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**AUDIT COMMITTEE****22 JULY 2004****AGENDA
ITEM****10.****INTERNAL AUDIT: PERFORMANCE INDICATOR INFORMATION FOR THE YEAR
ENDED 31 MARCH 2004****Ward(s)** None affected directly by this report.**Portfolio:** Cllr J O'Hare: Deputy Leader (Resources & Performance Management)**Summary of report:**

The report presents details of internal audit's actual performance against targets during the year ended 31 March 2004.

Background papers:

Internal audit report: monitoring summary

Reason for scrutiny:

The audit committee's activities include ongoing scrutiny of the work of internal audit. Consideration of performance indicator information assists the committee in pursuing this role.

Recommendation:

To note the service's high level of achievement during the year against its performance indicator targets.

Signed:
.....**Executive Director: Carole Evans****Date:****12th July 2004**

Resource and legal considerations:

Under the provisions of paragraph 6 of the Accounts and Audit Regulations 2003, the council is required to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices. Under section 151 of the Local Government Act 1972, the council has designated the executive director (finance, legal and performance) as the chief finance officer – i.e. the officer responsible for making arrangements for the proper administration of its financial affairs. The cost of providing internal audit is fully charged to directorates based on audit activity.

Citizen impact:

The work undertaken by internal audit throughout the council is intended to ensure that effective systems of internal control are in operation. This offers protection to the council and its officers and also provides an assurance to charge payers 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 and improve 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 undertaken throughout the council 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 have been 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. Details of quality targets/performance indicators for 2002/3 and 2003/4 are shown in the table below.

Quality Targets/PI's (e.g. Response Time)	% Target	% Achieved 2003/2004	% Achieved 2002/2003
Audits completed within planned time	95	98	90
Spending within budget	100	100	100
Productivity rate	65	70.4	66.5
Audit plan achievement	90	93.6	68
Report issued within 10 working days of exit meeting	80	90	80
Recommendations accepted/implemented or agreed	95	97	97
Returned customer questionnaires to show satisfaction	95	98	98
Overall perception of quality of service from Council wide Internal Audit survey	95	-	99

The summary shows that the service has satisfied in all of its performance targets. Of particular significance is an achievement of 93.6% in its planned work for the year. This has not been possible in the past due to the service having to spend a higher than anticipated level of time in addressing unplanned work (consultancy and irregularity). Additional resources were made available during the year and enabled a good deal of the work, which would not otherwise have been undertaken, to be allocated to the recently appointed internal audit partner.

- 1.2 Details are maintained by the service of a performance indicator '*recommendations confirmed as actually implemented at next audit visit*'. Following completion of an audit assignment, a recommendation action plan will be agreed with the relevant directorate manager who will then be responsible for ensuring its implementation.
- 1.3 The levels of achievement over the last 2 years are detailed in the following table:

Quality Targets/PI's (e.g. Response Time)	% Target	% Achieved 2003/2004	% Achieved 2002/2003
Recommendations confirmed as actually implemented at next audit visit	95	73	76

As stated above, 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 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.

- 1.4 The actions are proving successful with no exceptions being noted in managers' responses.
- 1.5 Return visits are now beginning to be made to directorates, following the introduction of the measures outlined in 1.3 above, where the auditor's first task will be to formally confirm that previously agreed recommendations have actually been implemented. Instances of a manager's failure to implement as agreed will be included within future monitoring reports to this committee.
- 1.6 Much of the information within the appendices, along with estimates for 2004/5, will be used as part of the CIPFA national benchmarking club for comparison purposes. Key performance data is also shared with neighbouring west midlands authorities.

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