commissioner, South Yorkshire Police Chief Constable, South Yorkshire Fire and Rescue Authority, South Yorkshire Pensions Authority, the Sheffield City Region Combined Authority and the South Yorkshire Passenger Transport

Executive. Core Internal Audit coverage is now a 40:60 split between the Council and non-Council clients.

- 4.5 The Charter will undergo an annual review to ensure it remains reflective of current working arrangements and professional standards.

## **5. Local Area Implications**

- 5.1 There are no Local Area Implications arising from this report.

## **6. Compatibility with European Convention on Human Rights**

- 6.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

## **7. Reduction of Crime and Disorder**

- 7.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

## **8. Risk Management Considerations**

- 8.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.
- 8.2 The Division's operational risk register has been fundamentally revised to reflect the changing client base, reduced resources, significant workload pressures, access to and use of IT resources with the underlying aim of providing a high quality, professional and flexible service to all client organisations.

## **9. Employee Implications**

- 9.1 There are no employee implications arising from this report.

## **10. Financial Implications**

- 10.1 The costs of the Internal Audit function are included within the Authority's base budget. The services provided to client organisations are paid for under the terms of a Service Level Agreement.

## **11. Appendices and Background Information**

- 11.1 Appendix 1 - Internal Audit Charter and Strategy 2017/18

11.2 The Public Sector Internal Audit Standards (PSIAS) and the International Standards for the Professional Practice of Internal Auditing (IPPF) are available from the Internal Audit Service or accessible on the internet.

**Contact Officer:** Head of Internal Audit and Corporate Anti-Fraud  
**Telephone :** 01226 773241  
**Date :** 6<sup>th</sup> April 2017

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## **BARNSLEY M.B.C.**

### **INTERNAL AUDIT SERVICES**

### **INTERNAL AUDIT CHARTER**

**2017 / 2018**

The Barnsley MBC Internal Audit Service also provides services to a broad range of external organisations. The term 'organisation' is therefore used in the Charter to cover all clients both individually and collectively. Unless specifically referred to all aspects of the Charter apply to all client organisations.

For the purposes of Internal Audit activity, the term 'board' refers to the appropriate Audit Committee. The term 'senior management' refers to the Chief Executive and most senior directors or equivalent e.g. the Chief Constable and Senior Leadership Group; the Chief Fire Officer and Executive Team; or the Chief Executive and Senior Management Team.

Other senior posts such as the statutory Section 151 Officer / Director of Finance / Chief Finance Officer are used synonymously.

The Public Sector Internal Audit Standards (PSIAS) refer to the officer responsible for the Internal Audit function as the Chief Audit Executive. This role is undertaken by the Head of Internal Audit (HoIA).

## **INTERNAL AUDIT CHARTER**

### **1. Introduction**

The Internal Audit function is a key component of an organisation's governance framework. As such it aims to provide a professional and high quality objective and independent management support function in order to influence and contribute to the achievement of strategic and operational objectives. A key component of this support is the development and maintenance of excellent client relationships and adopting an innovative and flexible approach to the delivery of the function.

This Charter provides the framework for the conduct of the Internal Audit function and is applicable to all client organisations. This Charter will be reviewed annually by the relevant Audit Committee, or their equivalent to ensure it remains relevant to the demands and responsibilities of the client service and supports the relevant organisation's corporate objectives.

Each client organisation is responsible for establishing and maintaining appropriate risk management processes, internal control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising whether effective and efficient arrangements exist. The annual HoIA opinion, which informs the annual governance statement, both emphasises and reflects upon the importance of this aspect of Internal Audit work. The response to Internal Audit activity should, where deemed necessary, lead to the strengthening of the control environment and therefore contribute to the achievement of the corporate objectives, improvement, support innovation and change and enhance public accountability and transparency.

Vital components of a successful internal audit service include effective working relationships, maintaining professional independence and objectivity and working in partnership with management to assist in ensuring that an effective organisation-wide control environment exists. The Internal Audit service embraces this approach by effective communication and regular contact with its clients in order to help the organisation achieve its objectives.

### **2. The Purpose of the Charter**

The Public Sector Internal Audit Standards (PSIAS) are mandatory guidance and constitute principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance. An important element of these standards is the requirement to have a formal Charter.

The purpose of this Charter is to set out the purpose, authority and responsibility of the Internal Audit Service. In addition it also sets out the nature, objectives, outcomes and the scope of its activities within its client organisations. This therefore forms the basis of the terms of reference for the function.



### 3. Definition of Internal Audit

The PSIAS provides the following definition of Internal Audit:

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.*

This definition encourages a collaborative style of audit review which focuses on evaluating and improving the effectiveness of risk, control and governance and therefore goes significantly beyond basic compliance.

Allied to this definition are the 10 Core Principles for internal audit as defined in the International Standards for the Professional Practice of Internal Auditing (IPPF). These are:

- ✓ *Demonstrates integrity* – through adherence to the code of ethics for internal auditors
- ✓ *Demonstrates competence and due professional care* – having a comprehensive performance and professional development framework
- ✓ *Is objective and free from undue influence (independent)* – through its organisational position, access rights and the status of the HoIA
- ✓ *Aligns with the strategies, objectives and risks of the organisation* – adopting a risk-based approach to all work
- ✓ *Is appropriately positioned and adequately resourced* – through access to senior management and the audit committee and having an appropriate level of resources / budget
- ✓ *Demonstrates quality and continuous improvement* – meeting the requirements of the PSIAS in maintaining an appropriate quality assurance and improvement programme (QAIP)
- ✓ *Communicates effectively* – through appropriate liaison and reporting channels with senior management and audit committees
- ✓ *Provides risk-based assurance* – through a robust audit planning process and the consideration of risk and strategic and operational objectives
- ✓ *Is insightful, proactive and future-focussed* – through effective and proportionate deployment of resources for research, adopting a ‘single point of contact/subject matter expert’ approach and undertaking appropriate consultancy services
- ✓ *Promotes organisational improvement* – maximising the wider consultancy capacity of internal audit and ensuring a clear understanding of the operational and strategic context of each client organisation

How the Internal Audit service is structured, managed and operates aims to demonstrate how these core principles are met. The performance management

and accountability framework developed by the Service is how this will be demonstrated.

The IPPF has also provided a 'mission statement' for internal audit that sets out what it aspires to accomplish within an organisation through the definition and core principles. The mission is:

*"To enhance and protect organisational value by providing risk-based and objective advice and insight"*

#### **4. Operational Context**

The Barnsley Internal Audit Service operates within a challenging and diverse environment across a variety of client organisations to deliver the services each requires and to ensure it does so to high professional standards and demonstrating added value. The Service needs to be able to react and adapt to the rapid pace of change which is taking place both locally, regionally and nationally within each client organisation. Accordingly, the Charter includes the aspirations of the Internal Audit Service, which are to:

- further develop and enhance working relationships particularly where a client organisation is undergoing significant change to ensure that the service is aware of and understands its needs and objectives
- promote and support clients with regards to an increase in collaborative working
- understand its position with respect to the organisation's other sources of assurance and plan our work accordingly
- be seen as a catalyst and support for change at the heart of the organisation
- be the internal auditor of choice, delivering exceptional client service
- add value and assist the organisation in achieving its objectives
- be forward looking – knowing where the organisation wishes to be and being aware of the relevant national agenda and its impact
- be innovative, insightful and challenging
- help to shape the ethics and standards of the organisation, reducing bureaucracy whilst maintaining high standards of public accountability, transparency and governance
- ensure the right resources are available, recognising that the skills mix, capacity, specialisms, qualifications and experience requirements all change constantly
- ensure all staff are supported in undertaking relevant professional qualifications and continuous professional development to increase standards, efficiency and effectiveness
- share best practice with other internal auditors, clients and other professional services (e.g. financial services) and
- seek opportunities for joint working with other organisations' auditors.

## **5. Scope of Internal Audit**

The scope of internal auditing encompasses the examination and evaluation of any aspect of an organisation's activities in order to assess the adequacy and effectiveness of the framework of governance, risk management, and internal control processes such that the HoIA can provide an annual opinion on the extent to which the organisation can rely on it.

## **6. Responsibilities and Objectives of Internal Audit**

The responsibilities and objectives of Internal Audit are as follows:

- i. To be a valuable asset to the organisation by supporting senior management in meeting their corporate responsibilities.
- ii. To contribute to the assurances sought by those charged with governance in relation to the robustness and reliability of internal controls, risk management and governance to support the Annual Governance Statement (AGS).
- iii. To support the Statutory Chief Finance Officer in discharging their duties.
- iv. To review, appraise and report on the extent to which the assets and interests of the organisation are accounted for and safeguarded from loss and the suitability and reliability of financial and other management data and information.
- v. To support the requirement to seek efficiency including the arrangements for achieving value for money and effective change management.
- vi. To provide soundly based assurances to management on the adequacy and effectiveness of their internal control, risk and governance arrangements, with such assurances including information technology governance and ethical behaviour.
- vii. To assess the adequacy and effectiveness of the organisation's contracts, procurement, commissioning and associated governance arrangements.
- viii. To assess effectiveness of the corporate risk management process and make recommendations to improve and embed the process where required whilst ensuring that Internal Audit does not adopt management responsibilities for managing risks.
- ix. To evaluate the risk of fraud, bribery and corruption and the manner and effectiveness of how it is managed by the organisation. In addition, to reduce the incidence of fraud, loss and irregularity by publicising the findings of fraud investigations to act as a deterrent and provide a quality corporate fraud and irregularity prevention, detection and investigation service.
- x. To disseminate examples of best practice in the application of an effective control, risk and governance framework.
- xi. To provide an Internal Audit advisory service intended to add wider organisational value and improve the effectiveness and efficiency of governance, risk management and control processes.
- xii. To provide advice and an objective and supportive consulting service in respect of the development of new programmes and processes and / or significant changes to existing programmes and processes including the design of appropriate controls. This is usually achieved through

membership of Officer Groups, Governance and other Boards or working parties as well as direct contact with officers within services / functions / departments. Such advice and consultation work forms an increasingly important part of the audit plan.

- xiii. To prepare timely, concise and informative reports to management to facilitate the improvement of the control environment.
- xiv. To undertake Audit support activities in respect of assisting the Audit Committee (or equivalent) to discharge its responsibilities; monitoring the implementation of agreed recommendations; disseminating across the entity best practice and lessons learnt arising from its audit activities, and having oversight of the audit function.

## **7. Organisational Independence of Internal Audit**

An independent approach and mindset is essential to the effectiveness of the Internal Audit function. To ensure this, Internal Audit will operate within a framework that allows:-

- Unrestricted access to the 'Chief Executive'; the 'Chief Finance Officer'; the Chair of the Audit Committee and Audit Committee Members; individual Senior Management Officers; employees and the responsible External Auditor.
- The HoIA reporting in his own name.
- Segregation from line operations.

The Internal Audit function has no sole or direct responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.

Internal Auditors are generally not involved in undertaking non-audit activities and an Auditor will not be involved in the audit of any system or process for which they had previous operational responsibility for a period of two years. This principle will equally apply to any consultancy type assignments.

Audit responsibilities are periodically rotated to avoid over-familiarity and complacency but balanced to provide reasonable service continuity and resilience.

## **8. Code of Ethics**

The IPPF advocates that internal auditors conform to a code of ethics to promote an ethical culture in the profession of internal auditing. This is an important concept given that the nature of internal auditing is one built on trust and respect under-pinning its independent and objective approach.

The four components of the Code of Ethics are:

### **Integrity:**

In the conduct of audit work, Internal Audit staff will:

- i. Perform their work with honesty, diligence and responsibility;
- ii. Observe the law and make disclosures expected by the law and the profession;
- iii. Not knowingly be party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or the organisation;
- iv. Respect and contribute to the legitimate and ethical objectives of the organisation.

### **Objectivity:**

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

In the conduct of audit work internal auditors shall:

- i. Not take part in any activity or relationship that may impair or be perceived to impair their unbiased assessment;
- ii. Not accept anything that may impair or be perceived to impair their professional judgement
- iii. Disclose all material facts known to them that if not disclosed may distort the reporting of activities under review

In addition, internal auditors will;

- iv. Declare any real or perceived interests on an annual basis. A prompt is included at the assignment planning phase of each audit;
- v. Comply with the Bribery Act 2010.

### **Confidentiality:**

Internal auditors must respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Internal Auditors are expected to display confidentiality by:

- i. Acting prudently when using information acquired in the course of their duties and protecting that information and;
- ii. Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

### **Competency:**

Internal Auditors are expected to apply the knowledge, skills and experience needed in the performance of internal audit activities.

Internal auditors will demonstrate their competency by:

- i. Only engaging in services for which they have the necessary knowledge, skills and experience;
- ii. Performing internal audit services in accordance with the IPPF
- iii. Continually seeking to improve their proficiency, effectiveness and quality of their services

In addition, internal auditors will:

- iv. Be skilled in dealing with people at all levels and communicating audit, risk management and related issues effectively;
- v. Exercise due professional care in performing their duties and;
- vi. Conform with the PSIAS. NB: Any non-conformance with the PSIAS will be disclosed within the engagement results / output including the reasons for the non-conformance and the impact.

## **8. Accountability, Reporting Lines and Relationships of the Head of Internal Audit**

### **Accountability:**

In relation to organisations governed by public sector legislation, (e.g. the Accounts and Audit Regulations 2015, Regulation 5 and Police Reform and the Social Responsibility Act 2011), such organisations are responsible for maintaining an adequate and effective Internal Audit function. In practical terms this means that the HoIA is accountable to the 'Chief Executive' and Audit Committee.

### **Reporting Lines and Relationships:**

Within Barnsley MBC as the direct employing organisation, the HoIA reports administratively to the Service Director – Finance and has strategic and operational responsibility for the Internal Audit function and fulfils the specific designated role of the HoIA for the Council.

This specific designated role and its responsibilities are replicated for each client organisation with the HoIA being responsible to a designated senior manager (usually the chief financial officer or chief executive) and accountable to the Audit Committee or other relevant executive body.

While audit plans are considered by a range of senior managers and the Audit Committees of each client organisation, the professional responsibility for Internal Audit coverage rests with the HoIA who may determine and change the Internal Audit Service's own priorities as appropriate. The HoIA has a functional reporting line to each client Audit Committee Chairman, the 'Chief Executive' and SMT Members, or equivalent.

The HoIA reports periodically to each Audit Committee. The reports provide information in respect of:

- i. Periodic reports detailing: the audits completed; an assurance opinion on the overall state of internal controls for that particular period along with any fundamental issues requiring management attention based on the work of internal audit; progress in implementing the audit work plan; the status of the implementation of agreed internal audit recommendations;
- ii. An annual opinion on the internal control, risk management and governance arrangements in each client organisation highlighting any fundamental issues requiring management attention based on the work of internal audit as reported within the periodic reports and;
- iii. An annual report summarising the outcome of the review of the effectiveness of the internal audit function which is required under the PSIAS.

Internal and External Audit activities will be coordinated to help ensure the adequacy of overall audit coverage and to minimise any duplication of effort. Periodic meetings and contact between Internal and External Audit will be held to discuss matters of mutual interest. External Audit will have full and free access to all Internal Audit plans, working papers and reports. Similarly the function will coordinate its activities with other regulatory / inspection bodies where relevant.

Where it is appropriate Internal Audit will liaise with other internal functions or inspectorates, to ensure work is co-ordinated, mutually beneficial and where applicable utilised for assurance purposes (e.g. HMIC).

It is important to stress the existence of Internal Audit does not diminish the responsibility of management to establish and maintain systems of internal control, effective risk management and governance arrangements to ensure that activities are conducted in a secure, efficient and well-ordered manner.

## **9. Arrangements for Anti Fraud, Corruption and Bribery**

Arrangements for combatting fraud, bribery and corruption will be set out by management in each organisation's anti-fraud and corruption policies and other supporting guidance. The HoIA should be notified of all suspected or detected fraud, corruption, impropriety or other irregularity, in order to inform the annual Internal Audit opinion and the risk-based plan.

Internal Audit's role in respect of fraud-related work is as follows:

- i. In support of the organisation's anti-fraud, Whistleblowing, Money Laundering, bribery and corruption policies, Internal Audit prepares periodic guidance for managers and the Board;
- ii. To undertake proactive fraud detection work in high risk areas as defined by the fraud risk assessment and management process;
- iii. To co-ordinate Barnsley MBC's, SY Fire and Rescue Authority, SY Police, SYPCC and SY Pensions Authority response to the mandatory National Fraud Initiative (NFI) exercise;
- iv. To contribute to corporate counter fraud arrangements and;
- v. In certain circumstances and where discussed and agreed with management, Internal Audit (through the Corporate Anti-Fraud Team) assume a lead role in the investigation of alleged irregularities. Internal

Audit will provide guidance and support to management throughout the investigatory process. The balance of work between that undertaken by Internal Audit and management will be kept under review to ensure the most appropriate use of specialist resources. With this in mind it is anticipated that Internal Audit will spend increasingly less time undertaking routine investigations.

## **10. Consultancy Work**

The definition of internal audit makes reference to it being a “*consulting activity*” and therefore such work needs to be carefully scoped and managed to ensure the core purpose and responsibilities of internal audit are not compromised.

The scoping of audit work will make it clear in what guise it will be performed, the methodology to be used and the format and nature of the reported outcomes.

Due regard of the requirements of the client will be considered to preserve and demonstrate internal audit objectivity and independence in any consultancy engagement.

This nature of work is however increasingly important and valued by clients and provides an additional way in which Internal Audit can provide and demonstrate wider value beyond basic controls assurance. Providing this support also clearly links to a number of the core principles about being insightful, forward-focussed, proactive, and being able to promote organisational improvement.

## **11. Authority of Internal Audit**

In accordance with the PSIAS, the scope of Internal Audit allows that in fulfilment of audit responsibilities unrestricted coverage of all the organisation’s activities and unrestricted access to all functions, records, data, personnel, premises and assets of the organisation and its partner organisations, is granted in the course of audit work and as set out in relevant partnership agreements and contracts.

Internal Audit has the authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities.

All records, documentation and information accessed in the course of undertaking internal audit activities are to be used solely for the conduct of these activities. The HoIA and staff are responsible and accountable for maintaining the confidentiality of the information they receive during the course of their work.

## **12. Appropriate Resourcing of Internal Audit**

At least annually, the HoIA will submit to the 'Chief Executive' and the Audit Committee an Internal Audit plan for review and approval. The plan will consist of a work schedule and resource requirements for the next financial year. The plan will include the impact of any resource limitations and significant actual or planned changes.



The Internal Audit plan is developed utilising a risk-based methodology to determine the prioritisation of the audit work, including the input of senior management and the Audit Committee. Any material deviations from the approved Internal Audit plan will be communicated to the Audit Committee through periodic activity reports.

Should the HoIA have concerns regarding the resources of the Internal Audit function, he will raise these with the appropriate client Chief Executive and Chief Finance Officer. The inadequate resourcing of the internal audit function may result in the HoIA being unable to provide an annual opinion on a client's internal control, risk and governance environment.

The current establishment of the Internal Audit Service comprises 17 FTEs:

Head of Internal Audit and Corporate Anti-Fraud

2 Audit Managers

5 Principal Auditors

6 Auditors / Senior Auditors

Principal Auditor – Corporate Anti-Fraud

2 Corporate / Senior Corporate Anti-Fraud Officers

### 13. Client Organisations

The Internal Audit Service provides an internal audit function to the following clients. An approximate number of planned days allocated to each of these client organisations for 2017/18 are shown below.

<b>Client Organisation</b>	<b>Approximate Allocation of Planned Days</b>
Barnsley MBC (excluding Corporate Fraud Team)	Approx. 1,050
South Yorkshire Police	Approx. 700
South Yorkshire Fire and Rescue Authority	Approx. 250
South Yorkshire Pensions Authority	Approx. 250
Sheffield City Region Combined Authority	Approx. 120
South Yorkshire Passenger Transport Executive	Approx. 200
Barneslai Homes	Approx. 130
Corporate Anti-Fraud Team	Approx. 560

#### **Other Bodies:**

The Internal Audit service will seek to expand the service by exploring opportunities to tender for internal audit work where there is a clear benefit in terms of operational synergies, economies of scale, service continuity and staff development. Consideration will always be given to ensure continuity and quality of service to existing clients.

#### **14. Internal Audit Strategy**

Whilst not a specific requirement of the PSIAS the Internal Audit Service also prepares a Strategy. This strategy has previously been an over-arching one covering all client organisations. Due to the increasing differences between clients, their operational contexts, pressures, priorities and requirements from Internal Audit, a specific strategy document has been prepared for each client organisation.

The audit strategy documents reflect closely the audit planning process and the context of the annual operational audit plans.

April 2017

# Item 5

## Report of the Head of Internal Audit and Corporate Anti-Fraud

**AUDIT COMMITTEE – 19<sup>TH</sup> APRIL 2017**

**INTERNAL AUDIT QUARTERLY REPORT 2016/17  
QUARTER ENDED 31<sup>ST</sup> MARCH 2017**

### **Executive Summary**

1. Issued reports and the Internal Audit work completed during the period raised one fundamental recommendation. This related to a data management issue (Para. 4.1).
2. The internal control assurance opinion overall however remains adequate based upon the results of the work undertaken during the quarter (Para. 6.1 / Appendix 1).
3. Of the 9 recommendations followed-up, 6 (67%) had been implemented by the original target date and 3 (33%) not implemented, with revised implementation dates agreed by management (Para. 4.4).
4. In relation to the Barnsley MBC audit plan, actual days delivered were 97 or 7% below that planned at the end of the financial year (Para.7.7 & Appendix 2).
5. Quarterly and full year performance of the function is satisfactory with all PI's meeting or bettering target levels (Para. 8.2 and 8.3 & Appendices 3 & 4).
6. The annual report will be presented to the June Audit Committee meeting that will summarise all Internal Audit activity and performance for the year for consideration alongside the draft Annual Governance Statement.

**AUDIT COMMITTEE – 19<sup>TH</sup> APRIL 2017**

**INTERNAL AUDIT QUARTERLY REPORT 2016/17  
QUARTER ENDED 31<sup>ST</sup> MARCH 2017**

**1. Purpose of Report**

- 1.1 This report provides the Audit Committee with a comprehensive overview of the key activities and findings of Internal Audit based on the Division's work covering the whole of the final quarter to ensure that the Audit Committee is provided with the most up to date position. This report provides the Audit Committee with information relevant to its responsibilities within its terms of reference (terms of reference items (a), (b), (h), (i) and (k)).
- 1.2 The report covers:-
- i. The issues arising from completed Internal Audit work in the period (section 4 and Appendix 1);
  - ii. Matters that have required investigation (section 5);
  - iii. An opinion on the ongoing overall assurance Internal Audit is able to provide based on the work undertaken regarding the adequacy and effectiveness of the Authority's internal control environment (section 6);
  - iv. Progress on the delivery of the Internal Audit Plan for the period up to the end of the final quarter of 2016/17 year (section 7 and Appendix 2);
  - v. Details of Internal Audit's performance for the quarter utilising performance indicators (section 8 and Appendices 3 and 4).

**2. Recommendations**

**2.1 It is recommended that the Audit Committee:-**

- i. **consider the issues arising from completed Internal Audit work in the period along with the responses received from management;**
- ii. **note the assurance opinion on the adequacy and effectiveness of the Authority's internal control framework based on the work of Internal Audit in the period to the end of March 2017;**
- iii. **note the progress against the Internal Audit plan for 2016/17 for the period to the end of March 2017; and**
- iv. **Consider the performance of the Internal Audit Division for the final quarter.**

### **3. Introduction / Background**

- 3.1 Internal Audit is a key contributor to the assurances the Audit Committee requires regarding the adequacy and effectiveness of the internal control, risk and governance environment of the Authority. That assurance is provided through planned work and responding to urgent matters and changes in priority and risk. It is important that all Internal Audit activities are undertaken with due regard to risk and the risk issues prevailing at the time.
- 3.2 In order to fulfil its responsibilities the Audit Committee needs to be satisfied that the Internal Audit Division is undertaking its work as planned, responding appropriately to client demands, operating to the required professional standards and obtaining the necessary responses from management following Internal Audit work.
- 3.3 In accordance with statutory best practice provided by the Public Sector Internal Audit Standards, there is a requirement that the Head of the Internal Audit function prepares an annual report to the appropriate member body. This requirement is best supported through regular reports during the year, providing, amongst other things, ongoing assurances on the adequacy and effectiveness of the Authority's framework of governance, risk management and control.
- 3.4 For the Authority, the appropriate member body is the Audit Committee.

### **4. Key Issues Arising From Internal Audit Work in the Period Ended 31<sup>st</sup> March 2017**

- 4.1 Internal Audit work undertaken during the period identified one fundamental recommendation. This related to an information management issue (see appendix 1).
- 4.2 It should be noted, that in the process of agreeing a final report, senior officers respond to specific recommendations by identifying relevant actions and agreeing responsible managers and timescales for implementation.

#### **Follow-Up of Report Recommendations**

- 4.3 The following protocol is applied to the follow-up of recommendations in audit reports:
- all fundamental and significant recommendations irrespective of the assurance opinion;
  - all recommendations contained within the annual core financial system audit reports and;
  - reports containing a significant number of merits attention recommendations giving rise to a negative assurance opinion.
- 4.4 Table 1A identifies the total number of reports analysed by the assurance opinion given and the total number of recommendations made.

Table 1B shows the number of recommendations followed-up in the quarter. Of the 9 recommendations followed-up, 6 (67%) had been implemented by the

original target date with 3 (33%) not implemented, with revised implementation dates agreed by management.

- 4.5 Internal Audit continues to get very good co-operation from management including the Senior Management Team (SMT) and as such is able to closely monitor any implications that may arise from a delay in the implementation of management action. However, it should be noted that a relatively high number of recommendations followed-up had not been implemented and required a revised implementation date. Internal Audit is working closely with management to monitor this situation and will report to the Audit Committee should any concerns be raised due to any change of implementation date. The SMT receive a quarterly performance report to highlight outstanding audit recommendations.

## **5. Fraud, Investigations and the Corporate Anti-Fraud Team**

- 5.1 An annual report will be provided to the Audit Committee covering the detail of fraud and irregularity investigations undertaken, the preventative work and the general activities and work plan of the Corporate Anti-Fraud Team over the year.
- 5.2 The overall assurance opinion takes into account any control issues arising from investigations or anti-fraud work. No issues are required to be brought to the Committee's attention at this time.

## **6. Head of Internal Audit's Internal Control Assurance Opinion**

- 6.1 Based on the audits reported in the period, an overall **adequate** assurance opinion remains appropriate. However, Audit Committee Members should note the fundamental recommendations and the impact on the system of internal control in those areas.
- 6.2 As referred to above, the percentage of audit report recommendations not implemented, and requiring a revised implementation is relatively high at 33%. The implementation of recommendations is monitored closely to ensure that there are no serious issues or concerns regarding the effectiveness of the control, risk and governance framework arising from the delay or non-implementation of recommendations.
- 6.3 Where control weaknesses have been identified within procedures or in the provision of advice or 'consultancy' services, these have either been resolved with management through the issue of an audit report and/or correspondence or addressed at the time of the audit.
- 6.4 It does however need to be recognised that Internal Audit coverage cannot guarantee to detect all errors, systems or control weaknesses or indeed identify all of the opportunities for improvements in management arrangements that might exist. Accordingly only reasonable and not absolute assurance is given.
- 6.5 The assurance opinion is supported by the knowledge that the underlying framework of financial and other controls, encompassing the Council's Financial Regulations, various codes of practice, procedures and other financial governance arrangements, periodically reviewed by both Internal and External Audit, are appropriate and working satisfactorily.

- 6.6 The general context and impact of the significant savings and service changes that have been implemented arising from Future Council form a core element of Internal Audit work planning to ensure that the control, risk and governance framework remains adequate and effective.
- 6.7 A full summary and analysis of Internal Audit work undertaken during the year and completed as at end of May will be incorporated in the Annual Opinion Report.

## **7. Internal Audit Plan 2016/17 - Progress to the end of March 2017**

- 7.1 Internal Audit utilise a risk-informed approach to planning and delivering its work. This approach seeks to ensure that the key risks facing the Authority are considered and covered, where appropriate, by Internal Audit work. In turn the annual work programme is planned indicatively across the year. This enables quarterly monitoring of progress against planned work and the utilisation of Audit resources.
- 7.2 It is however important to recognise and appreciate that whilst a significant proportion of audit work is planned, there are many 'external' factors that can and do impact on precisely when pieces of work are actually undertaken and completed and indeed their detailed scope. For this reason the monitoring of the audit plan in each quarter can only provide an indicative picture of progress overall. Individual jobs are monitored on a job-by-job and week-by-week basis utilising the Division's computerised management system.
- 7.3 Appendix 2 shows the progress of the plan up to the end of March 2017, analysed by Directorate / Service.
- 7.4 Adjustments are made to the days allocated to particular jobs on an on-going basis and so there is naturally only a minor variance between the actual days and those planned. Given the risk basis and responsive nature of audit work, the Audit Committee should be particularly interested in the overall deployment of audit resources rather than necessarily where those resources have been spent.
- 7.5 At the beginning of the year provision is made in the allocation of audit resources for unplanned work, through a contingency. As requests for audit work are received, or more time is required for jobs or changes in priorities are identified, time is allocated from this contingency.
- 7.6 The following audits have been deferred, added to or deleted from the audit plan, as agreed in conjunction with management:

<b>Directorate / Service</b>	<b>Audit Assignment Title</b>	<b>Deferred / Added / Deleted</b>
People / Adult Assessment & Care Management	Court of Protection	Deferred to 2017/18 (reserve plan)
People / Children's Social Care & Safeguarding	DfE Test of Assurance	Deleted – Client no longer requires this review
Core Services / Council Governance	Register of Interests	Deferred to 2017/18

<b>Directorate / Service</b>	<b>Audit Assignment Title</b>	<b>Deferred / Added / Deleted</b>
Communities / Stronger, Safer & Healthier Communities	Community Safety	Deferred to 2017/18
Place / Environment & Transport	Process Re-Engineering Review – Highways, Local Roads	Deleted – Client no longer requires this review

- 7.7 The end of year position, as indicated in the last report shows days delivered against the Plan were 97 below planned (7%). A larger variance has occurred against the plans of the external clients of 270 or 16%. This equates across the Team to the vacancies that were held offset by additional time being worked by staff and internal efficiencies.

## **8. Internal Audit Function and Performance**

- 8.1 The Division uses a range of performance indicators to monitor operational efficiency. A list of the performance indicators (PIs) for 2016/17 is attached at Appendix 3.
- 8.2 Quarterly performance of the function is satisfactory and all PI's for the year are either on or exceed target levels.
- 8.3 The analysis of the more detailed feedback received following each audit job is shown in Appendix 4. For the fourth quarter of the year, at the point of preparing this report 2 feedbacks sheets have been received out of the 4 final reports issued. All have been noted as very good or good.
- 8.4 The new structure for the Internal Audit and Corporate Anti-Fraud Team came into effect on 1<sup>st</sup> April. The restructure resulted in two vacancies, one at Audit Manager and the other at Principal Auditor. New members of staff to these posts start on 2<sup>nd</sup> May.

## **9. Local Area Implications**

- 9.1 There are no Local Area Implications arising from this report.

## **10. Consultations**

- 10.1 All audit reports are discussed with the main auditee. Individual audit reports are provided to the appropriate Executive Director and/or Service Director to apprise him/her of key issues raised and remedial actions agreed.
- 10.2 No specific consultation has been necessary in the preparation of this quarterly report.

## **11. Compatibility with European Convention on Human Rights**



- 11.1 In the conduct of audit work and investigations particularly, Internal Audit operates under the provisions of the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 and the Police and Criminal Evidence Act.

## **12. Reduction of Crime and Disorder**

- 12.1 An inherent aspect of audit work is to prevent, detect and investigate incidents of fraud, theft and corruption. The control issues arising from audit investigations have been considered to ensure improvements in overall controls are made. Additionally, Internal Audit ensures that in specific instances, management takes appropriate action to minimise the risks of fraud and corruption re-occurring.

## **13. Risk Management Considerations**

- 13.1 The underlying purpose of the work of Internal Audit is to address and advise on key risks facing management and, as such, risk issues are inherent in the body of the report.
- 13.2 The Division's operational risk register includes the following risks which are relevant to this report:
- Inappropriate use of and management of, information to inform and direct service activities;
  - Inability to provide a flexible, high performing and innovative service; and
  - Poor levels of customer satisfaction.

All of these risks have been assessed and remain within the tolerance of the Division.

An essential element of the control (and on-going) management of these risks is the provision of update reports to the Audit Committee and the assurance this provides.

## **14. Employee Implications**

- 14.1 There are no employee implications arising from this report.

## **15. Financial Implications**

- 15.1 There are no financial implications arising directly from this report. The costs of the Internal Audit function are included within the Authority's base budget.

## **16. Appendices**

- 16.1 Appendix 1 - Key issues arising from completed Internal Audit work  
Appendix 2 - Internal Audit Plan 2016/17 – Position as at 31<sup>st</sup> March 2017  
Appendix 3 - Internal Audit Performance Indicators for the Quarter Ended 31<sup>st</sup> March 2017

Appendix 4 - Analysis of Internal Audit feedback for the fourth quarter of 2016/17

**17. Background Papers**

17.1 Various Internal and External Audit reports, files and working papers.

**Officer Contact:** Head of Internal Audit & Corporate Anti-Fraud

**Telephone No:** 01226 773241

**Date:** 10<sup>th</sup> April 2017

KEY – Recommendations - Fundamental 'F' Significant 'S' Merits Attention 'MA'

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Other Action
Place: Receipt & Banking of Income	The key issues identified relate to: <ul style="list-style-type: none"> <li>the incorrect configuration of the E-Return Template which has resulted in the incorrect allocation of VAT</li> <li>the omission of VAT on the 'Sale of Crafts'</li> <li>merchant copy receipts retained by Cannon Hall Museum for debit/credit card payments including the full 16 digit Primary Account Number</li> <li>the absence of independent checks at both sites to confirm that income is banked in full and correctly</li> <li>the incorrect use of 'ZZ' readings from the till at Elsecar Heritage Centre increasing the risk that income received is improperly accounted for</li> <li>financial documentation not being retained securely at Elsecar Heritage Centre</li> </ul>	Limited	F - 0 S - 7 MA - 6	04.01.2017	To follow-up the significant report recommendations.
Finance: Corporate Risk Management	The key issue identified relates to the need to ensure that risks are reviewed by Business Units in accordance with the established corporate risk management process and that risk mitigating actions are similarly reviewed / progressed in accordance with corresponding timescales.	Adequate	F - 0 S - 1 MA - 4	10.02.2017	To follow-up the significant report recommendations.
People: Management of Personal & Confidential Information	The key issue raised relates to the use of 'H' drives for business information purposes. The use of this means of data storage adversely impacts upon the accessibility of information for the purpose of management reporting and decision making. In addition, the Children's Case Management System may not always contain complete and up to date information. This gives rise to implications in terms of compliance with the Data Protection Act.	Limited	F - 1 S - 3 MA - 8	09.03.2017	To follow-up the fundamental and significant report recommendations.
Place: Town Centre Regeneration - Development Management Organisation	The key issues identified relate to the need to ensure that the Project Execution Plan (PEP) is appropriately approved in accordance with the defined governance requirements and key financial / project risks are effectively managed.	Adequate	F - 0 S - 3 MA - 8	27.03.2017	To follow-up the significant report recommendations.

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Other Action
(DMO)					

<b>Details and Outcome of other Audit Activities Not Producing a specific Assurance Opinion</b>		
<b>Audit Work Completed</b>	<b>Details</b>	<b>Contribution to Assurance</b>
Legal: Charity Accounts	Completion of Charity Commission's Independent Examiner's Report return.	The work contributes to assurance in respect of financial management.
Legal: Strategic Commissioning & Procurement Forum - Documentation Sub Group	Documentation sub group role to design a suite of procedural guidance and hosting platform (SharePoint) that provides a step by step guide to procuring officers when administering procurement events whilst ensuring compliance with EU Regulations, Public Contract Regulations 2015 and the Council's Contract Procedure Rules.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Place: Public Road Network 2016/17 Schemes	Advice provided to the Interim Head of Highways and Engineering re approach for the completion of PRN schemes and completion of CPR waiver to allow completion by Rotherham Council via a collaborative arrangement. Included detailed review of rationale and identification of risk considerations to inform management decision.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Commercial Services: Purchase Order Signatories	Advice provided to Commercial Services with regard to signatories that should be included on the Council's purchase orders.	The work contributes to assurance in respect of financial management.
Finance: Procurement Cards - Future Directions	Advice provided to Finance colleagues re revised procurement card process and application by Future Directions Service.	The work contributes to assurance in respect of financial management.
Superfast South Yorkshire Broadband	Advice provided to Superfast South Yorkshire Broadband Programme Manager and Procurement colleagues re procurement of print materials.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Commercial Services: Revised cash / cheque collection process	Advice provided to Commercial Services re revised cash / cheque collection contract and associated processes.	The work contributes to assurance in respect of financial management.
Place: Property Investment Fund	Advice provided to the Senior Major Projects Officer, Economic Regeneration regarding the Property Investment Fund and the profit sharing arrangements as outlined within the external funding agreement.	The work contributes to assurance in respect of asset management.
People: Bursar - Mapplewell Primary School - Payroll	Advice provided to the School Bursar regarding the authorisation process re payroll variations / new starters forms.	The work contributes to assurance in respect of financial management within schools.
Place: Revised Final Account Process	Advice to Engineering & Highway Services re revised final account process.	The work contributes to assurance in respect of contracts / procurement / commissioning management.
Human Resources: HR Policies	Review of the Guidance Note for the scanning of documentation to personal files and examples of information to be placed on an employee's file. Reference made to the HR Employee Personal Files Policy and the BMBC Human Resources Retention Schedule dated 02/07/2013.	The work contributes to assurance in respect of human resource management.
Place: URBACT Project TechTown Phase 2 - Grant Claim Certification	Grant Claim Audit Certification.	The work contributes to assurance in respect of financial management.

<b>Other Work Undertaken</b>	
Follow-up of Recommendations	Regular work undertaken to follow-up recommendations made.
Attendance at Steering / Working Group	Information Governance Board, Commissioning, Procurement & Contracts Working Group.
Liaison, Planning and Feedback	Meeting and corresponding with Service and Executive Directors and Heads of Service regarding progress of audit work, future planning and general client liaison.
Advice	General advice to services regarding controls, risk or governance matters. Such work often does not require formal reporting but occasionally will escalate into a specific piece of audit work for which a new job will be created.
Audit Committee Support	Time taken in the preparation of Audit Committee reports, Audit Committee Member training, general support and development.
Corporate Whistleblowing	General time taken in providing advice and the initial consideration of matters raised. Also includes the review of arrangements.
Corporate Matters	Covering time required to meet corporate requirements, i.e. corporate document management, service business continuity and health and safety.

Table 1A

## Summary Activity

## All Audit Reports

Assurance Opinion	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Substantial	0 (0%)	0 (0%)	1 (14%)	0 (0%)	1 (6%)
Adequate	3 (75%)	2 (100%)	2 (29%)	2 (50%)	9 (53%)
Limited	1 (25%)	0 (0%)	4 (57%)	2 (50%)	7 (41%)
None	0 (0%)	0 (0%)	0 (0%)	0	0 (0%)
<b>TOTAL REPORTS</b>	<b>4</b>	<b>2</b>	<b>7</b>	<b>4</b>	<b>17</b>
Opinion Not Applicable	12	9	13	12	46

## Total Recommendations

Number of Recommendations	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Fundamental	1 (4%)	0 (0%)	2 (5%)	1 (3%)	4 (3%)
Significant	12 (50%)	6 (60%)	19 (45%)	14 (34%)	51 (44%)
Merits Attention	11 (46%)	4 (40%)	21 (50%)	26 (63%)	62 (53%)
<b>TOTAL</b>	<b>24</b>	<b>10</b>	<b>42</b>	<b>41</b>	<b>117</b>

Table 1B

## Recommendations Followed-up by Internal Audit

Quarter 1				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	1	1	0	0
Significant	1	0	0	1
Merits Attention	4	0	0	4
<b>TOTAL</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>5</b>

Quarter 2				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	3	0	2	1
Significant	23	9	10	4
Merits Attention	4	1	3	0
<b>TOTAL</b>	<b>30</b>	<b>10</b>	<b>15</b>	<b>5</b>



Quarter 3				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	1	1	0	0
Significant	17	9	5	3
Merits Attention	7	6	1	0
<b>TOTAL</b>	<b>25</b>	<b>16</b>	<b>6</b>	<b>3</b>

Quarter 4				
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Not yet completed – Revised date agreed
Fundamental	0	0	0	0
Significant	8	5	0	3
Merits Attention	1	1	0	0
<b>TOTAL</b>	<b>9</b>	<b>6</b>	<b>0</b>	<b>3</b>

## Trend Analysis – Fourth Quarter 2016/17

### Assurance Opinions

	2015/16				2016/17				Cumulative	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015/16	2016/17
	%	%	%	%	%	%	%	%	%	%
Substantial	24	0	0	0	0	0	14	0	7	6
Adequate	38	40	43	50	75	100	29	50	41	53
Limited	38	60	57	50	25	0	57	50	52	41
None	0	0	0	0	0	0	0	0	0	0
	100	100	100	100	100	100	100	100	100	100

### Implementation of Recommendations

	2015/16				2016/17				Cumulative	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2015/16	2016/17
	No.	No.	No.	No.	No.	No.	No.	No.	%	%
Completed by target date	7	13	14	3	1	10	16	6	35	47
Completed after target date	5	6	21	15	0	15	6	0	45	30
Not yet completed – revised date agreed	2	2	6	11	5	5	3	3	20	23
Total followed up	14	21	41	29	6	30	25	9	100	100
<b>% Completed by Original Target Date</b>	<b>50%</b>	<b>62%</b>	<b>34%</b>	<b>10%</b>	<b>17%</b>	<b>33%</b>	<b>64%</b>	<b>67%</b>		
<b>% Completed at time of Follow-up</b>	<b>86%</b>	<b>90%</b>	<b>86%</b>	<b>62%</b>	<b>17%</b>	<b>83%</b>	<b>88%</b>	<b>67%</b>		

INTERNAL AUDIT PLAN 2016/17 – Position as at 31<sup>st</sup> March 2017

Directorate	Original 2016/17 Plan	Revised 2016/17 Plan	Actual Days
Communities	50	18	15
People	165	225	240
Place	139	171	188
Public Health	10	2	4
Corporate Services:			
➤ HR, Performance & Communications	122	163	119
➤ Legal & Governance	105	45	20
➤ Finance, Assets & Information Services	430	285	313
Council Wide	265	276	340
Contingency	50	159	0
Berneslai Homes	133	133	133
<b>Sub Total</b>	<b>1,469</b>	<b>1,469</b>	<b>1,372</b>
Corporate Anti-Fraud Unit	581	578	588
<b>Sub Total</b>	<b>2,050</b>	<b>2,050</b>	<b>1,960</b>
<b>External Clients</b>	<b>1,653</b>	<b>1,653</b>	<b>1,383</b>
<b>Total Chargeable Planned Days</b>	<b>3,703</b>	<b>3,703</b>	<b>3,344</b>

## INTERNAL AUDIT PERFORMANCE INDICATORS FOR 2016/17

Ref.	Indicator	Frequency of Report	Target 2016/17	This Period	Year to Date
1.	<b><u>Customer Perspective:</u></b>				
1.1	Percentage of questionnaire received noted “good” or “very good” relating to work concluding with an audit report. (Cumulative 9 very good or good)	Quarterly	95%	100%	100%
2.	<b><u>Business Process Perspective:</u></b>				
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report. (Cumulative 14/17 reports)	Quarterly	80%	100%	82%
2.2	Percentage of chargeable time against total available.	Quarterly	73%	72%	73%
2.3	Average number of days lost through sickness per FTE (Cumulative 45 days in total)	Quarterly	6 days	1 day	3 days
3.	<b><u>Continuous Improvement Perspective:</u></b>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
4.	<b><u>Financial Perspective:</u></b>				
4.1	Total Internal Audit costs v budget.	Quarterly	Within Budget	Within Budget	Within Budget

## Performance Indicator Definitions and Supporting Information

PI Ref	Indicator	Comments
1.1	Percentage of favourable auditee questionnaire responses received (noted “good” or “very good”) relating to work concluding with an audit report.	Questionnaires are left at the end on each audit job resulting in a formal report. The questionnaire asks 14 specific questions covering the effectiveness of audit planning, communication, timing and quality of the audit report. An overall assessment is sought as to the overall value of the audit. This is the answer used for this PI. All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.
2.1	Percentage of final audit reports issued within 10 working days of completion and agreement of the draft audit report.	This is an operational PI to ensure the timely issue of final reports. This PI is influenced by the availability of senior Internal Audit staff to clear the report and any issues the Division’s quality assessment process highlights along with the availability of the auditee.
2.2	Percentage of chargeable time against total available.	A key operational measure of the ‘productivity’ of Audit staff taking into account allowances for administration, general management, training and other absences. This PI will reflect the % chargeable time of staff in post, net of vacancies.
2.3	Average number of days lost through sickness per FTE.	A corporate PI to measure the effectiveness of good absence / attendance management.
3.1	Personal development plans for staff completed within the prescribed timetable.	IA place a high level of importance on staff training and continuous development and are committed to ensure all staff have their own training plans derived from the personal development plan process.
4.1	Total Internal Audit costs v budget.	This is a simple overall measure to note whether the Division’s expenditure for the year has been kept within the budget.

## Appendix 4

### Analysis of Internal Audit Feedback Received in the Fourth Quarter of 2016/17

Number of ticks shown against each question

		Very Good	Good	Acceptable	Poor
<b>A</b>	<b>Audit Planning</b>				
1	Relevance of the audit objectives	1	1	0	0
<b>B</b>	<b>Communication</b>				
1	Consultation on scope and objectives of the audit	1	1	0	0
2	Communication during all aspects of the audit	1	1	0	0
3	Helpfulness co-operation of the auditor(s)	1	1	0	0
4	Professionalism of the auditor(s)	1	1	0	0
5	The auditor(s) demonstrated an appreciation of any relevant issues concerning equality and diversity	1	1	0	0
<b>C</b>	<b>Timing</b>				
1	Duration of the audit	1	1	0	0
2	Timeliness of the audit report	1	1	0	0
<b>D</b>	<b>Quality of the audit report</b>				
1	Format and clarity of audit report	1	1	0	0
2	Accuracy of the findings	1	1	0	0
3	Relevance of recommendations	1	1	0	0
4	Overall quality of the report	1	1	0	0
<b>E</b>	<b>Value of the audit</b>				
1	Basic controls assurance the audit has provided	1	1	0	0
2	Added value given beyond basic controls assurance	1	1	0	0
3	<b>Overall value of the audit</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>
		<b>100%</b>			
	<b>Total Number of 'ticks' (A – E)</b>	<b>15</b>	<b>15</b>	<b>0</b>	<b>0</b>
	<b>Percentage</b>	<b>50%</b>	<b>50%</b>	<b>0%</b>	<b>0%</b>
		<b>100%</b>			

#### Returned Questionnaires:-

Quarter 1	3
Quarter 2	1
Quarter 3	3
Quarter 4	2
<b>Total</b>	<b>9</b>