



AUDIT COMMITTEE – 6th November 2013

INTERNAL AUDIT QUARTERLY REPORT 2013/14
QUARTER ENDED 30th SEPTEMBER 2013

Executive Summary

1. Reports issued during the period covered a range of services and systems. All the audit reports contained a positive assurance opinion and no fundamental report recommendations were issued. The control weaknesses highlighted are not collectively sufficiently serious to jeopardise the overall assurance opinion (para 4.1 / 4.2).
2. Of the 26 recommendations followed-up, 19 (73%) had been implemented by the original agreed date. This compares with 56% in the previous quarter. Of the remaining 7, 4 (15%) had been implemented after the original target date, 3 (12%) after the revised target date. (Para 4.5 / 4.6)

The analysis of audit report recommendations identified a total of 6 recommendations which had been outstanding for longer than 6 months, 5 categorised as significant and 1 fundamental. For each of these recommendations Internal Audit is satisfied that sufficient management attention is being given to address the agreed actions / recommendations. (Para 4.7)

3. A number of matters requiring investigation are still in progress. Any control issues identified by Internal Audit have been highlighted for management attention (section 5).
4. The internal control assurance opinion remains adequate based upon the results of the work undertaken during the quarter (para. 6.1).
5. There is a slight shortfall of days against the overall plan which is attributable to higher profile of leave. (Para. 7.6 and Appendix 2).
6. Divisional quarterly performance is satisfactory with only the discussion / issue of draft reports performance indicator being slightly below target. (para. 8.2 and Appendix 3).

AUDIT COMMITTEE – 6TH NOVEMBER 2013

**INTERNAL AUDIT QUARTERLY REPORT 2013/14
QUARTER ENDED 30TH SEPTEMBER 2013**

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 to the end of September 2013, being the second quarter of the 2013/14 audit year. 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 quarter and incorporating, where appropriate, management's response to recommendations made (section 4 and Appendix 1);
- ii. Matters that have required investigation (section 5);
- iii. An opinion on the ongoing overall assurance Internal Audit are 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 to the end of the second quarter of 2013/14 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 the completed Internal Audit work in the second quarter 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 September 2013 of the 2013/14 audit year;**
- iii. note the progress against the Internal Audit plan for 2013/14 for the period to the end of September 2013; and**
- iv. consider the performance of the Internal Audit Division for the second 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 environment of the Authority. That assurance is provided through planned work and responding to urgent matters and changes in priority and focus. 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 new 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 Head of the Internal Audit function is the Assistant Executive Director of Finance (Audit and Risk Management). The appropriate member body is the Audit Committee.

4. Key Issues Arising From Internal Audit Work in the Quarter Ended 30th September 2013

- 4.1 The key reports issued during the second quarter have covered a range of services. Reports issued included a positive assurance opinion and no fundamental recommendations have been made.
- 4.2 It should be noted, that in the process of agreeing a final report, operational managers respond to specific recommendations by identifying relevant actions, and agreeing responsible managers and timescales. The formal response required within two months is from a more senior manager (often an Executive or Assistant Director) to acknowledge that they are aware of the report and commit to seeing that the recommendations will be implemented. At the time of writing the report, one response due remained outstanding.
- 4.3 In order to address some of the recurring themes within school audit reports, a representative from Internal Audit has continued to attend the monthly School Bursar / Finance Officer meetings. Feedback continues to be positive.

Follow-Up of Report Recommendations

- 4.4 The following protocol has been applied to the follow-up of recommendations in audit reports issued from the 1st April 2009:
- 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.

4.5 Table 1A at the end of Appendix 1 of the report identifies the total number of reports analysed by the assurance opinion given and the total number of recommendations made.

Table 1B shows the cumulative number of recommendations that require follow-up.

Table 1C shows the number of recommendations followed-up in the quarter. Of the 26 recommendations followed-up, 19 (73%) had been implemented by the original agreed date. This compares with 56% in the previous quarter. Of the remaining 7, 4 (15%) had been implemented after the original target date, 3 (12%) after the revised target date.

All recommendations followed up have been implemented. However, there are 8 recommendations where evidence / confirmation is due from management.

4.6 The percentage of recommendations implemented by the original agreed date has improved when compared against the previous quarter. Internal Audit continues to get very good co-operation from management and as such is able to closely monitor any implications that may arise from a delay in implementation. However, it should be acknowledged that Internal Audit is finding that management generally are under increasing pressure and are having to prioritise their efforts. In some cases this is meaning that the implementation dates originally set have to be reviewed and put back. Internal Audit is working closely with management to monitor this situation and will report to the Audit Committee should any concerns be raised because of any change of implementation date.

4.7 Recommendations Outstanding Longer than 6 Months:

At the request of the Audit Committee, Internal Audit have analysed all audit report recommendations in order to identify those which have been outstanding for longer than 6 months from the original implementation date. The analysis identified a total of 6 recommendations which fell into this category, 5 categorised as significant and 1 fundamental recommendation. For each of these recommendations Internal Audit is satisfied that sufficient management attention is being given to address the agreed actions / recommendations. Internal Audit will continue to monitor these closely taking into account the factors referred to in paragraph 4.6 above.

5. Matters that have required Investigation

5.1 The workload position for this aspect of work is as follows :-

Jobs brought forward from previous quarter	4
New jobs received during the quarter	5
Less completed jobs during the quarter	(2)
Jobs carried forward to Quarter 3	7

- 5.2 Both of the completed investigations did not provide any evidence to support the allegations.
- 5.3 A financial irregularity involving a former employee has been referred to South Yorkshire Police for criminal investigation. This investigation is categorised 'ongoing' until the results of their investigation have been received.
- 5.4 One case remains with Internal Audit.
- 5.5 Departmental management continue to undertake their own investigations with Internal Audit providing an advisory/supervising role. Five of the remaining ongoing cases remain with management.
- 5.6 Details of all cases/matters will be given as they are resolved.

General Points to Note in Respect of Investigations and Fraud Prevention Work

- 5.7 In all cases recommendations are made to the departments concerned to address weaknesses where irregularities have occurred.
- 5.8 Internal Audit cannot report in detail on any ongoing investigation or where disciplinary proceedings have not been completed, as to disclose this information could prejudice the outcome of this work. Details are provided, as above, as cases are finalised. It should also be noted that where issues are investigated and found not to warrant disciplinary action or referral to the Police, details are not publicised.
- 5.9 The majority of investigations / irregularities involve administrative errors, omissions or anomalies, whilst others represent opportunistic minor thefts and small-scale frauds. However, the Police are informed as a matter of routine where a theft is suspected.

6. Assistant Executive Director of Finance's Internal Control Assurance Opinion

- 6.1 As stated in the annual report, the core financial systems are an important factor in the overall assurance opinion. With that position in mind, plus the results of the other audits reported in the second quarter, an **adequate** assurance opinion is felt appropriate.
- 6.2 Where control deficiencies 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.
- 6.3 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.
- 6.4 The assurance opinion is supported by the knowledge that the underlying framework of financial and other controls, encompassing the Authority'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.

- 6.5 As a result of the impact of the significant savings and service changes aimed at meeting budget savings targets, it should be noted that the risk of controls being ignored or removed may result in weaknesses being identified.

7. Internal Audit Plan 2013/14 - Progress to the end of September 2013

- 7.1 Internal Audit utilise a risk-based approach to planning and delivering its work. This approach seeks to ensure that the key risks facing the Authority are 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 for the second quarter of the year, analysed by Directorate / Department.
- 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. More recently, there has been a notable increase in the number of these adjustments which is indicative of the rapidly changing control and organisational environment. Details of adjustments in respect of deleted and unplanned audit work, as agreed in conjunction with management are as follows:-

Directorate	Audit Assignment Title	Deleted / Deferred / Unplanned
Development, Environment & Culture	Grant Audits: Local Sustainable Transport Fund x 2; Safer Roads Partnership; Better Bus Area Fund; Cluster of Empty Homes	Deleted (no requirement for audit certification)
Development, Environment & Culture	Impact of Cash Office Closures	Deleted (no longer required by management)
Development, Environment & Culture	Renewal of PRIP	Unplanned (transferred from BH as council now lead)
Adults & Communities	Library System	Deferred (until 2014/15)
Adults & Communities	Safeguarding - Supervision Review	Unplanned (at the request of management)
Children, Young People & Families	Newsome Avenue Childrens Home	Unplanned (reserve audit brought forward)
Finance, Property and Information Services	Early Payment Scheme / Purchase to Pay Process	Unplanned (at the request of management)
Finance, Property and Information Services	SAP User Roles / Profiles	Unplanned (at the request of management)
Finance, Property and Information Services	Elsecar Heritage Centre - Procurement	Unplanned (at the request of management)
Finance, Property and Information Services	Childrens System (Tribal) - Procurement Process	Unplanned (at the request of management)

7.6 The position at the end of the second quarter for Audit days shows a minor shortfall of 53 days which relates to a higher profile of annual and statutory leave.

8. Internal Audit Performance

8.1 The key on-going measures of Internal Audit performance are the level of client satisfaction and the External Auditor's ability to rely on Internal Audit's work. In addition to these measures, the Division uses a range of performance indicators to monitor operational efficiency. A list of the performance indicators (PIs) for 2013/14 is attached at Appendix 3.

8.2 The performance indicators for the second quarter are positive with actual performance exceeding the target in most cases. The issue and discussion of draft reports indicator is slightly less than target which has been mainly due to delays obtaining details required to finalise the audit report.

8.3 The analysis of the more detailed feedback received following each audit job is shown in Appendix 4. For the second quarter of the year, 4 feedback sheets have been received which have all been denoted as either 'very good' or 'good'.

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 and/or Assistant 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 2013/14 – Position as at 30th September 2013
- Appendix 3 - Internal Audit Performance Indicators for the Quarter Ended 30th September 2013
- Appendix 4 - Analysis of Internal Audit feedback in the second quarter of 2013/14

17. Background Papers

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

Officer Contact: Assistant Executive Director of Finance (Audit & Risk Management)

Telephone No: 01226 773241

Date: 25th October 2013

A: Completed Audits / Final Reports Issued During the Quarter Ending 30th September 2013

Appendix 1

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

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Response received Y / N	Satisfactory response Y / N	Other Action
Development, Environment & Culture: SYMAS – Smaller Relevant Bodies Annual Return	The audit did not identify any significant issues.	Substantial	F - 0 S - 0 MA - 2	12.06.13	Y	Y	None
Development, Environment & Culture: Cash Accountability: Crematorium	Payments are only accepted in the form of cheque or cash at the office. This does not conform with the Authority's 'cashless' policy.	Adequate	F - 0 S - 1 MA - 5	07.10.13	Not Yet Due	Not Yet Due	To follow up the significant recommendations
Development, Environment & Culture: Cash Accountability: Elsecar Heritage	The audit identified that income is not always banked promptly.	Adequate	F - 0 S - 2 MA - 4	07.10.13	Not Yet Due	Not Yet Due	To follow up the significant recommendations
CYP&F: Horizon Community College	The key issues related to compliance with the Information Security Computer Policy and the absence of a Risk Register. Cash income in respect of events held within the Theatre was not reconciled to the income received due to the lack of records.	Adequate	F - 0 S - 4 MA - 10	26.07.13	Y	Y	To follow up the significant recommendations
CYP&F: Holy Trinity ALC	The key issues related to the ordering and payment processes within the school. In addition, a the Terms of Reference for both the Governing Body and the Staffing Committee did not clearly state who is responsible for approving appointments, terminations or promotions.	Adequate	F - 0 S - 3 MA - 17	16.08.13	Y	Y	To follow up the significant recommendations
Corporate Services: Internal Audit: Corporate Risk Management	The key issue related to the level of feedback provided to Officers arising from the review of Cabinet reports and Operational risk registers. This adversely impacts on the effectiveness of the lessons learnt when preparing future Cabinet reports and maintaining the operational risk registers.	Adequate	F - 0 S - 1 MA - 6	30.08.13	Y	Y	To follow up the significant report recommendation

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Response received Y / N	Satisfactory response Y / N	Other Action
Corporate Services: SAP / Civica Security	The Corporate Information Security & Computer Usage Policy was published in December 2008 with no subsequent formal review. Albeit the Information Security Assurance Group has commenced a review of the Policy, the timescales have been impacted by resourcing constraints. Consequently, the Policy may not reflect the current ICT governance requirements and related processes.	Adequate	F - 0 S - 3 MA - 3	28.06.13	Yes	Yes	To follow up the report recommendations
Corporate Services: Third Party Access to Data / Network	The audit identified that assurance is not always obtained to confirm that the third party complies with the terms and conditions of the Information Security and Computer Usage Policy - Data Handling Requirements for Suppliers, prior to access being provided.	Adequate	F - 0 S - 2 MA - 4	07.06.13	No	N/A	To follow up the significant recommendations Report response followed up on the 25.10.13
Corporate Services: Performance & Partnerships: Data Quality	A joint piece of work was undertaken with Performance and Partnerships to examine and test the data quality arrangements regarding performance reporting against the priorities within the Council's Corporate Plan.	N/A	N/A	N/A	N/A	N/A	N/A
Legal Services: Contract Standing Order Review	Provided advice during the review and update of new Contract Procedure Rules.	N/A	N/A	N/A	N/A	N/A	N/A
Property & Procurement: Area Based Commissioning & Procurement	Provided advice, support and guidance to draft toolkit/flowcharts and assisted in an all members seminar.	N/A	N/A	N/A	N/A	N/A	N/A
Public Health: Contract Management	Provided assurance on an advisory basis re their Contract Management arrangements.	N/A	N/A	N/A	N/A	N/A	N/A
Berneslai Homes: Governance Review	The details of the report have been reported to the Berneslai Homes Audit Committee on the 13 th October 2013.	N/A	N/A	N/A	N/A	N/A	N/A
Berneslai Homes: Quality Management	The details of the report have been reported to the Berneslai Homes Audit Committee on the 13 th October 2013.	N/A	N/A	N/A	N/A	N/A	N/A

Service / Directorate / Audit Title	Key Issues	Assurance Opinion	No. of Recs.	Date Report Issued	Response received Y / N	Satisfactory response Y / N	Other Action
System							
Barneslai Homes: Budget Monitoring Management Fee	The details of the report have been reported to the Barneslai Homes Audit Committee on the 13 th October 2013.	N/A	N/A	N/A	N/A	N/A	N/A
Barneslai Homes: Absence Management System	The details of the report have been reported to the Barneslai Homes Audit Committee on the 13 th October 2013.	N/A	N/A	N/A	N/A	N/A	N/A
Final Accounts	A total of 6 final accounts submitted by NPS Barnsley have been audited and returned in order for the final certificates to be issued or with queries that need to be resolved.	N/A	N/A	N/A	N/A	N/A	N/A

Table 1A

Summary Activity

All Audit Reports

Assurance Opinion	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Substantial	6 (43%)	1 (12%)			7 (32%)
Adequate	7 (50%)	7 (88%)			14 (64%)
Limited	1 (7%)	0 (0%)			1 (4%)
None	0 (0%)	0 (0%)			0 (0%)
TOTAL REPORTS	14	8			22
Opinion Not Applicable	2	9			11

Total Recommendations

Number of Recommendations	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Fundamental	1 (1%)	0			1 (1%)
Significant	24 (35%)	16 (24%)			40 (29%)
Merits Attention	44 (64%)	51 (76%)			95 (70%)
TOTAL	69	67			136

Table 1B

Number of Recommendations due for Follow-up

Number of Recs.	Quarter 1 *	Quarter 2	Quarter 3	Quarter 4
Fundamental	2	2		
Significant	19	17		
Merits Attention	12	15		
TOTAL	33	34		

* including those carried forward from previous quarters in 2012/13

Table 1C

Recommendations Followed-up by Internal Audit

Recommendation Classification	Quarter 1						Not Yet Completed – Revised future date agreed
	Followed-up	Completed by due date	Completed after target date	Completed by revised target date	Completed after revised target date	Completed after revised target date	
Fundamental	0	0	0	0	0	0	0
Significant	15	6	7	1	1	1	0
Merits Attention	12	9	2	1	0	0	0
TOTAL	27	15	9	2	1	1	0

Recommendation Classification	Quarter 2						Not Yet Completed – Revised future date agreed
	Followed-up	Completed by due date	Completed after target date	Completed by revised target date	Completed after revised target date	Completed after revised target date	
Fundamental	0	0	0	0	0	0	0
Significant	11	8	3	0	0	0	0
Merits Attention	15	11	1	0	3	0	0
TOTAL	26	19	4	0	3	3	0

Trend Analysis – Second Quarter 2013/14

Assurance Opinions

	2012/13				2013/14				Cumulative	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2012/13	2013/14
	%	%	%	%	%	%	%	%	%	%
Substantial	40	36	40	50	43	12			41	32
Adequate	50	55	20	17	50	88			41	64
Limited	10	9	40	33	7	0			18	4
None	0	0	0	0	0	0			0	0
	100	100	100	100	100	100	100	100	100	100

Implementation of Recommendations

	2012/13				2013/14			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	No.	No.	No.	No.	No.	No.	No.	No.
Completed by target date	22	12	13	2	15	19		
Completed after target date	7	5	9	4	9	4		
Completed by revised target date	10	5	7	5	2	0		
Completed after revised target date	0	0	0	0	1	3		
Not yet completed—Revised date agreed	0	1	4	1	0	0		
Total followed up	39	23	33	12	27	26		
% Completed by Due Date	56%	52%	40%	17%	56%	73%		

INTERNAL AUDIT PLAN 2013/14 – Position as at 30th September 2013

Directorate	Original 2013/14 Plan	Revised 2013/14 Plan	Actual Days
Adults and Communities	131	126	52
Corporate Services:			
➤ HR, Performance & Partnerships & Communications	97	145	56
➤ Legal & Governance	50	46	24
➤ Finance, Property & Information Services	742	776	377
Children, Young People & Family Services	150	174	119
Development, Environment & Culture	173	137	88
Public Health	22	24	2
Council Wide	269	257	141
Contingency	250	179	0
Berneslai Homes	133	133	64
South Yorkshire Joint Secretariat	40	60	52
Total Internal Audit	2,057	2,057	975

Quarterly profile
Variance to date

1,028 Days
53 Days

Plus Corporate Governance Support	124	124	100
Total Chargeable Planned Days	2,181	2,181	1,075

INTERNAL AUDIT PERFORMANCE INDICATORS FOR 2013/14

Ref.	Indicator	Frequency of Report	Target 2012/13	This Period	Year to Date
1.	<u>Customer Perspective:</u>				
1.1	Percentage of favourable auditee questionnaire responses received (noted "good" or "very good") relating to work concluding with an audit report. (4 good, none acceptable or poor)	Quarterly	95%	100%	100%
1.2	Percentage of favourable auditee questionnaire responses received (noted "good" or "very good") relating to the provision of advice, special investigations, support to steering groups and project boards.	Annual	95%	N/A	N/A
1.3	The number of questionnaire responses received from auditees noted as "poor" followed up with the respondent within three months of receiving the completed questionnaire.	Quarterly	100%	N/A	N/A
1.4	External Auditors able to place reliance on Internal Audit work.	Annual	Yes	Yes	Yes
2.	<u>Business Process Perspective:</u>				
2.1	Percentage of draft audit reports issued and discussed within 20 working days of completion of audit work. (Cumulative 19/22)	Quarterly	95%	88%	86%
2.2	Percentage of final audit reports issued within a further 15 working days of completion and agreement of the draft audit report. (Cumulative 21/22)	Quarterly	80%	88%	95%
2.2a	Percentage of final audit reports issued more than 15 working days after completion and agreement of the draft audit report where delays have occurred due to the auditee (1/1).	Quarterly	N/A	100%	100%

Appendix 3

Ref.	Indicator	Frequency of Report	Target 2012/13	This Period	Year to Date
2.2b	Average cumulative number of days taken to issue final audit reports.	Quarterly	< 15 days	Yes (8 days)	Yes (8 days)
2.3	Percentage of chargeable time against total available.	Quarterly	68%	68%	69%
2.4	Percentage of planned audit reports completed against the actual number of reports completed.	Annual	75%	N/A	N/A
2.5	Average number of days lost through sickness per FTE (Cumulative 16 days)	Quarterly	6 days	1	1
3.	<u>Continuous Improvement Perspective:</u>				
3.1	Personal development plans for staff completed within the prescribed timetable.	Annual	100%	100%	100%
3.2	Number of training days delivered against the training budget.	Annual	92 Days	24 Days	40 Days
4.	<u>Financial Perspective:</u>				
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 of 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.
1.2	Percentage of favourable auditee questionnaire responses received (noted "good" or "very good") relating to the provision of advice, special investigations, support to steering groups and project boards.	This is performance indicator is based on obtaining feedback on the effectiveness of Internal Audit's input to the provision of advice, special investigations, and support to steering groups and project boards. Feedback is obtained on an annual basis from relevant Assistant Directors. The questionnaire responses will be analysed in detail to ensure all aspects of the audit process are monitored and improved.
1.3	The number of questionnaire responses received from auditees noted as "poor" followed up with the respondent within three months of receiving the completed questionnaire.	Although a minimal number of questionnaires have previously been returned with a 'poor' assessment, the Division is committed to respond to discuss with the client any issues should they arise.
1.4	External Auditors able to place reliance on Internal Audit work.	This is a key measure of Internal Audit's overall professional standards as assessed by an independent scrutineer against statutory guidance and standards. The implication of this 'yes' is that External Audit undertake less work themselves. This reduces the external audit fee.
2.1	Percentage of draft audit reports issued and discussed within 20 working days of completion of audit work.	This is an operational PI to ensure the timely issue of draft reports following the completion of audit work 'on-site'. Many audits involve a considerable amount of information and analysis and so can take up to the 20 days to prepare a draft report. This PI is also influenced by the availability of client staff.
2.2	Percentage of final audit reports issued within a further 15 working days of completion and agreement of the draft audit report where delays have not occurred due to the auditee.	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.
2.2a	Percentage of final audit reports issued more than 15	As the timeliness of the issue of the final audit report may be adversely affected by the availability of

Appendix 3

PI Ref	Indicator	Comments
	working days of completion and agreement of the draft audit report where delays have occurred due to the auditee.	the auditee, this performance indicator aims to measure the extent to which delays in the issue of final audit reports have been attributable to delays caused by client staff.
2.2b	Average cumulative number of days taken to issue final audit reports.	This performance indicator aims to measure the overall average number of days taken to issue final audit reports to clients.
2.3	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.
2.4	Percentage of planned audit reports completed against the actual number of reports completed.	This PI shows the % of planned audit reports to be completed against the actual number of audit reports completed. This measure is a useful guide to assess the relevance of the original plan and a useful measure of audit effectiveness in terms of the timely issue of audit reports.
2.5	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.	Internal Audit 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.
3.2	Number of training days delivered against the training budget.	A measure to determine whether the training budget is sufficient to meet the training needs of staff and a measure of whether training plans are being fulfilled. Target assumes an equal quarterly uptake of training.
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.

Staff Numbers -- Internal Audit Service (Excluding AD Finance - A & RM)

Number of Full Time Equivalents 13
Number of Employees 14

Analysis of Internal Audit Feedback Received in the Second Quarter of 2013/14

Number ticks shown against each 'score' given

		Very Good	Good	Acceptable	Poor
A	Audit Planning				
1	Relevance of the audit objectives	7(6)	4 (1)	0 (0)	0 (0)
B	Communication				
1	Consultation on scope and objectives of the audit	6 (6)	4 (1)	0 (0)	0 (0)
2	Communication during all aspects of the audit	8 (6)	3 (1)	0 (0)	0 (0)
3	Helpfulness co-operation of the auditor(s)	8 (6)	3 (1)	0 (0)	0 (0)
4	Professionalism of the auditor(s)	8 (6)	3 (1)	0 (0)	0 (0)
5	The auditor(s) demonstrated an appreciation of any relevant issues concerning equality and diversity	3 (2)	5 (3)	0 (0)	0 (0)
C	Timing				
1	Duration of the audit	6 (5)	5 (2)	0 (0)	0 (0)
2	Timeliness of the audit report	7 (5)	3 (1)	0 (0)	0 (0)
D	Quality of the audit report				
1	Format and clarity of audit report	7 (5)	3 (1)	0 (0)	0 (0)
2	Accuracy of the findings	7 (3)	5 (3)	0 (0)	0 (0)
3	Relevance of recommendations	5 (3)	5 (3)	0 (0)	0 (0)
4	Overall quality of the report	7 (5)	3 (1)	0 (0)	0 (0)
E	Value of the audit				
1	Basic controls assurance the audit has provided	5 (4)	6 (3)	0 (0)	0 (0)
2	Added value given beyond basic controls assurance	4 (4)	6 (2)	0 (0)	0 (0)
3	Overall value of the audit	6 (6)	5 (1)	0 (0)	0 (0)
		86	14	0	0
		100%			
	Total Number of 'ticks' (A – E)	94	63	0	0
	Percentage	60	40	0	0
		100%			

Returned Questionnaires:-

Quarter 1	4
Quarter 2	7
Quarter 3	
Quarter 4	
Total	11

Auditee Comments (where given) :- (received in the quarter)

Very happy with Audit overall - (Name of Auditor) was able to identify what was needed at early course, and once in possession of correct files / evidence was able to undertake audit with little input on my / our day - to day activities. (Name of Auditor) acted in a helpful, professional and pragmatic manner.

As usual IA's approach to the evaluation of our governance self assessment has been very thorough and will form part of our evidence within our automatic contract renewal mechanism with the Council.

The audit team were very helpful in providing advice appropriate to the school environment, and were understanding of the issues that combining 3 schools created in our first year of operation. Having the interim report provided during the school holidays enabled us to form our responses and prepare documentation ready for the new academic year.

It was very evident that the Auditor had knowledge and experience in the field of quality management systems. The audit was carried out in a very professional manner with positive findings and observations. The objective of the audit was met and very helpful to me and my colleague in making improvements to our working practices and quality management systems.

We both found the findings of the audit valuable and have learnt from the Audit.
