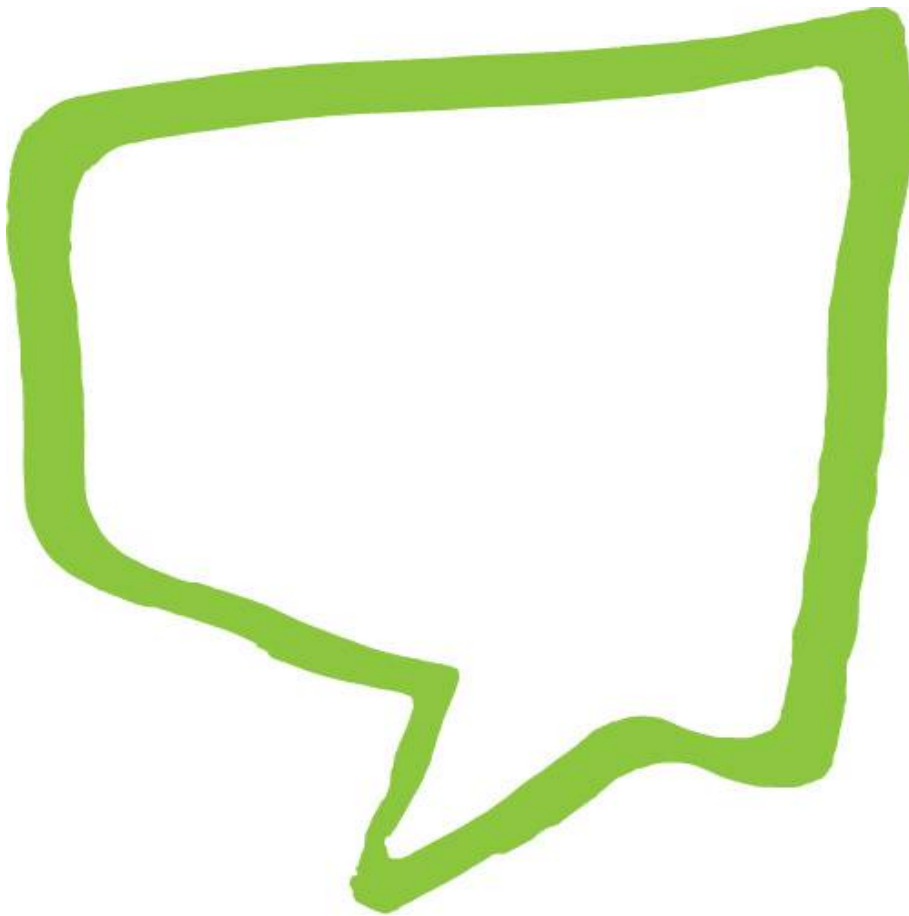


Internal Audit Review

Wirral Metropolitan Borough Council

Audit 2008/09

January 2010



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Introduction and background

- 1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 2 Internal Audit is one of the most important elements of a council's internal control environment, providing an independent and objective opinion on key elements of this process. As external auditors, we are required by International Standards of Auditing (ISA+ 610) to consider and understand the activities of Internal Audit, to assist us in planning the audit and developing an effective audit approach.
- 3 In practice this means we review the work of Internal Audit annually to assess the quality of its work and the strength of the control environment. We also assess Internal Audit's effectiveness in more detail every three years, to determine the extent to which it complies with CIPFA's Code of Practice for Internal Audit.
- 4 All local authorities are required to have an Internal Audit function. Overall responsibility for Internal Audit in Wirral rests with the Director of Finance as S151 Officer, who exercises this responsibility through the Deputy Director of Finance and the Chief Internal Auditor (CIA). The Deputy Director of Finance has line manager and strategic operational responsibilities for Internal Audit. The strategy of the Internal Audit section and the programme of work are presented to Members in the Annual Audit Plan.

Audit approach

- 5 The overall objective is to ensure Internal Audit is meeting its own professional and statutory requirements, as set out in CIPFA's 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' (the Code). This sets out the eleven organisational and operational standards, as shown in Table 1 below.
- 6 A general summary of each of the standards is set out in italics at the start of our assessment on compliance, starting on page 8 of this report.

Table 1 Internal Audit Standards

Based on CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

Organisational Standards	Operational Standards
Scope	Audit strategy
Independence	Undertaking audit work
Ethics	Due professional care
Audit Committee	Reporting
Relationships	Quality assurance
Staffing, training and development	

- 7 This review assesses how well Wirral's Internal Audit Section meets each of these standards. The Code stipulates that where local circumstances prevent full compliance, the organisation should give clear reasons why and be able to demonstrate that equivalent safeguards or measures are in place.
- 8 During 2007/08, Internal Audit completed a self assessment to assess Wirral's compliance with the standards contained within the Code. Following this exercise an action plan was developed to address the areas where Internal Audit was not considered to be fully compliant. We have used this self assessment to inform our triennial review.

Audit approach

9 Our work is based on the following.

- Review of documentation provided by the Council (including its self assessment).
- Review of six individual audit assignment files and five follow-up assignment files.
- Monitoring and review of Internal Audit work carried out on Adult Social Services Charging and the new Highways and Engineering Procurement Exercise.
- Completion of an online survey for Internal Audit staff to explore aspects of the self-assessment.
- Discussions with the Director of Finance, Chief Internal Auditor, Deputy Chief Internal Auditor and Internal Audit Team Leaders.
- Discussions with chief officers during the course of the audit.
- Information arising through other parts of our audit and certification programme.

Main conclusions

- 10 Our overall conclusion is that during 2008/09, Internal Audit generally met the requirements of CIPFA's 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006'. Our findings and areas for improvement are summarised in the following section of the report and our recommendations are included in an action plan at Appendix 1.

Table 2 Summary of compliance with standards

Wirral Council Internal Audit generally meets the requirements of CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom 2006

Organisational Standards	Compliance
1 Scope	Met
2 Independence	Met. <ul style="list-style-type: none"> The CIA is not line managed by a member of the corporate management team. The CIA did not report in his own name during 2008/09. There is scope to better demonstrate organisational independence and enhance the status of Internal Audit.
3 Ethics	Met. <ul style="list-style-type: none"> There is scope to raise the level of trust and confidence within the section and with departments. There is scope to improve the application of knowledge, skills and experience.
4 Audit Committee	Met. <ul style="list-style-type: none"> There is scope to build on the working relationship between Internal Audit and the Audit and Risk Management Committee. There is scope for the ARMC carry out a formal review of the effectiveness of the Committee and how it has strengthened the Council's control environment.
5 Relationships	Met
6 Staffing, training and development	Not fully met <ul style="list-style-type: none"> Internal Audit has been under-resourced for a number of years according to its risk based plan and there have been problems recruiting and retaining staff.

Main conclusions

Operational Standards	
7 Audit strategy	Not fully met <ul style="list-style-type: none">The audit strategy and plan do not clearly demonstrate what work must be done to provide a safe opinion or how the CIA will determine what is sufficient work to give his assurance.
8 Undertaking audit work	Met <ul style="list-style-type: none">There is scope to improve the recording of audit assignments and determining what specific work needs to be conducted and evidence gathered.
9 Due professional care	Met <ul style="list-style-type: none">There is scope to improve audit skills, knowledge and judgement.Internal Audit should use all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions, professional judgements and recommendations.
10 Reporting	Met <ul style="list-style-type: none">There is scope to improve the format of and information contained in the annual report to include performance against the plan and quality.There is scope to improve the quality assurance of reports before they are finalised and presented to officers and members.
11 Quality assurance	Met <ul style="list-style-type: none">There is scope to improve quality assurance of some assignments by strengthening supervision and review.

- 11 The Council needs to improve arrangements to ensure all standards are fully met and, in the meantime, be able to demonstrate that equivalent safeguards or measures are in place.

Compliance with standards

Standard 1: Scope of Internal Audit

The scope of Internal Audit's remit includes the organisation's entire control environment. In determining where effort should be concentrated, the Head of Internal Audit should take account of the organisation's assurance and monitoring mechanisms, including risk management arrangements, for achieving the organisation's objectives.

- 12 Internal Audit meets the standard in terms of scope. Internal Audit's Terms of Reference is consistent with the Code and its remit covers the entire control environment.
- 13 Internal Audit has developed a Charter document which incorporates its Terms of Reference. Our review of the Charter together with supporting documentation gave assurance that the Terms of Reference complies with the Standard.
- 14 The CIA has taken account of the organisation's assurance and monitoring mechanisms, including risk management arrangements, for achieving the organisation's objectives in determining where effort should be concentrated. Further comment regarding the internal audit strategy and plan is detailed below at standard 7.
- 15 The CIA has reported to those charged with governance that the level of audit resources, although not at establishment has not in any way limited the scope of Internal Audit, or prejudiced the ability of Internal Audit to deliver a service consistent with the definition of internal audit. The originally agreed audit plan has been re-prioritised to ensure that the highest rated risks have been addressed.
- 16 Appropriate procedures are in place for dealing with fraud and corruption and the respective responsibilities of Internal Audit and management are clear.

Standard 2: Independence

Internal Audit should be independent of the activities which it audits to enable auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and recommendations. The position of the Head of Internal Audit in the management structure should reflect the influence he or she has on the control environment and he or she should not report to or be managed at a lower organisational level than the corporate management team.

- 17 Internal Audit meets the Independence standard although the position of CIA is managed at a lower organisational level than the corporate management team and he does not report in his own name. There is scope to better demonstrate organisational independence and enhance the status of Internal Audit. Declarations of interest are completed by all staff and were up to date.

Compliance with standards

- 18 Internal Audit is not shown on the Council's organisation chart in the Constitution. The CIA reports directly to the Deputy Director of Finance who then reports to the Director of Finance. It is not unusual for reporting to be to the Director of Finance but it is more usual that the CIA reports directly to a member of the corporate management team rather than a deputy director. Paragraph 2.3.1 of the Code states that 'the position of Head of Internal Audit in the management structure should ... not report to or be managed at a lower organisational level than the corporate management team'.
- 19 The CIA reports to members in the name of the Director of Finance but it is more usual for the CIA to report in his/her own name in line with paragraph 2.2.2 of the Code. During the audit, the CIA has started to report in his own name and this is now in place for 2009/10.
- 20 As part of our online survey of Internal Audit staff, we asked 'Does the status of IA allow it to demonstrate independence'. Only 63 per cent of IA staff responded 'yes' to this which means that over 30 per cent of staff feel that IA does not or may not have sufficient status to allow it to demonstrate independence.
- 21 The audit plan is determined following a risk assessment in consultation with management and is approved by 'those charged with governance', the Audit and Risk Management Committee (ARMC). Internal Audit reports to the ARMC, including quarterly performance reports and summarised details of all assignments completed within the period. The CIA has direct access to all officers and members.
- 22 Staff conflict of interest declaration forms were evident for a sample of IA staff and were up to date.

Recommendation

- R1** Strengthen the independence of internal audit
- Review the structure of the Internal Audit department and in particular management and reporting lines and ensure it is shown on the Council's organisation chart.
 - Consider the results of the IA survey in relation to independence.

Standard 3: Ethics for Internal Auditors

The CIA must ensure that auditors are regularly reminded of their ethical responsibility and the four main principles that should be observed: integrity, objectivity, competence and confidentiality.

- 23 Internal Audit complies with the Ethical standard. There is scope to raise the level of trust and confidence within the section and with departments. There is also scope to improve the application of knowledge, skills and experience.

- 24** Staff are reminded of their ethical responsibilities as part of the team briefings though these are verbal and are not formally documented. As part of our online survey to IA staff, we asked if this was taking place and 95 per cent of the respondents agreed they are reminded of their ethical responsibilities. The Internal Audit manual contains information relating to competence and confidentiality and staff are reminded of their obligations with regard to these during Key Issues Exchange meetings and team briefings.
- 25** All internal auditors should demonstrate integrity in all aspects of their work and ensure their conduct is above reproach. The relationship with colleagues, internal clients and external contacts should be one of honesty, truthfulness and fairness in order to establish an environment of trust and confidence. As part of our survey we asked staff if they thought the internal audit team had established an environment of trust and confidence. Sixty-eight per cent responded 'yes' with 18 per cent saying 'maybe' and 14 per cent saying 'no'. Management needs to consider actions to improve trust and confidence.
- 26** The scope of audit assignments is set out adequately although there is scope to improve internal audit knowledge of:
- the organisation's aims, objectives, risks and governance arrangements; and
 - the purpose, risks and issues of the service area.
- 27** Internal auditors must safeguard the information they receive in carrying out their duties. Any information gained in the course of audit work should remain confidential, without limiting or preventing Internal Audit from reporting within the organisation as appropriate. We are not aware of any breaches of confidentiality or inappropriate sharing of information.

Recommendation

R2 Strengthen arrangements for ensuring ethical standards are met.

- Consider the results of the survey in respect of improving trust and confidence.
- Improve internal audit knowledge of:
 - the organisation's aims, objectives, risks and governance arrangements; and
 - the purpose, risks and issues of the service area.

Standard 4: Audit Committees

Independent audit committees are CIPFA's preferred model for local authorities and there needs to be an effective working relationship with Internal Audit. The purpose of an audit committee is:

- *to provide independent assurance of the adequacy of the risk management framework and the associated control environment*
- *to provide independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment*
- *to oversee the financial reporting process*
- *review the Annual Governance Statement which includes the results of the review of the effectiveness of the system of internal audit.*

- 28** Wirral Council meets the standard for audit committees. The Council has established the CIPFA model and includes representation from the three main political groups. The Audit and Risk Management Committee's terms of reference and the working relationship with Internal Audit are in line with CIPFA guidance. There is scope to build on that relationship and for the CIA to meet with the Chair of the ARMC in private during the year. There is also scope for the ARMC to carry out a formal review of the effectiveness of the Committee and how it has strengthened the Council's control environment.
- 29** Wirral Council established an Audit and Risk Management Committee during 2006. Internal Audit presents quarterly reports and an annual report to the Committee. The Chair of the Committee requested that Internal Audit only report high risk recommendations as appropriate. This has streamlined the reporting by Internal Audit as it now only report issues that require action to be taken.
- 30** The Committee approves Internal Audit's plan for the year and any subsequent revisions. The IA Charter states that the CIA should attend each meeting and there is also provision in the Charter for the CIA to meet with the Chair of the Committee in private should the need arise. During the year, the CIA or Deputy CIA has attended all meetings and delivered the required reports. However, the CIA did not meet with the Committee or Chair of the Committee in private during the year although there was direct communication through emails and telephone conversations and the CIA was involved in the pre-Committee briefings. During 2009/10 there have been meetings in private to discuss a number of matters.
- 31** The Standard stipulates that the CIA should participate in the Committee's review of its own remit and effectiveness. During the year the Audit and Risk Management Committee and the CIA have considered the remit of the Committee as set out in CIPFA guidance on what it 'must do' and 'should do' and developed an action plan. However, there has been no formal review of the effectiveness of the Committee and how it has strengthened the Council's control environment. This is planned for 2009/10.

Recommendation

- R3** Carry out an annual review of the effectiveness of the Audit and Risk Management Committee to demonstrate how it has strengthened the Council's control environment.

Standard 5: Relationships

Relationships with management, staff, external auditors and other review agencies should be co-ordinated to ensure the most effective audit coverage is achieved and duplication of effort is minimised.

- 32** Internal Audit meets the Standard for relationships. There are satisfactory working relationships between Internal Audit and other auditors, management review bodies and members. There may be scope for External Audit to place additional reliance on the work of Internal Audit in the future.
- 33** Documented protocols that define working relationships with other auditors and review agencies are being developed. At present, external audit do not generally seek to rely on the work of Internal Audit due to the timing and scope of work. For example, the internal audit plan is focussed on providing assurance to management on internal control and work is generally carried out on a department basis, whilst external audit work is focussed on the audit of items in the statement of accounts and the assessment of value for money in the use of resources. We will discuss the potential for reliance on internal audit work on an ongoing basis.
- 34** The CIA has good working relationships with Chief Officers and generally Internal Audit receives good feedback from clients on each piece of work. Any feedback that requires action by Internal Audit is dealt with promptly.

Standard 6: Staffing, training and development

Internal Audit should be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and the CIPFA standards. Training and continuing professional development needs should be identified and included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored

- 35** Internal Audit does not fully meet the Standard in respect of staffing as it has been under-resourced compared to its risk assessed needs for some time as there have been problems with recruiting and retaining staff. However, we raise some issues regarding the strategy and risk based plan at standard 7 below which could impact on this assessment. Training and development arrangements are satisfactory.
- 36** Internal Audit has been under-resourced compared to its risk assessed needs for some time. There have also been problems with recruiting and retaining staff. The plan has been re-prioritised in line with assessed risk to alleviate staffing concerns and a job harmonisation exercise is being undertaken.

Compliance with standards

- 37 Skills and competencies have been developed for each level of auditor. Each member of staff has an annual meeting with the CIA in order for them to update their training programme which ensures that staff regularly receive appropriate training and practical experience where necessary. In support of our findings, 95% of staff responses to our online survey agreed that training and development needs are identified in an ongoing programme.

Recommendations

- R4** Review the organisational structure and staffing of Internal Audit to ensure that it is at an appropriate level to give a safe opinion to management and members on the control environment.
- R5** Review the factors that may be hindering the recruitment and retention of appropriate staff.

Standard 7: Audit strategy and planning

Internal Audit must produce an audit strategy, keep it up to date and have it approved by the Audit Committee. It should also prepare a risk-based plan to implement the strategy.

- 38 Internal Audit does not fully meet the Standard for audit strategy and planning. Although the plan to implement the strategy is risk based, the audit strategy and plan do not clearly demonstrate what work must be done to provide a safe opinion or how the CIA will determine what is sufficient work to give his assurance.
- 39 Internal Audit has developed an independent strategy document which is regularly revised. The strategy covers objectives and outcomes, the control environment, identifying local and national issues, resourcing and skills to deliver the strategy. The Strategy was approved by the Audit and Risk Management Committee during 2008.
- 40 Internal Audit's planning process includes a Risk Based Plan which is updated on a continual basis throughout the year. The plan is discussed on a quarterly basis by the Audit and Risk Management Committee to ensure all significant plan delivery issues are approved. The plan for 2008/09 was approved by the Committee on 7 April 2008.
- 41 Risks are identified and organised under departmental sections following discussions with departmental officers and then prioritised A (high risk), B, C or D (low risk). Audit assignments are then identified and prioritised and the plan comprises all the risks that can be covered using the existing staff establishment. For a number of years the plan has not been met and has needed to be re-prioritised.
- 42 The 2008/09 Plan included 323 audits to deliver Internal Audit's objectives. However, it is not clear from the strategy and the plan how the CIA will form and evidence his opinion on the control environment nor does the plan, or outturn report differentiate clearly between assurance and other work.

- 43 The CIA needs to strengthen the approach to determining the strategy and risk based planning to focus on including work in the plan to ensure he can demonstrate how he meets his responsibility to provide a safe opinion to the organisation on the control environment.
- 44 The approach to the assignments then needs to be determined to ensure that each individual assignment gives the required assurance for a safe opinion. Once the planned work has been determined, this should then be compared to resource availability and the staff requirement established for the annual plan.

Recommendation

- R6** The CIA should strengthen the approach to determining the strategy and risk based planning to focus on including work in the plan to ensure he can demonstrate how he meets his responsibility to provide a safe opinion to the organisation on the control environment. The planning process should take account of:
- the adequacy and outcomes of the organisation's risk management;
 - performance management and other assurance processes;
 - Internal Audit's independent risk assessment;
 - stakeholders views - they should be consulted on the draft plan - but should not determine it; and
 - the resources required to deliver the strategy and plan.
- The Plan should differentiate between assurance and other work.

Standard 8: Undertaking audit work

For each risk based audit a brief should be prepared, discussed and agreed with managers. Work must be carried out, recorded and reviewed in line with professional auditing standards.

- 45 Internal Audit meets the standard for undertaking audit work. There is scope to improve the recording of audit assignments and determining what specific work needs to be conducted.
- 46 Our review of individual assignments confirmed that an Audit Assignment Sheet is completed for every audit. However, we could not determine whether or not they had been discussed and agreed with the relevant managers. The briefs reviewed set out the objectives, scope, timing and reporting requirements for each audit in the majority of files in our sample.
- 47 Our file review indicated that a risk based audit approach is used. During the course of each audit key issues should be brought to the attention of the relevant manager to enable them to take corrective action and to avoid any surprises at the end of the audit. There is evidence to show that this is taking place in most cases. At the end of each audit, any non-accepted, medium or high priority recommendations are reported to the ARMC.

Compliance with standards

- 48 Customer Satisfaction Feedback forms are passed to the auditee at the end of each audit and are summarised to gather information, including on quality and timeliness of audits. Copies of completed forms are summarised and filed separately.
- 49 Six files from our sample of 11 were signed off as 'quality assured'. The CIA and Deputy CIA carry out a 20 per cent quality assurance check and our sample testing confirmed that this is happening.
- 50 All of the files in our sample followed a similar structure and the IA section has clearly produced a standard approach to its work, using template documents. The “evaluation record of risk, expected and actual control” form provides information on the approach and sample sizes used in testing which enables the work to be re-performed if necessary. The testing schedules, like those used in the “payroll procedures” file were good and should be consistently applied across all work as these make it clear to see exactly what has been done and where to find the evidence on file.

Recommendations

- | |
|---|
| R7 Ensure key issues are consistently brought to the attention of the relevant manager during assignments to enable them to take corrective action and to avoid any surprises at the end of the audit. |
| R8 Spread good practice with regard to testing schedules, such as those used in the ‘payroll procedures’ file. |

Standard 9: Due professional care

In carrying out their duties, auditors must exercise due professional care. Due professional care is:

- *working with competence and diligence – it does not imply infallibility*
 - *the use of audit skills, knowledge and judgement based on appropriate experience,*
 - *training (including CPD), ability, integrity and objectivity*
 - *respecting and understanding confidentiality.*
- 51 Internal Audit meets the standard for undertaking audit work. There is scope to improve audit skills, knowledge and judgement. Internal Audit should use all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base conclusions, professional judgements and recommendations.
 - 52 Internal Audit has a range of documents that set out the requirements on all audit staff for due professional care. There is a section in the Audit Manual dedicated to Ethics for Auditors, an item in the Audit Charter, a Code of Conduct for employees, a Gifts and Hospitality Policy and an Anti Money Laundering Policy, all designed to guide auditors in exercising due professional care. Managers ensure that staff are made aware of specific items in these documents at their Key Issues Exchange meetings and also arrange for declaration forms for annual audit independence forms and gift declarations to be completed as required.

- 53 Our monitoring and review of work during the year has identified scope to improve audit skills, knowledge and judgement and to ensure sufficient evidence is obtained to support conclusions, judgements and recommendations.
- 54 The CIA has established a monitoring and review programme to ensure that due professional care is achieved and maintained. This has been complied with in most cases, for example, 8 out of 11 files showed adequate evidence of supervision and review. There are adequate systems in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct.

Recommendation

R9 Consider what training is required to improve auditor consideration of evidence, audit skills and judgement.

Standard 10: Reporting

The primary purpose of reporting is to provide an opinion on the adequacy of the internal control system and to inform management of significant findings, conclusions and recommendations.

- 55 Internal Audit meets the standard for reporting. During 2008/09 the CIA did not report in his own name but this has been implemented during the course of our audit. There is a satisfactory reporting format for individual assignments although there is scope to improve the format of and information contained in the annual report to include performance against the plan and outcomes against quality assurance measures. There is also scope to improve the quality assurance of reports before they are finalised and presented to officers and members.
- 56 Internal Audit use an agreed reporting style, which helps to provide a consistent approach to reporting. Our review of a sample of completed jobs found that reports cover relevant and important weaknesses, ensuring all aspects of the assignment link and support the conclusions made within the report. We found that although reporting circulation arrangements are generally agreed it was unclear as to whether the agreements are made at the beginning or the end of the work. There is a clear process for reporting matters of concern to the ARMC.
- 57 The CIA is required to complete an annual report. We found that this report did not compare the actual work to the planned work or differentiate between work carried out for assurance and other work. The report also briefly mentions the results of the IA quality assurance programme but is not specific and no targets were provided.

Compliance with standards

Recommendations

- R10** Review the format of and information contained in the Annual Report to clearly show the actual work completed against the planned work, differentiate between assurance and other work and how quality targets have been met.
- R11** Ensure all reports are quality assured before being finalised and reported to members.

Standard 11: Performance, quality and effectiveness

Performance, quality and effectiveness should be assessed at two levels - for each individual audit and for the internal audit service as a whole.

- 58** Internal Audit meets the standard for performance, quality and effectiveness. There is scope to improve supervision and review of audit work.
- 59** There is an Audit Manual which gives guidance on carrying out day to day audit work and complying with the Code. The manual is kept up to date by regular review to reflect changes in working practices and standards.
- 60** As part of our file sample review, we tested whether each individual file showed evidence of the assessment of the performance and effectiveness of the audit. Of the audit files, six out of the sample of six showed adequate evidence of supervision and review whilst three out of the five follow-up files did not show clear evidence of supervision and review.
- 61** An overall (internal) performance assessment of Internal Audit is made by the receipt of customer feedback forms on each individual audit. Any major issues raised by the feedback are addressed without delay and the rest of the information is assessed on a monthly basis.
- 62** The Performance Information Management System (PIMS) is used throughout Wirral Council to retain and monitor targets across all services. For Internal Audit these targets are developed from the responses from the feedback forms and are accessed via the Council's intranet. Internal Audit is also monitored monthly and the outcomes reported annually to senior officers and members.
- 63** The quality of each audit is assessed by the CIA and Deputy CIA on 20 per cent of assignments. From our file sample review, we found that only three (out of six) of the audit files and three (out of five) of the follow-up files had completed quality assurance reviews which meets Internal Audit's strategy.

Recommendation

- R12** Ensure adequate supervision and review of all work.

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
9	R1 Strengthen the independence of internal audit. <ul style="list-style-type: none"> • Review the structure of the Internal Audit department and in particular management and reporting lines and ensure it is shown on the Council's organisation chart. • Consider the results of the IA survey in relation to independence 	2				
10	R2 Strengthen arrangements for ensuring ethical standards are met. <ul style="list-style-type: none"> • Consider the results of the survey in respect of improving trust and confidence. • Improve internal audit knowledge of: <ul style="list-style-type: none"> – the organisation's aims, objectives, risks and governance arrangements; and – the purpose, risks and issues of the service area. 	2				

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
12	R3 Carry out an annual review of the effectiveness of the Audit and Risk Management Committee to demonstrate how it has strengthened the Council's control environment.	2				
13	R4 Review the organisational structure and staffing of Internal Audit to ensure that it is at an appropriate level to give a safe opinion to management and members on the control environment.	3				
13	R5 Review the factors that may be hindering the recruitment and retention of appropriate staff.	2				
14	R6 The CIA should strengthen the approach to determining the strategy and risk based planning to focus on including work in the plan to ensure he can demonstrate how he meets his responsibility to provide a safe opinion to the organisation on the control environment. The planning process should take account of: <ul style="list-style-type: none"> the adequacy and outcomes of the organisation's risk management; performance management and other assurance processes; Internal Audit's independent risk assessment; stakeholders views - they should be consulted on the draft plan - but should not determine it; and 	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<ul style="list-style-type: none"> the resources required to deliver the strategy and plan. <p>The Plan should differentiate between assurance and other work.</p>					
15	R7 Ensure key issues are consistently brought to the attention of the relevant manager during assignments to enable them to take corrective action and to avoid any surprises at the end of the audit.	1				
15	R8 Spread good practice with regard to testing schedules, such as those used in the 'payroll procedures' file.	1				
16	R9 Consider what training is required to improve auditor consideration of evidence, audit skills and judgement.	2				
17	R10 Review the format of and information contained in the Annual Report to clearly show the actual work completed against the planned work, differentiate between assurance and other work and how quality targets have been met.	2				
17	R11 Ensure all reports are quality assured before being finalised and reported to members.	2				
17	R12 Ensure adequate supervision and review of all work.	2				

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