

REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT:
ACTION PLAN TO ADDRESS REPORT RECOMMENDATIONS

Recommendation	Management Response and Target Implementation Date	Latest Position
Internal Audit's role in good governance and how this fits with the role of others, in particular the CFO, the Monitoring Officer and the Head of Paid Service, should be set out.	Agreed. Statement will be produced and incorporated within next Annual Strategic Plan presented to, and approved by, Finance & Audit Scrutiny Committee. March 2012.	Completed. In addition, Annual Governance Statement for 2011/12 will set out clearly the role of Internal Audit and how it interacts with other key regulatory functions within the council.
Internal Audit should play a more active role in promoting good governance. This can be achieved through training at all levels within the authority and the use of case studies to get the message across.	Agreed. Awareness training will be carried out through Moodle that outlines our roles and responsibilities, including those of Governance. The use of case studies will, as suggested, be employed to help to convey message. Incentives will be offered to complete the training. By December 2011.	Internal Audit's role and responsibilities are about to be re-publicised on the intranet. Case studies have been used to convey the message and a Moodle training session has been developed for staff use. A programme has been developed by Internal Audit and we are waiting for ICT services to set it up on the intranet.

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<p>Internal Audit should be consulted on all proposed major projects, programmes and policy initiatives.</p>	<p>Agreed.</p> <p>To an extent, this is already done. For example, we met recently with the Performance & Improvement Team to discuss the role of Internal Audit in Lean Systems interventions.</p> <p>The approach would require a change in emphasis, away from audits with a defined output to the provision of control advice. This would be accommodated within the audit plan by evaluating the risk.</p> <p>To formalise arrangements a paper will be issued for SMT to consider. The paper will set out the benefits and purpose of consultation, what projects etc Internal Audit should be consulted on, how consultation could work or Finance could pose question at regular SMT meetings and advise Internal Audit accordingly.</p> <p>By October 2011.</p>	<p>Senior managers have been reminded of this requirement. Clearly it could have major resource implications so it will need to be monitored and managed carefully.</p>

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<p>The Audit and Risk Manager should assess the value to Warwick DC and Internal Audit of joining CIPFA's Better Governance Forum as a means of accessing best practice in governance.</p>	<p>Agreed. A point of practice has been raised at Midland Districts Chief Internal Auditors Group. This confirmed that the Better Governance Forum is an effective means of accessing best practice in governance. The Better Governance Forum has been contacted and a trial membership at a special price has been arranged. We will then review the benefits and costs. Immediate.</p>	<p>Membership was trialled for 6 months but little benefit was obtained. The facility was rarely used by staff and information could be obtained elsewhere. Bearing in mind the cost it was decided not to extend membership beyond the trial period.</p>
<p>The Audit and Risk Manager should provide more regular and relevant training to the Committee, particularly around the role of Internal Audit and the assurance that internal audit provide. It may be useful to identify the gaps in knowledge amongst the Committee members and target training on those issues.</p>	<p>Agreed. As planned – training in October 2011 arranged for members of F&A and Standards Committee. We are very much in favour of members having a better appreciation of our role and how we perform it in order that they can make more use of Internal Audit reports. An informal approach with small numbers of members here in the office is more effective than, say, a 20-minute, power point presentation. It would help members to build a closer relationship with the team. October 2011 and ongoing.</p>	<p>A workshop for members was ran as planned. Feedback was very positive and the benefits were mutual. This will be repeated for new members.</p>

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<p>The Audit and Risk Manager should explore methods of improving the accessibility to internal audit.</p>	<p>Agreed.</p> <p>As part of the above mentioned Moodle training, accessibility of Internal Audit will be stressed.</p> <p>Also, staff (and members) will be reminded of the Internal Audit pages on the Intranet.</p> <p>We will tell people where we are, who we are and then try to remind people that they can drop in anytime with any enquiries.</p> <p>By December 2011.</p>	<p>Completed, as above.</p>
<p>The Audit and Risk Manager should explore suitable methods of raising awareness of the role of internal audit.</p>	<p>Agreed.</p> <p>As part of the above mentioned Moodle training, role of Internal Audit will be stressed.</p> <p>By December 2011.</p>	<p>Completed, as above.</p>
<p>The Audit and Risk Manager should consider the merits of producing a 3 year team development plan for internal audit and formally record the actual training and development that has taken place.</p>	<p>Bearing in mind the age and experience profile of the team and, perhaps moreover, a limited training budget, there is no convincing argument for developing a three year training and development plan. The annual appraisals are used to identify development needs and, with slight enhancement, these would be suitable.</p> <p>Staff already maintain records of training (e.g. for CPD purposes).</p>	<p>As original response.</p>

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The Audit plan should provide an indication of the level of risk within each area to be audited.	<p>Agreed.</p> <p>This will be incorporated into future Audit Plans. (F&A approve the Audit Plan annually.)</p> <p>Immediate (next Audit Plan).</p>	Completed. The Internal Audit Plan for 2012/13 to 2014/15 was re-vamped and each assignment included information on the risk profile.
The Audit and Risk Manager should review the current approach to audit work to ensure that the scope of the work reflect more elements of governance and risk.	<p>Agreed.</p> <p>Audit Brief prepared by auditor before commencement of audit will be reviewed by Audit & Risk Manager to ensure that governance and risk is covered appropriately within the audit.</p> <p>Immediate.</p>	This is being done.
The Audit and Risk Manager should introduce a formal review and feedback process for all audits. (NB. This refers to file reviews undertaken by the Audit & Risk Manager on completion of the assignment and communication with the auditors.)	<p>Agreed.</p> <p>Based on those used within other organisations a review form will be produced to evidence reviews of completed audits.</p> <p>October 2011.</p>	After further consideration this is not to be introduced. The measure is inconsistent with the current economic environment where the imperative is to reduce bureaucracy in order to manage resources more efficiently. The proposal will add another level of bureaucracy with little or no practical benefit. It is also worth noting that the council's external auditors, when performing their thorough triennial reviews, have never raised this as an issue.

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<p>Auditors should be encouraged to produce electronic working papers for all audit work.</p>	<p>Agreed.</p> <p>Electronic working papers are already produced by majority of team. All members of team will be encouraged to produce electronic working papers – Immediate.</p> <p>We will look into scanning all supporting evidence and having some sort of indexing or referencing system – By December 2011.</p>	<p>All members of team encouraged to produce electronic working papers.</p> <p>Review undertaken of potential for scanning all supporting evidence. On balance, this is not felt to be sufficiently cost-effective to warrant changing approach.</p>

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<p>The Audit and Risk Manager should consider the benefits of moving to electronic storage of all audit work rather than paper files.</p>	<p>Notwithstanding that improvements have already been made in this area (documents that would previously have been printed or copied are now filed electronically), this would require an audit management system that is unlikely to be cost-effective to introduce for a small team.</p> <p>However, a paper will be produced for the Head of Finance setting out the advantages and disadvantages of using an audit management system – By December 2011.</p> <p>A practical alternative to also be investigated is to adapt disciplines towards storage, cross-referencing (e.g. using hyperlinks) working, reviewing, sign-off, etc. from the PC screen instead of from paper copies – By December 2011.</p>	<p>A paper was produced for the Head of Finance that set out the advantages and disadvantages of electronic storage.</p> <p>In summary, the paper concluded that whilst we already have the means to store all audit work electronically, the requisite retrievability and user-friendly review capability cannot be achieved with the IT tools currently available to us (basically Windows Explorer, MS Office and MOSS).</p> <p>To move, however, to a user-friendly front-end interface allowing both the auditor to undertake the work without generating paper and any reviewer to follow flow of the audit work from PC monitor display would not be sufficiently cost-beneficial at present.</p> <p>In particular, extensive time resource would be required to implement the solution which would see mainstream audit coverage greatly diluted. There are also some possible health issues from working even more intensively on PC screens.</p> <p>Clearly, arrangements will be reviewed as circumstances change in such a way as to either strengthen the case or render the whole matter academic.</p>

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The Audit and Risk Manager should consider the benefits of implementing an electronic management system.	See comments above concerning an audit management system.	As above.
The Audit and Risk Manager should consider the benefits to the recipient of the report of providing a clearer explanation of the risk(s) associated with the control weakness identified.	<p>Agreed.</p> <p>Usually if there is a control risk that results in a recommendation then it will be explained in the body of the report. There should always be a trail to show the reason for the recommendation.</p> <p>However, will forthwith include more overtly the risks relating to each of the findings where a recommendation is made within the reports.</p> <p>Immediate.</p>	Implemented. Reports now describe the risk associated with the finding. In addition, this is recorded in the action plan.