

AUDIT & RISK COMMITTEE

21 January 2014

INTERNAL AUDIT IMPROVEMENT PLAN PROGRESS REPORT

Report of the Head of Welland Internal Audit Consortium

STRATEGIC AIM	All
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1. PURPOSE OF THE REPORT

- 1.1 To inform Members of progress with implementation of the Improvement Plan adopted following the External Quality Assessment undertaken by RSM Tenon.

2. RECOMMENDATIONS

- 2.1 That Members note the report.
- 2.2 That Members endorse the revised Internal Audit Charter at Appendix B.
- 2.3 That Members endorse the Audit Protocol at Appendix C.

3. KEY ISSUES

- 3.1 RSM Tenon's External Quality Assessment identified weaknesses in the way that the Consortium designed audit assignments and a lack of clarity in the reporting of those assignments. The Assessment also identified areas of non-conformance with the Public Sector Internal Audit Standards (the Standards). The Welland Internal Audit Board determined that it was practical to develop and deliver an Improvement Plan which would allow for the delivery of an Internal Audit service of an acceptable standard within an acceptable timescale.

3.2 Appendix A to the report shows the approved Improvement Plan and the progress in implementation. Specific improvements delivered to date include:

- introduction of new working methodology – incorporating risk based auditing;
- revised audit planning and reporting arrangements;
- revised Committee performance update reports;
- the drafting of a revised Audit Charter that meets in full the requirements of the Standards; and
- drafting of a protocol outlining the respective responsibilities of internal audit and management.

The only significant work remaining is the commissioning of modifications to report templates from the suppliers of the Consortium's audit software package. To avoid unnecessary cost, this work will be commissioned as part of a scheduled software upgrade early in 2014/15. The delay will provide more time to ensure that the templates meet fully the needs of clients.

The Welland Board continues to monitor progress on implementing the Plan, and the impact of that progress, at its six-weekly meetings.

3.3 A draft Audit Charter consistent with the Standards is shown as Appendix B to the report. The Council adopted a Charter in 2007 which was drafted to reflect CIPFA guidance at that time but does not fully satisfy the requirements of the Standards. Specifically, the new draft:

- confirms the statutory basis for the role of internal audit;
- identifies the statutory authority for the conduct of internal audit's work
- specifies that the Audit & Risk Committee must arbitrate on any requests to change the Consortium's work plans and may itself request changes to work plans;
- requires the Audit & Risk Committee to satisfy itself as to the ongoing operational independence of the Consortium; and
- requires the establishment of a Quality Assurance and Improvement Programme to support annual self-assessments and periodic external assessments of internal audit's effectiveness.

The adoption of a new Charter which satisfies the requirements of the Standards is a necessary element of the Improvement Plan: without such a Charter the Consortium – and the Council – cannot conform fully with the Standards.

3.4 The delivery of an effective risk-based internal audit service requires informed engagement on the part of client managers and it was recognised that some managers were unclear as to what was expected of them. To address this issue an Audit Protocol has been developed which sets out clearly the respective roles and responsibilities of auditees and the auditor and the Committee's endorsement would be helpful. A draft protocol was

presented to the Senior Managers Forum to positive feedback. The Protocol is shown at Appendix C to the report.

4. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Low	The report does not require any time-bound response beyond endorsing the revised Charter and the Protocol.
Viability	Low	Work required to implement the Plan is substantially completed
Finance	Low	There is no direct financial impact.
Profile	Medium	The Consortium's response to the External Quality Assessment is a matter of interest for all of the Welland Authorities.
Equality and Diversity	Low	EIA screening indicates no issues arising therefore full Impact Assessment has not been carried out.

Background Papers
None

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