

**20 February 2024**

**Internal Audit Key Performance Indicators (KPI) 2023/24: Quarter 3**

**Ward(s):** All

**Portfolios:** All

**Purpose:** For comment / review

**1. Aim**

- 1.1 The Accounts and Audit Regulations 2015 came into effect on 1 April 2015 and require councils to undertake an effective Internal Audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance. This function is provided by Mazars through a contractual arrangement.
- 1.2 The Internal Audit contract contains key performance indicators (KPI's) against which performance is measured. This report provides performance data as at quarter 3 for 2023/24 to provide assurance to Audit Committee that work is being delivered in accordance with the contract requirements.

**2. Summary**

- 2.1 This report provides an update to Audit Committee on Internal Audit's performance against key performance indicators for 2023/24 and confirms that performance is in line with targets.
- 2.2 Procurement of the new contract for Internal Audit Services has now concluded and Mazars have been awarded a contract for a further two years commencing 1 April 2024, with an option for two twelve month extensions.

**3. Recommendations**

- 3.1 That Audit Committee notes the contents of this report and comments accordingly.

**4. Report detail – know**

- 4.1 Part of Internal Audit's role is to provide assurance on the council's performance and risk management arrangements. Internal Audit's programme of work is risk assessed to ensure areas most at risk are examined as a priority.
- 4.2 Key performance indicator (KPI) performance for quarter 3 of 2023/24 is detailed below and performance is on target apart from the following:
  - Effective completion of audit work – performance remains slightly under target in quarter 3, due to absence over the summer period in quarter 2.

KPI	Target	Actual as at 30/09/2023	Actual as at 31/12/2023
Achieve the Annual Audit Plan	>95% audits in the annual plan to be completed to draft report stage within 15 working days of the 31 March of each year.	Not applicable as this is an end of year measure.	As Q2.
Produce annual report which includes an overall assurance opinion for the Council for the year and provides assurance that the system of risk management and identification is suitable and sufficient for the purposes of the Annual Governance Statement.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable, or within 30 working days from 31 March each year (whichever is shorter).	Not applicable as this is an end of year measure.	As Q2.
Annual review and report on the effectiveness of the risk management strategy and its application with comments and recommendations for changes.	To be produced and issued to the Chief Finance Officer in accordance with the Audit Committee Work Programme & Timetable.	Completed in 2022 and considered by Audit Committee and Director Group. Strategy updated.	As Q2.
Effective completion of audit work.	>95% draft reports, which include relevant recommendations, are issued within 6 weeks (30 days) of the commencement of work.	16/18 89% Exceptions: HB& Ctax Benefit, Accounts Payable	18/20 90% Exceptions: HB& Ctax Benefit, Accounts Payable
Produce quarterly progress report in accordance with the specification.	To be produced and issued to the Chief Finance Officer within 15 working days of the end of each quarter.	Monitoring meeting held in July 2023.	Monitoring meetings held in July and November 2023.
Produce a six monthly risk management update report	To be produced and issued to the Chief Finance Officer in accordance with the CMT and Audit Committee Work Programme & Timetable, or within 30 working days of the end of each half year period (whichever is shorter).	Strategic Risk Register updates presented to CMT and Audit Committee.	As Q2.
Six month review of Strategic Risk Register (SRR) and report for Corporate Management Team and Audit Committee	To be produced and issued to the Chief Finance Officer in accordance with the CMT and Audit Committee Work Programme & Timetable, or within 30 working days of the end of each half year period (whichever is shorter).	Strategic Risk Register updates presented to CMT and Audit Committee. Next update to Audit Committee September 2023.	Strategic Risk Register updates presented to CMT and Audit Committee - September 2023 and on February 2024 meeting agenda.

4.3 The following table sets out the Performance Standards against which the success of the contract is measured. Performance for quarter 3 is now on target, improved on quarter 2 which was slightly under target in 2 areas.

Standard	Target	Actual as at 30/09/2023	Actual as at 31/12/2023
Notification of planned audits to Secondary Clients (not surprise visits) within the time period agreed with them.	Secondary Clients to be notified of the start date of each audit (100%) within the time period agreed with them (up to a maximum of 15 days).	26/26 100%	30/30 100%
Issue audit brief within the time period agree with the Secondary Client.	100% of audit briefs to be submitted to the Secondary Client for comment and approval within the time period agreed with them prior to commencement date of each audit (up to a maximum of 10 days).	26/26 100%	30/30 100%
Conduct exit meetings within the time period agreed with the Secondary Client.	100% to be carried out with Secondary client or their representative, within the time period agreed with them, from completion of all audit work at a mutually agreed time.	18/18 100%	20/20 100%
Produce draft report, which reflects the agreed brief.	>95% to be produced and issued by the date set out in the terms of reference and within 10 working days of the exit meeting.	17/18 94% Exception: Accounts Payable	19/20 95% Exception: Accounts Payable
Produce final report within the time period agreed with the secondary client (>95%).	95% to be produced and issued with 5 working days of receipt of management response to draft report.	10/11 91%	18/19 95%
Complete National Fraud Initiative (NFI) data matching exercise.	Ensure that all data matches are reviewed and investigated in accordance with the timetables provided.	N/A	N/A
Counter fraud work.	To maintain and update counter fraud policies, the counter fraud toolkit, training and other counter fraud work as agreed in advance with the Chief Finance Officer.	Ongoing as required - see Fraud Strategy.	As Q2.
Follow up on all high priority actions.	Reports produced in accordance with timetables set out in the Specification.	Ongoing and progress reported to each Audit Committee.	As Q2.
Specialist IT / risk audits.	Quarterly report detailing percentage of time of qualified, or specialist staff utilised in delivery of the audit and risk work undertaken during the quarter.	Completed as part of monitoring information.	As Q2.
Respond to unsatisfactory client satisfaction questionnaires/CMT feedback.	To be provided to the Chief Finance Officer within 10 working days of the feedback being received.	N/A.	N/A.

Standard	Target	Actual as at 30/09/2023	Actual as at 31/12/2023
Attendance at planned meetings with both the Chief Finance Officer and external audit as detailed throughout this specification.	Meetings attended by Contract Manager.	Ongoing.	Ongoing.
Attend the Audit Committee meetings in accordance with the Audit Committee Work Programme and Timetable.	Meetings attended by Partner or Director or Contract Manager.	Ongoing.	Ongoing.
Provision of audit helpline and confidential reporting hotline answer phone facility, and provision of summary of advice provided within the agreed time period.	Summary of audit advice provided, and summary of confidential reports received, and action taken to be submitted to chief Finance Officer prior to discussion at quarterly meetings.	Completed as part of monitoring information.	As Q2.
Quality control system.	Copy to be provided to Chief Finance Officer on an annual basis.	Provided.	Provided.
Compliance with the PSIAS via external accreditation.	To provide evidence of the external accreditation.	External assessment completed in 2019 and results shared with Chief Finance Officer. Next assessment due 2024.	As Q2.
Provide training, as agreed with the Chief Finance Officer, for Council Officers, Project Managers and Members in the principles and practices of Audit and Risk Management.	Provision of training as agreed by the Chief Finance Officer.	Member training scheduled in Audit Committee work programme.	As Q2.

### Contract Award for Internal Audit Services

4.4 The current Internal Audit Services contract finishes on 31 March 2024 and the procurement process for a further contract commenced in 2023. Cabinet received an award of contract report on 13 December 2024 and approved award of a new two year contract (with potential to extend for two twelve month periods) to Mazars.

## **5. Financial information**

5.1 There are no direct financial implications directly arising from this report.

## **6. Reducing Inequalities**

6.1 Effective governance arrangements ensure a focus on delivering of Council Plan objectives, a key driver of which is reducing inequalities.

## **7. Decide**

7.1 Performance is broadly on target.

## **8. Respond**

8.1 Performance is as set out in the report.

## **9. Review**

9.1 KPI Performance is reported quarterly to Audit Committee.

### **Background papers**

Internal Audit plan 2023/24

Internal Audit reports

### **Author**

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