

Wolverhampton City Council

OPEN INFORMATION ITEM

Audit Committee

Date **12 MARCH 2012**

Originating Service Group(s)

DELIVERY

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Title/Subject Matter

**PWC REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT –
PROGRESS REPORT**

SUMMARY

That the updated Action Plan be received and noted with regard to the recent PWC Review of the Effectiveness of Internal Audit.

1. PURPOSE AND BACKGROUND

- 1.1 Members will recall that the Council's external auditor, PwC was commissioned to undertake a review of the effectiveness of the internal audit function and the role of the Audit Committee in late 2010.

2. DETAILS

- 2.1 A summary of the findings was subsequently presented to members of Corporate Management Team (now Strategic Executive Board) and the Audit Committee on 11 April 2011 when it was agreed that regular progress reports would be provided to demonstrate that actions were being taken to address recommendations where considered appropriate.
- 2.3 This is the latest progress report produced since receipt of the original report from PwC and the outline Action Plan has been updated to show progress made, as detailed in Appendix A.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications arising from this report as Members are requested to note the updated action plan. Any additional costs or opportunities for achieving savings arising over the action plan timeframe will be the subject of future reports to Members.
[GE/08022012/Y]

4. LEGAL IMPLICATIONS

- 4.1 There are no direct legal implications arising from this report.
[JH/06022012/I]

5. EQUAL OPPORTUNITIES IMPLICATIONS

- 5.1 There are no direct equal opportunities implications arising from this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from this report.

7. SCHEDULE OF BACKGROUND PAPERS

- 7.1 PwC Review of Effectiveness of Internal Audit Report

PwC Review – Internal Audit Effectiveness: Action Plan – Progress to 24 February 2012

Ref	Recommendation	Priority	Update	Timescale
1	Address inefficiencies in the audit plan	High	The 2012/13 Strategy for Internal Audit has included a rigorous and challenging review of the audit universe and included a new risk based assessment of assurance need model.	April 2012
2	Create a more risk focussed internal audit plan	High	As above.	-
3	Provide pro-active fraud awareness training	Medium	<p>An e-learning package is being introduced and a series of raising fraud awareness seminars are being organised.</p> <p>A Counter Fraud Unit has been established with a dedicated resource. Role to include:</p> <ul style="list-style-type: none"> • hosting the above (seminars and e-learning) • running fraud surgeries • maintaining a fraud risk register • targeted pro-active fraud testing • leading on fraud investigations • publishing regular anti-fraud newsletters • ongoing review of all policies and procedures • reporting to Audit Committee • self assess against latest NFA/Audit Commission/CIPFA guidance • lead on NFI • engage in data matching with neighbouring LA's 	June 2012
4	Create investigative specialism within the audit team	Medium	As above, also the lead officer in the Counter Fraud Unit will attend fraud related training events wherever possible and to seek funding to obtain CIPFA's CIPQ qualification.	June 2012

5	Consideration of open plan environment	Low	A separate area has been screened off within the open plan environment for use solely by Internal Audit staff and investigations/fraud files are stored in a secure location.	Completed
6	Consideration of paid accounts process	High	Discussions are ongoing with the Chair of the Audit Committee and the Paid Accounts Committee, with a view to reducing this work and absorbing it into the wider transparency agenda and risk based audit processes, while still providing the assurance required, and addressing the concerns of members.	March 2012
7	Introduction of timescales for audit reporting	Low	A new style audit report has been developed and a target of issuing draft reports within two weeks of the completion of fieldwork introduced.	Completed
8	Increase service involvement in clearing reports	High	Stronger engagement with service areas is at the fore of the new planning, scoping and reporting processes being introduced.	Completed
9	Introduction of automated audit software and consideration of further specialisms	Medium	A new (and streamlined) approach to undertaking audit reviews has been designed. Much of this is being taken from the recent systems thinking intervention and redesign. Discussion will also be held with a neighbouring authority with a view to developing increased automation. All staff will be going through a development process and an analysis of any training gaps identified. Greater use of regular audit and related, publications will be encouraged.	June 2012
10	Introduction of KPIs and a robust quality assurance framework	Medium	A range of performance indicators will be designed and performance reported to the Audit Committee. The quality assurance framework is being redesigned as a result of the systems thinking intervention.	June 2012
11	Improve compliance with CIPFA Code of Internal Audit	Medium	The service is to be self-assessed against the self assessment checklist in the CIPFA Code of Internal Audit and an action plan developed in order to tackle any gaps identified.	April 2012
12	Introduction of a new Audit Charter	High	This has been incorporated into a new Terms of Reference for Internal Audit.	Completed
13	Consideration of Audit Committee preparation and practice	High	A timetable of pre-meetings has been prepared and is being followed. See also No.6 above.	Completed

14	Provision of Member training	Medium	An Audit Committee Skills Audit exercise will be undertaken, and a training plan developed to address any gaps.	April 2012
15	Introduction of CIPFA compliant Audit Committee role and remit	High	The Audit Committee Terms of Reference and delegations are to be reviewed.	March 2012
16	Consideration of independent membership of Audit Committee	High	Consideration of this will be included in the above review of the Terms of Reference.	March 2012