

<b>Committee(s):</b>	<b>Date(s):</b>
Audit & Risk Management Committee	28 <sup>th</sup> January 2014
<b>Subject:</b> Internal Audit Satisfaction Review - Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>

### **Summary**

This report provides a progress update on the internal audit satisfaction review reported the September 2013 Committee meeting and the outcome of further Chief Officer engagement meetings that occurred in December 2013 and January 2014. Over the last two months, structured customer interviews led by the Business Support Director have been held with four more Chief Officers and one senior manager (City Bridge Trust - Chief Grants Officer) to provide strategic feedback on the satisfaction with the internal audit function. The feedback from Chief Officers and senior managers continues to be positive.

Some further ideas, were identified from these more recent discussions to enhance further the value added by the internal audit function through actively promoting the full scope of the internal audit service, particularly in providing advice and guidance when new processes and systems are implemented, scheduling a review of the internal audit assurance definitions and recommendation categories in 2014/15, following the completion of the risk management strategy and providing summaries of internal audit work to the Monitoring Officer ( Comptroller and City Solicitor) to support him in his statutory role.

A risk, audit and fraud focused session was held with the full Chief Officers group on the 4<sup>th</sup> December. This session was primarily focused on a review of the strategic risk register, however it did also provide an opportunity to promote the work of internal audit, and highlight thematic internal control issues arising from audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments.

Internal audit is regularly attending Departmental Management Team (DMT)s within the Chamberlain's and Community and Children's Services Departments and has also recently attended HR Management Team, and Comptroller and City Solicitors Management Teams. Agreement has also been reached to attend City Surveyor's and Markets and Consumer Protection DMTs. Some Chief Officer's preference it to have direct meetings with internal audit without the full presence of their management team, or with a smaller set of officers.

### **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. 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 issued at the end of each piece of work. The outcome from the first round of interviews with Chief Officers was reported to the Audit and Risk Management Committee at the September meeting, including some actions identified to improve the service.
3. This report provides an update on the steps taken since that report, and the outcome of further Chief Officer engagement meetings that occurred in December 2013 and January 2014.

### **Customer Satisfaction Review**

4. Over the last two months, structured customer interviews led by the Business Support Director have been held with four more Chief Officers and one senior manager to provide strategic feedback on the satisfaction with the internal audit function as follows:-
  - Director of Community and Children Services
  - Director of Markets and Consumer Protection
  - Director of Corporate HR
  - Comptroller and City Solicitor
  - Chief Grants Officer
5. 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

6. The feedback from Chief Officers and senior managers continues to be generally positive, recognising the shift in the internal audit approach over the last 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.
7. Some further ideas, were identified from these more recent discussions to enhance further the value added by the internal audit function as follows:-
  - Continuing to promote the full scope of the internal audit role with Chief Officers and Senior Managers within Departments, particularly in providing advice and guidance, when new processes and systems are implemented, as this is a role that internal audit can perform, which Chief Officers were not sometimes aware of, or utilising.
  - Scheduling a review of the internal audit assurance definitions and recommendation categories in 2014/15, following the completion of the development, agreement and roll-out of the new risk management strategy and risk scoring matrices.
  - Providing summaries of internal audit work to the Monitoring Officer ( Comptroller and City Solicitor) to support him in his statutory role.
8. These meetings also confirmed a growing appetite and acceptance of internal audit as a useful tool and source of assurance to Chief Officers as to the design and effectiveness of their systems of risk and governance.

## Update on actions identified from previous report.

9. The following actions were identified during the summer of 2013. Below is an update of progress against each item.

**Action 1 - 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;**

Update - The Audit Charter which was agreed by the Audit and Risk Management Committee at the October 2013 meeting, has been circulated to Chief Officers and is being used as the basis for promoting the service. A separate short pamphlet is currently in development, and further consideration is being given to developing a distinct branding for the service.

**Action 2 - 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;**

Update - Internal audit is regularly attending DMT's within the Chamberlain's Department and Departmental of Community and Children Services. It has also recently attended HR and Comptroller and City Solicitors Management Teams. Agreement has also been reached to attend City Surveyor's and Market's and Consumer Protection Management Teams. Some Chief Officers preference it to have direct meetings with internal audit without the full presence of their management team, or with a smaller set of officers. As a minimum, internal audit will seek to engage at least bi-annually with each

Chief Officer to review forthcoming audit plans, and review the delivery of audit plans with Chief Officers mid-year.

**Action 3 - 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;**

Update - Recruitment criteria, job description and person specification were updated for the senior auditor recruitment, with two senior auditors successfully recruited in the Autumn. Lead Audit Manager responsibilities have been reviewed so there is a better spread of Department clients responsibilities for 2014/15.

**Action 4 - Development of greater thematic reporting of risk and control issues arising from routine audit and investigation work to Chief Officers.**

Update - A risk, audit and fraud focused session was held with the full Chief Officers group on the 4<sup>th</sup> December. This session was primarily focused on a review of the strategic risk register, however it did also provide an opportunity to promote the work of internal audit, and highlight thematic internal control issues arising from audit and investigation work, so that Chief Officers can seek assurances that similar risk and control issues are not present in their own departments.

**Action 5 - Introduce outcome-focused internal audit function KPIs with measurement and reporting introduced within quarterly internal audit update reports to Committee.**

Update - The timely implementation of audit recommendations has been added to the internal audit section's KPI's and performance reporting.

## **Conclusion**

10. Recent interviews with Chief Officers on the internal audit approach and how the service is developing continue to provide overall positive feedback on the service. A number of areas for improvement in the service are being progressed, including promoting the full scope of the advisory role that internal audit can play in relation to the introduction of new systems and processes.

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