

Committee(s):	Date(s):
Audit & Risk Management Committee	17 th September 2013
Subject: Internal Audit Satisfaction Review	Public
Report of: Chamberlain	For Information

Summary

The Audit and Risk Management Committee requested a wider review of the level of Customer Satisfaction with the services provided by the Internal Audit Service. This review being aimed at supplementing the post-audit questionnaires (PAQs) which are routinely issues at the end of each piece of work. The responses to these PAQs are generally positive however these do not provide an indication of satisfaction with the wider service that Internal Audit provides.

Over the 2013 summer recess period, structured customer interviews led by the Business Support Director have been held with five Chief Officers and two senior managers to provide strategic feedback on the satisfaction with the internal audit function, with additional feedback sought separately with other Chief Officers through correspondence.

The feedback from Chief Officers and senior managers was generally positive, recognising the shift in the internal audit approach over the last two to three years from a service predominantly focused on financial regularity to a service which gives broader assurance about both financial and non-financial controls and adds value to decision making.

A small number of areas for further development have been identified from this review. In a few instances, Chief Officers had a limited appreciation of the full scope of internal audit work, beyond financial compliance assurance and lacked awareness of their lead audit manager. Some further work will be progressed to promote the full scope of the internal audit function and increasing engagement with Departmental Management Teams in some departments.

A number of useful ideas to increase the value added by the internal audit function were identified through this review, which will progressed over the coming months. In particular, there was strong support for the idea that Internal Audit should share and promulgate more widely thematic risk and control issues arising from routine audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments.

There was also support for the incorporating more outcome-focused Key Performance Indicators, such as trends in overall audit assurance ratings and the timeliness of the implementation of audit recommendations. An Audit & Risk-focused session of the Chief Officer Group has been arranged for the end of November 2013, at which this reporting approach will be discussed.

Recommendation

Members are asked to note the report.

Main Report

Background

1. The Audit and Risk Management Committee requested that there be a wider review of Customer Satisfaction with the internal audit function.
2. As a matter of routine, the internal audit section issues a post-audit questionnaire (PAQ) to the relevant Chief Officer at the end of each major audit review. Whilst the responses to these PAQs are generally positive, the response rate is relatively low. The process for sending and receiving feedback on the PAQs has been revised twice over the last two years to encourage feedback by increasing the ease with which questionnaires can be completed and returned. Where PAQs are received and where comments are less than satisfactory, these are discussed by the Head of Audit with the client Department, and any necessary training, performance improvement or process changes introduced.
3. It is intended to continue issuing PAQs, recognising they do have value, but also that they have limitations in scope. What PAQs do not measure is satisfaction on the overall service provided by internal audit and do not capture the views of senior or more strategic stakeholders, such as Members, Senior Management, External Audit, the Chamberlain and Town Clerk and Chief Executive. Informal feedback from these stakeholders is provided through interaction and discussions with the Head of Audit. In addition the Audit and Risk Management Committee provided some feedback on the internal audit function through the Audit & Risk Management Committee effectiveness review, which was reported and discussed at your meeting on 5th February 2013.
4. It is relevant to note that under the new Public Sector Internal Audit standard, formal arrangements for the Audit and Risk Management Committee Chairman and the Town Clerk and Chief Executive to have input to the performance appraisal of the Head of Audit and Risk Management for the 2013/14 year end are to be introduced.

Customer Satisfaction Review

5. Over the 2013 summer recess period, structured customer interviews, led by the Business Support Director, have been held with five Chief Officers and two senior managers to provide strategic feedback on the satisfaction with the internal audit function, with additional feedback sought separately with other Chief Officers through correspondence. Interviews were held with the following officers:-
 - Director of the Built Environment
 - Deputy Town Clerk

- City Surveyor
- Director of Open Spaces
- Director Culture, Heritage, Libraries
- Chief Operating & Financial Director (Barbican/Guildhall School of Music and Drama)
- Bursar - City of London School for Girls

6. The feedback questions focused on the following areas:

- Usefulness and most important aspects of internal audit to Chief Officers;
- Chief Officer awareness of lead audit manager for their Department;
- Availability and provision of forward audit plan information and Chief Officer input to the development of internal audit plans;
- Audit Plan coverage and extent that it covers areas of risk/concerns that Chief Officers have;
- Clarity of internal audit reports and practicality of audit recommendations;
- Extent that Chief Officers are aware and use internal audit for advice and guidance on risk and control issues;
- Skills and expertise that Chief Officers are seeking from the internal audit function;
- Assessment of auditor professionalism;
- Review of internal audit function Key Performance Indicators; and
- Identification of improvement areas for internal audit.

Feedback from our Clients

7. The feedback from Chief Officers and senior managers was generally positive, recognising the shift in the internal audit approach over the last two to three years from a service predominantly focused on financial regularity to a service which gives broader assurance about both financial and non-financial controls and adds value to decision making.
8. A number of useful ideas to enhance further the value added by the internal audit function were identified through this review. These will be progressed over the coming months.
9. Common positive themes in the feedback provided by officers were as follows:-
- New audit reporting style, through more streamlined reports, with clearer RAG rating of recommendations and capture of management action plans welcomed;
 - Recommendations seen as practical and relevant;
 - Internal audit support in terms of resources, expertise, independent and objective viewpoint on irregularity, fraud and control breakdown investigation valued;

- Internal audit work focuses on the right areas, and demonstrates flexibility in audit work timing to maximise the value of audit to Departments; and
 - Satisfaction with the professionalism, independence and competence of internal auditors.
10. A number of areas of further improvement were identified from feedback as follows:
- Not all Chief Officers knew their lead Audit Manager contact which is indicative that further work should be undertaken to promote the role and value of internal audit within Departments, with a particular focus on Departmental Management Teams;
 - A few Chief Officers had a limited appreciation of the full scope of internal audit work, beyond financial compliance assurance, and the potential value that internal audit can provide on risk identification and control design across key business systems; and
 - Ensuring that the audit resources that are used to deliver assignments are suitably skilled and knowledgeable about the business area that they are reviewing.

Future Development of the Internal Audit Function

11. There was consistent and strong support for development of the following areas:
- Internal Audit should share and promulgate more widely thematic risk and control issues arising from routine audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments;
 - Continuing to develop an intelligent business relationship approach, which requires audit staff to have strong communication skills and a good understanding of the business environment across the often disparate activities of the Corporation and
 - More outcome-focused Key Performance Indicators (KPI) for the service focusing on the trend of overall audit assurance ratings and recommendations generated from audit reviews and the timeliness with which audit recommendations are implemented.

Next Steps

12. The customer satisfaction review with Chief Officers was considered to be a worthwhile exercise and it is planned to repeat a similar exercise next year, using a mixture of structured questionnaires and a different sample of Chief Officer interviews. The following actions are planned following this review;

- Some promotion material will be developed for use by internal audit function staff to promote the full scope of internal audit work to Departmental Management Teams;
- Periodic attendance of the Head of Audit or lead Audit Managers at the more significant Departmental Management Teams will be arranged, where this is not already in place;
- Recruitment of new audit staff (there is one current vacancy and a pending retirement in the near future) and development plans for existing audit staff will place more emphasis on the ability to develop strong business relationships through the use of good interpersonal skills;
- Development of greater thematic reporting of risk and control issues arising from routine audit and investigation work to Chief Officers. An Audit & Risk-focused session of the Chief Officer Group has been arranged for the end of November 2013 to demonstrate and discuss this reporting approach; and
- Introduce outcome-focused internal audit function KPIs with measurement and reporting introduced within quarterly internal audit update reports to Committee.

Conclusion

13. There is a good level of satisfaction with the internal audit function, with positive feedback provided by Chief Officers on the internal audit approach and how the service is developing. A small number of areas for improvement have been identified from this review coupled with a clear desire for internal audit to promulgate lessons learnt from its review work more widely.

Appendices

None

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