



AUDIT COMMITTEE – 30th April 2014

**INTERNAL AUDIT QUARTERLY REPORT 2013/14
QUARTER ENDED 31st MARCH 2014**

Executive Summary

1. Reports issued during the quarter did not include any fundamental recommendations. The control weaknesses highlighted within the reports issued are not collectively sufficiently serious to jeopardise the overall positive assurance opinion (Para 4.1 / Appendix 1).
2. Of the 13 recommendations followed-up, 11 (84%) had been implemented by the original agreed date. This compares with 64% in the previous quarter. Of the remaining two, one (8%) had been implemented by the revised target date and one (8%) after the revised target date. (Para 4.5)
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. The Head of Internal Audit's annual report to the Audit Committee on 11th June will provide an overall assurance opinion based on the work across the whole 2013/14 year and include the results of all the core financial systems reviews.
6. There is a slight shortfall of days against the overall plan which is attributable to the time required to deal with the integration of the Joint Secretariat Internal Audit service and the re-location of the Internal Audit office. (Para.7.6 and Appendix 2)
7. Divisional quarterly performance is satisfactory with only the issue of draft reports performance indicator and the number of training days being slightly less than target. (Para. 8.2 and Appendix 3)

Report of the Head of Internal Audit & Risk Management

AUDIT COMMITTEE – 30TH APRIL 2014

INTERNAL AUDIT QUARTERLY REPORT 2013/14 QUARTER ENDED 31ST MARCH 2014

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 March 2014, being the fourth 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 fourth 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 completed Internal Audit work in the fourth 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 March 2014 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 March 2014; and**
 - iv. **consider the performance of the Internal Audit Division for the fourth 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 appropriate member body is the Audit Committee.

4. Key Issues Arising From Internal Audit Work in the Quarter Ended 31st March 2014

- 4.1 Reports issued during the quarter did not include any fundamental recommendations. The number of final audit reports issued during the quarter is relatively low due to the focus of audit work being on completing the main financial system audits, which is typical for this time of the financial year.
- 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. A reminder has been issued in respect of the one outstanding report response.
- 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 13 recommendations followed-up, 11 (84%) had been implemented by the original agreed date. This compares with 64% in the previous quarter. Of the remaining two, one (8%) had been implemented by the revised target date and one (8%) after the revised target date.

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

4.6 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 Six Months:

At the Audit Committee meeting held on the 22nd January 2014, it was confirmed that an update would be provided in respect of the one recommendation which had been outstanding for longer than six months from the original implementation date. This recommendation had an implementation date of the 20th April 2014 which has been revised to the 30th September 2014. Management have confirmed that the Empty Homes Strategy is likely to be prepared by the due date i.e. 30th April 2014. However, final approval of the Strategy is not likely to be obtained until the end of September 2014 and hence the revised implementation date.

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	11
New jobs received during the quarter	2
Less completed jobs during the quarter	(5)
Jobs carried forward to Quarter 1	8

5.2 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.

- 5.3 One case remains with Internal Audit.
- 5.4 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.
- 5.5 Details of all cases/matters will be given as they are resolved.

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

- 5.6 In all cases recommendations are made to the departments concerned to address weaknesses where irregularities have occurred.
- 5.7 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.
- 5.8 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 fourth 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.

6.6 The Head of Internal Audit's annual report to the Audit Committee on 11th June will provide an overall assurance opinion based upon the work undertaken across the whole 2013/14 audit year including the results of all the core financial system reviews.

7. Internal Audit Plan 2013/14 - Progress to the end of March 2014

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 fourth 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, deferred and unplanned audit work, as agreed in conjunction with management are as follows:-

Directorate	Audit Assignment Title	Deleted / Deferred / Unplanned
Development, Environment & Culture	Dearne Playhouse	Unplanned (at the request of management)
Children Young People and Families	Safer Recruitment	Unplanned (at the request of management)
Adults & Communities	Delivery of Social Care	Deferred (Until 2014/15 as required by management)

Directorate	Audit Assignment Title	Deleted / Deferred / Unplanned
Corporate Services: Finance, Property & Information Services	Information Governance Framework review	Deferred (Until 2014/15 as required by management)
Corporate Services: Legal & Governance	Area Councils / Future Governance Arrangements	Deferred (Until 2014/15 as required by management)
Corporate Services: HR, Performance & Communications	Delivery of KLoEs	Deferred (Until 2014/15 as required by management)
Corporate Services: HR, Performance & Communications	Performance Management	Deleted (no longer required by management)

7.6 The position at the end of the fourth quarter for Audit days shows a slight shortfall of 49 days. This is attributable in the main to the time required to deal with the merging of the service with the Joint Secretariat Internal Audit service and the relocation of the Internal Audit office.

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 fourth quarter are positive with actual performance exceeding the target in most cases. The issue of draft reports indicator is slightly less than target which has been mainly due to delays obtaining details required to finalise the audit report. The number of actual days allocated to training is slightly less than target due to a slight delay in the implementation of the professional training programme.

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, four 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 31st March 2014
Appendix 3 - Internal Audit Performance Indicators for the Quarter Ended 31st March 2014

Appendix 4 - Analysis of Internal Audit feedback in the fourth quarter of 2013/14
Appendix 5 - Outstanding Audit Report Recommendation

17. Background Papers

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

Officer Contact: Head of Internal Audit & Risk Management

Telephone No: 01226 773241

Date: 16th April 2014

A: Completed Audits / Final Reports Issued During the Quarter Ending 31st March 2014

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
Corporate Services: Human Resources, Performance & Communications - Agency Workers	Access issues were identified in that there is no requirement for staff to obtain approval from a line manager prior to gaining access to the Matrix system. In addition, the Procurement team are not always notified when employees leave the Authority and therefore are unable to disable active accounts in a timely manner.	Adequate	F - 0 S - 3 MA - 4	22.01.14	N	N/A	To follow up the significant recommendations Reminder issued on the 10.04.14 regarding the outstanding report response.
Public Health: Absence Management Arrangements	Issues were raised in respect the completeness of absence management documentation along with the accuracy and timeliness of submission of the required documentation as per the 'Managing and Supporting Attendance at Work' Policy.	Limited	F - 0 S - 3 MA - 3	31.03.14	Not Yet Due	Not Yet Due	To follow up the significant recommendations
Corporate Services: Finance, Property & IS: Main Accounting	The audit did not identify any issues.	Substantial	F - 0 S - 0 MA - 0	07.04.14	Not Yet Due	Not Yet Due	None
Corporate Services: Premier Supplier Programme	Advice and attendance at Project Group meetings, during the establishment and implementation of the Premier Supplier Programme.	N/A	N/A	N/A	N/A	N/A	N/A
Public Health: Strategic Commissioning Support Unit	Advice and attendance at the Project Group meetings, during the review of commissioning and future arrangements (Future Council).	N/A	N/A	N/A	N/A	N/A	N/A
Barneslai Homes: Housing Rents	The details of the report will be reported to the Barneslai Homes Audit Committee on the 12th June 2014.	N/A	N/A	N/A	N/A	N/A	N/A
Final Accounts	A total of 30 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%)	0 (0%)	1 (34%)	8 (25%)
Adequate	7 (50%)	7 (88%)	5 (71%)	1 (33%)	20 (63%)
Limited	1 (7%)	0 (0%)	2 (29%)	1 (33%)	4 (12%)
None	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
TOTAL REPORTS	14	8	7	3	32
Opinion Not Applicable	2	9	6	4	21

Total Recommendations

Number of Recommendations	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Cumulative
Fundamental	1 (1%)	0 (0%)	2 (4%)	0 (0%)	3 (1%)
Significant	24 (35%)	16 (24%)	13 (28%)	6 (46%)	59 (30%)
Merits Attention	44 (64%)	51 (76%)	32 (68%)	7 (54%)	134 (69%)
TOTAL	69	67	47	13	196

Table 1B

Number of Recommendations due for Follow-up

Number of Recs.	Quarter 1 *	Quarter 2	Quarter 3	Quarter 4
Fundamental	2	2	2	0
Significant	19	17	14	19
Merits Attention	12	15	0	0
TOTAL	33	34	16	19

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

Table 1C

Recommendations Followed-up by Internal Audit

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

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

Quarter 3						
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Completed by revised target date	Completed after revised target date	Not Yet Completed – Revised future date agreed
Fundamental	0	0	0	0	0	0
Significant	11	7	0	1	3	0
Merits Attention	0	0	0	0	0	0
TOTAL	11	7	0	1	3	0

Quarter 4						
Recommendation Classification	Followed-up	Completed by due date	Completed after target date	Completed by revised target date	Completed after revised target date	Not Yet Completed – Revised future date agreed
Fundamental	0	0	0	0	0	0
Significant	13	11	0	1	1	0
Merits Attention	0	0	0	0	0	0
TOTAL	13	11	0	1	1	0

Trend Analysis – Fourth Quarter 2013/14

Assurance Opinions

	2012/13			
	Q1	Q2	Q3	Q4
	%	%	%	%
Substantial	40	36	40	50
Adequate	50	55	20	17
Limited	10	9	40	33
None	0	0	0	0
	100	100	100	100

	2013/14			
	Q1	Q2	Q3	Q4
	%	%	%	%
	43	12	0	34
	50	88	71	33
	7	0	29	33
	0	0	0	0
	100	100	100	100

	Cumulative	
	2012/13	2013/14
	%	%
	41	25
	41	63
	18	12
	0	0
	100	100

	2012/13			
	Q1	Q2	Q3	Q4
	No.	No.	No.	No.
Completed by target date	22	12	13	2
Completed after target date	7	5	9	4
Completed by revised target date	10	5	7	5
Completed after revised target date	0	0	0	0
Not yet completed—Revised date agreed	0	1	4	1
Total followed up	39	23	33	12

Implementation of Recommendations

	2012/13			
	Q1	Q2	Q3	Q4
	No.	No.	No.	No.
Completed by target date	15	19	7	11
Completed after target date	9	4	0	0
Completed by revised target date	2	0	1	1
Completed after revised target date	1	3	3	1
Not yet completed—Revised date agreed	0	0	0	0
Total followed up	27	26	11	13

	2013/14			
	Q1	Q2	Q3	Q4
	No.	No.	No.	No.
Completed by target date	56%	73%	64%	84%

	2012/13			
	Q1	Q2	Q3	Q4
	No.	No.	No.	No.
Completed by target date	22	12	13	2
Completed after target date	7	5	9	4
Completed by revised target date	10	5	7	5
Completed after revised target date	0	0	0	0
Not yet completed—Revised date agreed	0	1	4	1
Total followed up	39	23	33	12

% Completed by Due Date	56%	52%	40%	17%
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% Completed by Due Date	56%	73%	64%	84%
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INTERNAL AUDIT PLAN 2013/14 – Position as at 31st March 2014

Directorate	Original 2013/14 Plan	Revised 2013/14 Plan	Actual Days
Adults and Communities	131	106	125
Corporate Services:			
➤ HR, Performance & Partnerships & Communications	97	102	83
➤ Legal & Governance	50	45	41
➤ Finance, Property & Information Services	742	882	830
Children, Young People & Family Services	150	199	185
Development, Environment & Culture	173	156	142
Public Health	22	26	30
Council Wide	269	319	344
Contingency	250	21	0
Berneslai Homes	133	133	122
South Yorkshire Joint Secretariat	40	68	106
Total Internal Audit	2,057	2,057	2,008

Quarterly profile
Variance to date

2,057 Days
-49 Days

Plus Corporate Governance Support	124	124	156
Total Chargeable Planned Days	2,181	2,181	2,164

INTERNAL AUDIT PERFORMANCE INDICATORS FOR 2013/14

Ref.	Indicator	Frequency of Report	Target 2013/14	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 very good, 1 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 27/32)	Quarterly	95%	100%	84%
2.2	Percentage of final audit reports issued within a further 15 working days of completion and agreement of the draft audit report. (Cumulative 31/32)	Quarterly	80%	100%	97%
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 2013/14	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 (7 days)
2.3	Percentage of chargeable time against total available.	Quarterly	68%	69%	68%
2.4	Percentage of planned audit reports completed against the actual number of reports completed.	Annual	75%	100%	100%
2.5	Average number of days lost through sickness per FTE (Cumulative 69 days)	Quarterly	6 days	1	6
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	23 Days	84 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.	<p>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.</p> <p>All questionnaires are analysed in detail to ensure all aspects of the audit process are monitored and improved.</p>
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.	<p>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.</p> <p>The questionnaire responses will be analysed in detail to ensure all aspects of the audit process are monitored and improved.</p>
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.	<p>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.</p>
1.4	External Auditors able to place reliance on Internal Audit work.	<p>This is a key measure of Internal Audit's overall professional standards as assessed by an independent scrutineer against statutory guidance and standards.</p> <p>The implication of this 'yes' is that External Audit undertake less work themselves. This reduces the external audit fee.</p>
2.1	Percentage of draft audit reports issued and discussed within 20 working days of completion of audit work.	<p>This is an operational PI to ensure the timely issue of draft reports following the completion of audit work 'on-site'.</p> <p>Many audits involve a considerable amount of information and analysis and so can take up to the 20 days to prepare a draft report.</p> <p>This PI is also influenced by the availability of client staff.</p>
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.	<p>This is an operational PI to ensure the timely issue of final reports.</p> <p>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.</p>

Appendix 3

PI Ref	Indicator	Comments
2.2a	Percentage of final audit reports issued more than 15 working days of completion and agreement of the draft audit report where delays have occurred due to the auditee.	As the timeliness of the issue of the final audit report may be adversely affected by the availability of 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 the Head of Internal Audit & Risk Management)

Number of Full Time Equivalents 13

Number of Employees 14

Analysis of Internal Audit Feedback Received in the Fourth 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	13 (4)	7 (1)	0 (0)	0 (0)
B	Communication				
1	Consultation on scope and objectives of the audit	12 (4)	6 (1)	1 (0)	0 (0)
2	Communication during all aspects of the audit	14 (4)	5 (1)	1 (0)	0 (0)
3	Helpfulness co-operation of the auditor(s)	14 (4)	6 (1)	0 (0)	0 (0)
4	Professionalism of the auditor(s)	14 (4)	6 (1)	0 (0)	0 (0)
5	The auditor(s) demonstrated an appreciation of any relevant issues concerning equality and diversity	8 (4)	7 (1)	0 (0)	0 (0)
C	Timing				
1	Duration of the audit	12 (4)	8 (1)	0 (0)	0 (0)
2	Timeliness of the audit report	12 (4)	5 (1)	1 (0)	0 (0)
D	Quality of the audit report				
1	Format and clarity of audit report	13 (4)	6 (1)	0 (0)	0 (0)
2	Accuracy of the findings	13 (4)	8 (1)	0 (0)	0 (0)
3	Relevance of recommendations	10 (3)	9 (2)	0 (0)	0 (0)
4	Overall quality of the report	13 (4)	6 (1)	0 (0)	0 (0)
E	Value of the audit				
1	Basic controls assurance the audit has provided	12 (4)	8 (1)	0 (0)	0 (0)
2	Added value given beyond basic controls assurance	9 (4)	10 (1)	0 (0)	0 (0)
3	Overall value of the audit	12 (4)	8 (1)	0 (0)	0 (0)
		60	40	0	0
		100%			
	Total Number of 'ticks' (A – E)	181	105	3	0
	Percentage	63	36	1	0
		100%			

Returned Questionnaires:-

Quarter 1	4
Quarter 2	7
Quarter 3	4
Quarter 4	5
Total	20

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

Given the changes at the school in the last 12 months: a change in Business Manager and the Finance Officer taking on greater responsibility of day to day financial management, the timing of the audit was opportune. It was good to have external confirmation that the policies and changes in procedures are working effectively, I think the single finding was justified and in the context of the entire audit, was relatively minor and will be taken on board for the end of each summer term. I thank (name of Auditor) for their time at the school.

The flexibility of Internal Audit in tailoring the work undertaken and the timescales to meet service needs is much appreciated.

Outstanding Audit Report Recommendations

No.	Audit Title / Recommendation	Recommendation Description	Priority	Original Implementation Date	Revised Implementation Date	Follow-Up Activity
3.	Private Leasing Scheme - R01 - Empty Homes Strategy	The Empty Homes Strategy should be reviewed to ensure that it is accurate and up to date and this should be submitted for approval by the relevant delegated party.	Significant	31/03/2013	30/04/2014	<p>Report Date: 21/11/2012</p> <p>Agreed Action by the Head of Economy and Housing and the Empty Homes Officer on 13th November 2012. "The Empty Homes Strategy for the next five years is currently being drafted. The Strategy will be concluded at financial year end, to ensure that it takes into account the changes in operational structures that are currently being progressed."</p> <p>Responsible Officer: Head of Economy & Housing Implementation Date: 31st March 2013</p> <p><u>Follow - up Activity</u></p> <p>A number of updates have been sought from management regarding the status and progress of the recommendation. The restructure of the service originally delayed the implementation of the recommendation.</p> <p>21/10/2013 Update provided by the Principal Private Sector Housing and Accreditation Officer on 21st October 2013. The Group Leader (Spatial Planning & Sustainability) confirmed that the timescale for approval of the new strategic framework for housing had been delayed which had impacted on completion of the Empty Homes Strategy. The implementation date should be revised to 30/04/2014.</p> <p>25.03/2014 Update provided by the Group Leader (Spatial Planning & Sustainability) who confirmed that Empty Homes Strategy will be updated by the end of April 2014 and then submitted for approval. Given the time required for consultation / approval with DMT, Member Briefing and finally to Cabinet the implementation date should be revised to the end of September 2014.</p>

