

AGENDA ITEM: 7 Page nos. 19-22

Meeting	Audit Committee
Date	31 August 2005
Subject	Internal Audit Performance Management Plan (PMP) Monitor
Report of	Head of Corporate Performance
Summary	This report summarises the Internal Audit Service's achievements against targets set in their 2004/05 PMP

Officer Contributors	Shahin Farjami, Corporate Performance Office
Status (public or exempt)	Public
Wards affected	N/a
Enclosures	2004/05 Internal Audit PMP Outturn Monitor
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	N/a

Contact for further information: Shahin Farjami (020 8359 7019)

1. RECOMMENDATIONS

1.1 That the Committee review

(a) the performance of Internal Audit against its improvement targets;

(b) The effectiveness and relevance of the monitored targets.

2. RELEVANT PREVIOUS DECISIONS

- 2.1 The 2004/05 Internal Audit PMP was agreed by Council on 2 March 2004 and sets out key performance indicators to measure the achievements of the service. Achievements against targets are also a guide to Internal Audit's contribution to improving Barnet by supporting corporate priorities.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 Performance indicators measure service contributions to corporate priorities. The level of achievement against performance targets is a key contributor in determining policy decisions and informs a policy led budget process.

4. RISK MANAGEMENT ISSUES

- 4.1 The Internal Audit performance monitor includes indicators designed to manage issues identified as key corporate risks in the Corporate Plan.

5. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

- 5.1 None.

6. LEGAL ISSUES

- 6.1 None.

7. CONSTITUTIONAL POWERS

- 7.1 Constitution Part 3 Paragraph 2 details the functions of the Audit Committee including "Satisfying the Council that the internal auditor carries out sufficient systematic reviews of the internal control arrangements, both operational (relating to effectiveness, efficiency and economy) and financial".

8 BACKGROUND INFORMATION

- 8.1 The enclosed '2004/05 Internal Audit PMP Outturn Monitor' tracks the service's outturn against all PMP improvement indicators. This covers performance during the period between 1 April 2004 and 31 March 2005.

- 8.2 Internal Audit exceeded their target of completing 82% of the annual audit plan within the year. 84% of the plan was completed by the 31 March 2005.

- 8.3 Although the same number of follow up audits were completed in 2004/05 as

were in 2003/04 the number of follow ups started has dropped by 2%. It should be noted that the target for follow up audits is a very challenging 100%.

- 8.4 Service satisfaction scores remained the same for schools audits and improved in respect of system audits. Targets for service satisfaction have been exceeded.
- 8.5 Internal Audit activity around embedding risk management is on target and the Chief Internal Auditor is now responsible for corporate risk management.
- 8.6 Annual audit planning is risk based, but there remains scope for improvement. Specifically, all services need to develop effective risk registers that can be incorporated into the audit planning service.

9 LIST OF BACKGROUND PAPERS

- 9.1 None.

BS: JEL
BT: CM

Objectives	Key Measures	Outturn 2003/4	Target 2004/5	Outturn 2004/5	Traffic Light	Direction of Travel																		
Deliver sound opinion on level of assurance council can have on systems in place to effectively deliver corporate objectives	Measure 1 % of Audit Plan completed compared to what was planned.	2003/04: 100% of audits started, 88% completed. Note: At 30th June 2004 figures are 100% audits started, 96% audits completed.	82% completion of Audit Plan by end of March 2005.	2004/05: 100% of audits started, 84% completed.	Target Achieved	<table border="1"> <caption>Audit Plan Completion Progress</caption> <thead> <tr> <th>Quarter</th> <th>% Started</th> <th>% Complete</th> </tr> </thead> <tbody> <tr> <td>Quarter 1</td> <td>30</td> <td>0</td> </tr> <tr> <td>Quarter 2</td> <td>60</td> <td>10</td> </tr> <tr> <td>Quarter 3</td> <td>80</td> <td>40</td> </tr> <tr> <td>Quarter 4</td> <td>100</td> <td>75</td> </tr> <tr> <td>Outturn 04/5</td> <td>100</td> <td>84</td> </tr> </tbody> </table>	Quarter	% Started	% Complete	Quarter 1	30	0	Quarter 2	60	10	Quarter 3	80	40	Quarter 4	100	75	Outturn 04/5	100	84
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Improve corporate governance & risk management arrangements by ensuring maximum levels of implementation of agreed audit recommendations	Measure 1 % of audit reports followed up within 12 months of issue of final report.	2003/04: 100% of follow-ups started, 82% completed. Note: At 30th June 2004 figures are 100% follow-ups started, 92% completed.	100% of audit recommendations followed up.	2004/05: 98% of follow-ups started, 82% completed.	Significant Progress	<table border="1"> <caption>Audit Recommendations Follow-up Progress</caption> <thead> <tr> <th>Quarter</th> <th>% Started</th> <th>% Complete</th> </tr> </thead> <tbody> <tr> <td>Quarter 1</td> <td>25</td> <td>0</td> </tr> <tr> <td>Quarter 2</td> <td>50</td> <td>10</td> </tr> <tr> <td>Quarter 3</td> <td>80</td> <td>25</td> </tr> <tr> <td>Quarter 4</td> <td>100</td> <td>80</td> </tr> <tr> <td>Outturn 04/5</td> <td>100</td> <td>82</td> </tr> </tbody> </table>	Quarter	% Started	% Complete	Quarter 1	25	0	Quarter 2	50	10	Quarter 3	80	25	Quarter 4	100	80	Outturn 04/5	100	82
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Meet agreed requirements of audit clients in all audit projects	Measure 1 Average score from Quality Assessment questionnaires.	Schools: 1.7 Systems: 1.9 (1 = Excellent 5 = Unacceptable)	Achieve better than 3 average score from Quality Assessment Questionnaires	Schools: 1.7 Systems: 1.5	Target Achieved	<table border="1"> <caption>QAQ Score Progress</caption> <thead> <tr> <th>Quarter</th> <th>QAQ Score (Schools)</th> <th>QAQ Score (Systems)</th> </tr> </thead> <tbody> <tr> <td>Quarter 1</td> <td>1.0</td> <td>1.0</td> </tr> <tr> <td>Quarter 2</td> <td>1.5</td> <td>1.2</td> </tr> <tr> <td>Quarter 3</td> <td>1.6</td> <td>1.3</td> </tr> <tr> <td>Quarter 4</td> <td>1.7</td> <td>1.5</td> </tr> <tr> <td>Outturn 04/5</td> <td>1.7</td> <td>1.5</td> </tr> </tbody> </table>	Quarter	QAQ Score (Schools)	QAQ Score (Systems)	Quarter 1	1.0	1.0	Quarter 2	1.5	1.2	Quarter 3	1.6	1.3	Quarter 4	1.7	1.5	Outturn 04/5	1.7	1.5
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Provide accurate assessment to Audit Committee & Chief Executive of effectiveness of Risk Management procedures within the council. Use outcomes of Risk Management Initiative to refine audit planning & consultation process	Measure 1 Risk Management statement in the interim and annual audit reports.	Internal audit of risk management procedures finalised & emerging issues reported in March 2004.	Provide advice & guidance on development of risk management policy & procedures. Adequate, effective risk management policy & procedures implemented.	Risk Management embedding has moved further forward. The CIA is now responsible for corporate risk management. The risk management statement in the 2004/05 Annual Report (to be issued in June 2005) will reflect this.	Target Achieved	Appropriate action taken to provide the basis for the implementation of effective risk management and procedures.																		
	Measure 2 Annual audit plan derived from service and corporate risk registers.	Internal Audit planning for 2004-05 - minimal risk assessments available from services.		The 2005/06 Audit Plan was partly developed from some Service risk registers.	Significant Progress	Audit Plan has incorporated some service risk registers. All service risk registers to be included?																		