



AUDIT COMMITTEE

14 JULY 2005

**AGENDA
ITEM**

INTERNAL AUDIT: PERFORMANCE FOR THE YEAR ENDING 31 MARCH 2005

Ward(s) None affected directly by this report.

Portfolio: Cllr J O'Hare – Deputy leader of the council and resources

Summary of report:

The report presents internal audit's performance against targets during the year ending 31 March 2005.

Background papers:

Internal audit report: monitoring summary

Reason for scrutiny:

The audit committee's activities include ensuring that an effective internal control environment is maintained and regular and ongoing scrutiny of internal audit's work.

Recommendation:

- 1. To note the service's high level of achievement against its performance indicators and targets.**

Signed:

Executive Director: Carole Evans

Date: 28 June 2005

Resource and legal considerations:

Paragraph 6 of the Accounts and Audit Regulations 2003 requires councils to maintain an adequate and effective system of internal audit of accounting records and system of internal control in accordance with proper internal audit practices. Under section 151 of the Local Government Act 1972, the council has designated the executive director (finance, law and performance) as the chief finance officer; who is responsible for making arrangements for the proper administration of the council's financial affairs. The cost of providing internal audit is fully charged to services based on audit activity.

Citizen impact:

Internal audit work is intended to ensure that effective systems of internal control are in place. This offers protection to the council and its officers and provides an assurance to stakeholders regarding the security of the council's operations.

Environment impact:

None arising directly from this report

Performance management and risk management issues:

Many of the activities of the audit committee are an important and integral part of the council's performance management and corporate governance frameworks, and can challenge, review and advise on service delivery, council activity and policy with a view to improving results. The internal audit strategic plan is risk assessed to ensure areas most at risk are examined as a priority.

Equality implications:

None arising from this report

Consultation:

The proposed annual work plan was discussed with relevant senior managers before the start of the financial year. Following completion of each piece of audit work, and before issuing the final version, the manager's agreement to implement recommendation(s) listed in the audit report action plan is sought.

Vision impact:

Internal audit work contributes towards the council's vision in ensuring services operate in a sound control environment and provide excellent customer services.

Contact Officer

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1. PERFORMANCE MONITORING INFORMATION

- 1.1 Reports on the service's performance and progress are produced each quarter and submitted to this committee to enable monitoring and scrutiny to take place. A copy of each report is scrutinised by the section 151 officer to assist in satisfying her responsibilities under the Local Government Act 1972. The table summarises targets/ performance indicators for 2003/4 and 2004/5.

| Quality Targets/PI's (e.g. Response Time) | % Target | % Achieved 2004/2005 | % Achieved 2003/2004 |
|---|---------------------|-------------------------------------|-------------------------------------|
| Audits completed within planned time | 95 | 95 | 98 |
| Spending within budget | 100 | 100 | 100 |
| Productivity rate | 65 | 70.1 | 70.4 |
| Audit plan achievement | 90 | 95.1 | 93.6 |
| Report issued within 10 working days of exit meeting | 80 | 94 | 90 |
| Recommendations accepted/ implemented or agreed | 95 | 98 | 97 |
| Returned customer questionnaires to show satisfaction | 95 | 100 | 98 |
| Overall perception of quality of service from Council wide Internal Audit survey | 95 | - | - |

- 1.2 This shows that the service has delivered on all of its performance targets and has maintained the high levels of overall performance achieved last year.
- 1.3 The extent of unexpected staff sickness, vacancies and higher demand for unplanned/ irregularity work could have had an adverse impact. However, this was managed by allocating work which would not otherwise have been undertaken to our internal audit partner. This was achieved within budget.
- 1.4 Records are kept on '*recommendations confirmed as actually implemented at next audit visit*'. Following completion of an audit a recommendation action plan is agreed with the relevant directorate manager who is then responsible for ensuring its implementation. A level of 73% has been achieved in both of the last two years against a target of 95%. Implementation of agreed recommendations is a directorate manager's responsibility, but in order to improve performance in this area, robust action by internal audit officers is now in place, as follows:
- In arranging the audit visit, the directorate manager is advised that failure to implement agreed audit recommendations may result in their being called to the audit committee to provide explanation;
 - Within a short period of completing the audit, formal confirmation is sought from the manager that agreed recommendations contained within the audit report action plan have been implemented as agreed;

- Should the manager not respond to the initial confirmation request, a follow up reminder is issued asking for a response by a specific date and advising that failure to so implement may result in their being asked to provide explanation to the audit committee;
 - Failure by the manager to then respond results in a memorandum/letter advising that should their response not be received by a certain date (usually 7 days hence) it will be assumed that the recommendations are agreed and will be fully implemented.
- 1.5 This approach is proving successful with no exceptions being noted in managers' confirmation responses. Return visits are now being made following the introduction of these measures, where the auditor's first task is to formally confirm that previously agreed recommendations have actually been implemented.
- 1.6 The new follow up arrangements were introduced during 2003/04 and many of the audit reviews in 2004/05 were last undertaken before April 2003. This explains the similar levels of achievement over the 2 years.
- 1.7 Based on those follow up visits in 2004/05 where a previously post April 2003 review had been made, the indications are that an increased recommendation level is expected in 2005/06.