APPENDIX 1 – PERFORMANCE MEASURES 2014/15

Indicator	Target	Measurement	Current Performance
1) Percentage completion of the agreed annual audit plan	100%	Complete = draft report or other deliverable issued by 30 April 2015.	32%
2) To achieve an average customer satisfaction survey score	3.5	4 is the highest possible score.	3.71 – current average based on 19 surveys returned for 13/14 audits.
3) % of recommendations agreed/accepted at draft stage	95%	To make more meaningful, this indicator now measures the accuracy of the auditor's findings at draft stage by monitoring the number of recommendations removed/amended following draft report discussions.	100%
4) % of draft reports issued within 15 days of the end of fieldwork	85%	Target increased from the previous target (as included in SLA with Redcar due to actual performance exceeding target.	80%
5) % Auditor productivity	Senior – 85% Auditor – 90%	% of time that individual is at work which is allocated to productive audit work (as opposed to training and admin codes).	Seniors average 87% Auditors average 86% Please also see table below.
6) Time taken to complete an assignment	Audit start date to final report issued date	Target will be set by each audit lead and agreed with auditor at the start of each assignment. Performance is calculated as the average time in months.	Average length of time to date is 2.2 months.

7) Number of audits completed within the budgeted time allocation	100%	Each assignment has a set number of days which should be adhered to. If an auditor requires additional time then a case has to be approved by Audit Team Leader/Manager.	82% assignments are currently being delivered either within budget or only a day in excess. Overruns are continually managed via 121s and appraisals. Some overruns are required due to the extended scope of an assignment.

Auditor Productivity

	31/10/11	31/10/12	31/10/13	31/10/14
Average number of productive days per member of audit team	94	101	108	108
% Productivity (based on working days available after annual leave and public holidays)	72%	80%	81%	83%
% Productivity (based on working days available after annual leave, public holidays, sickness and authorised absence)	75%	81%	82%	86%

APPENDIX 2a – SUMMARY OF FINAL AUDIT REPORTS ISSUED SINCE SEPT 2014 (2013/14 audits)

Audit Title	Directorate	Opinion	Recommendations			Comments
			P1	P2	P3	
Accounts Receivable 16 Oct 2014	Corporate and Commercial Services	Satisfactory	0	4	5	Overall, an acceptable internal control environment is in operation, although there are a number of potentially significant issues relating to the lack of clarity as to the responsibility for recovery of outstanding debts and the increasing level of debt over 101 days. The Auditor's view was that improvements were needed in these areas to increase both the consistency and effectiveness of processes going forward. During the reporting process the engagement by the Assistant Director of Finance has already ensured that progress has been made to improve processes going forward.
Accounts Payable 16 Oct 2014	Corporate and Commercial Services	Satisfactory	0	6	8	Overall, an acceptable internal control environment is in operation, although there are a number of potentially significant issues relating to the poor application of order and invoice housekeeping procedures undertaken by service areas and budget managers. At the time of the audit fieldwork, there were open purchase orders on the ordering system amounting to a significant amount, which have created commitments within budgets. Some of these open purchase orders dated back several years and should have been examined and cleared regularly as per guidance. During the reporting process the engagement by the Assistant Director of Finance has already ensured that progress has been made to improve processes going forward.
Pension Fund Admin 06 Nov 2014	Corporate and Commercial Services	Satisfactory	0	1	0	This year's audit testing confirmed that all administrative duties carried out by Mouchel in relation to the management of the Pension Fund were performed effectively, demonstrating that high levels of control and effective segregation of duties were in place. The Auditor was unable to comment upon the frequency and accuracy of reconciliations carried out between the Pension Fund system and SAP as this information has not been provided to the Auditors for the second year in a row. The

Audit Title	Directorate	Opinion	Recommendations			Comments
			P1	P2	P3	
						Council and Mouchel Pensions have since worked together to rectify the main issues hindering the reconciliation process.
Council Website 9 Oct 2014	Corporate and Commercial Services	Satisfactory	0	0	8	The audit concluded that an acceptable internal control environment is in operation within the Council's website. Recommendations for improvement were made in relation to clarification of responsibilities, search facilities, accessibility, providing answers to the most commonly raised queries and keeping information up to date.
Personalisation/Direct Payments 1 Oct 2014	Wellbeing, Care and Learning	Satisfactory	0	6	7	An acceptable internal control environment is in operation. The Auditor suggested some improvements to increase the consistency and effectiveness of current monitoring processes and the recovery of identified surplus payments. Issues highlighted by the audit, which could impact upon the team's ability to effectively monitor direct payment agreements, included outstanding reviews, non compliance with procedures, insufficient audit trails and monitoring of information and the need for more awareness as to how surpluses have occurred and could be prevented.
Welfare Reform Customer Service Points 03 Oct 2014	Wellbeing, Care and Learning	Satisfactory	0	0	8	It was found that the management team within the five regeneration hubs had worked to pull together the different services which operate from the hubs, and provide support and direction, in order that the public receives a seamless service. Recommendations were made to improve the consistency and quality of information being provided by the different hubs, to develop performance management systems, produce procedure notes and ensure that service users with access needs are catered for.
Pensions IT 17 Oct 2014	Corporate and Commercial Services	Satisfactory	0	3	4	Overall an acceptable internal control environment is in operation in relation to application controls. The lack of a tested disaster recovery solution remains a concern as the impact of not being able to recover from a loss of service could have far reaching consequences to both the Council and Mouchel's

Audit Title	Directorate	Opinion	Recommendations			Comments
			P1	P2	P3	
						other clients.
Total		**60**	**0**	**20**	**40**	

APPENDIX 2b – SUMMARY OF FINAL AUDIT REPORTS ISSUED FROM 2014/15 AUDIT PLAN

Audit Title	Directorate	Opinion	Recommendations			Comments
			P1	P2	P3	
Service Level Agreement review 29 July 2014	Neighbourhood and Communities	n/a	0	0	0	The overall conclusion from this review with an external organisation is that the SLA requirements have been satisfied and can be relied upon for 2013/14. The Auditor noted that the current SLA could benefit from increased clarity as to the actual agreed requirements to make the SLA more meaningful, measurable and driven by the Council's priorities and intended outcomes.
Car Parking 8 Oct 2014	Neighbourhood and Communities	Moderate	0	2	0	An acceptable internal control environment is in operation in most areas, but there are a number of improvements that could increase its consistency and effectiveness particularly in relation to anti-fraud controls, and these are detailed in the report.
Schools Use of Balances 2 Oct 2014	Wellbeing, Care and Learning	Good	0	0	2	Based on the audit work undertaken, an effective system of internal control is in operation but is not always applied consistently.
Acklam Grange Secondary School 30 Oct 2014	Wellbeing, Care and Learning	Strong	0	0	0	The Auditor found that financial controls, segregation of duties and the authorisation processes were all operating well within purchasing, recording of income received, and in obtaining value for money. The Auditor noted that there was robust vetting of people visiting the school, including contractors who access the site to carry out work. Strong systems of control were also found to be in place with the management and oversight of alternative off-site education provision including attendance records maintained by the School, and the providing/receiving of support and challenge to assist in school improvement.
Coroner's	Corporate and	Good	0	0	0	This assignment was a follow up of the audit recommendations made in

Audit Title	Directorate	Opinion	Recommendations			Comments
			P1	P2	P3	
Follow Up 11 Nov 2014	Commercial Services					the 2013/14 audit of financial controls. On this occasion, the Auditor found that there had been a marked improvement in the areas tested during the audit with twelve recommendations having being implemented including the P1 recommendation), five superseded and two still on-going. Based on the audit work undertaken, an improved system of internal control is now in operation.
		4		2	2	

As a result of 2012/13 internal audit work, 258 recommendations of all priority rankings (11 were ranked as P1) were made of which 50 have not yet been confirmed as fully implemented. As a result of internal audit work for 2013/14, 153 recommendations of all priority rankings (3 were ranked as P1) were made of which 54 have yet to be confirmed as implemented. All recommendations have passed their target date therefore the Auditors are in the process of obtaining evidence and management assurances to confirm that these outstanding recommendations have been implemented. There are no outstanding P1 recommendations (across all years).

APPENDIX 3 – APPLICATION OF CONTINGENCY TIME

The following table details the main areas in which contingency allocations of time have been applied to date.

Audit area	Estimated days	Time taken from	Reason
Service level Agreement review	4	Counter Fraud Reviews	A review to confirm that the objectives of the service level agreement were being achieved.
St Alphonsus School	5	Counter Fraud Reviews	A review of the contracting, purchasing procedures in response to issues raised. Review requested by the Director of Wellbeing, Care and Learning.
Empty Homes grant certification	1	Follow up	To provide assurance on the grant statement.
Adoption reform grant certification	1.5	Follow up	To provide assurance on the grant statement.

APPENDIX 4

TVAAS OPINION METHODOLOGY

2013/14

Substantial Assurance - Overall, very good management of risk to the achievement of objectives. Based on the audit work undertaken, an effective system of internal control is in operation and is applied consistently.

Satisfactory Assurance – Overall, satisfactory management of risk to the achievement of objectives. Based on the audit work undertaken, an acceptable internal control environment is in operation, but there are a number of improvements that could increase its consistency and effectiveness.

Limited Assurance – Overall, weak management of risk exists within a key area(s) that is/are crucial to the achievement of objectives. Major improvements need to be made to the system or area in order to ensure the control environment is effective.

Little/No Assurance - Overall, fundamental failures exist within the control environment and the Council is exposed to unacceptable levels of risk. Key areas that are crucial to the achievement of objectives need fundamental improvements.

In addition, audit reports include recommendations, each of which is given one of three possible rankings:

Priority 1 (P1) – A fundamental risk exists to the achievement of the system/service objectives and it is of an unacceptable level. Management should initiate immediate action to address this system weakness.
Priority 2 (P2) – A significant risk exists which has the potential to adversely affect the achievement of the system/service objectives. Management should initiate timely action to address the weakness.
Priority 3 (P3) – System objectives are not exposed to significant risk but the issue merits attention by management as it offers service improvements by complying with best practice, and strengthening the overall control environment.

2014/15 ONWARDS

Strong - Overall, a Strong Control Environment in relation to the areas examined. Based on the audit work undertaken, an effective system of internal control is in operation and is applied consistently.

Good - Overall, a Good Control Environment with room for improvement in relation to the areas examined. Based on the audit work undertaken, an effective system of internal control is in operation but is not always applied consistently.

Moderate - Overall, a Moderate Control Environment with some weaknesses in relation to the areas examined. Based on the audit work undertaken, an acceptable internal control environment is in operation, but there are a number of improvements that could increase its consistency and effectiveness.

Cause for Concern - Overall, Cause for concern in relation to the areas examined. Weak management of risk exists within a key area(s) that is/are crucial to the achievement of objectives. Major improvements need to be made to the system or area in order to ensure the control environment is effective.

Cause for Significant Concern - Overall, Cause for Considerable Concern in relation to the areas examined. Fundamental failures exist within the control environment and the Council is exposed to unacceptable levels of risk. Key areas that are crucial to the achievement of objectives need fundamental improvements.

There will be no change to the priority ranking methodology for individual recommendations.