

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 EXECUTIVE SUMMARY

- 1.1 *The Public Sector Internal Audit Standards require that the 'chief audit executive' must develop and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity'. For the Shared Internal Audit Service the Chief Audit Executive is the Group Audit Manager.*
- 1.2 *The QAIP is designed to provide assurance that the work of internal audit is undertaken in conformance with the Public Sector Internal Audit Standards.*
- 1.3 *Key elements of the QAIP are:*
- *Ongoing monitoring of the performance of the internal audit activity*
 - *Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices; and*
 - *External assessments conducted in accordance with the PSIAS*

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS

- 2.1 *Internal Audit's work is designed to provide assurance to management and members that effective systems of governance, risk management and internal control are in place in support of the delivery of the Council's objectives.*
- 2.2 *The Accounts and Audit Regulations 2015 impose certain obligations on the Council including a requirement that they undertake an adequate and effective internal audit of their accounting records and of their systems of internal control in accordance with proper practices in relation to internal control. From 1st April 2013, proper practices are defined as the Public sector Internal Audit Standards.*

3.0 RECOMMENDATION

- 3.1 *Members are asked to note the outcomes of the Quality Assurance and Improvement Programme.*

4.0 BACKGROUND

- 4.1 *The Council must make proper provision for internal audit in line with the 1972 Local Government Act. The Accounts and Audit Regulations 2015 require that*

the Council undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal audit standards or guidance. 'Proper audit practices' are defined as those stated within the Public Sector Internal Audit Standards (PSIAS) which became mandatory for all UK public sector internal auditors from 1st April 2013.

4.2 The PSIAS require that a Quality Assurance and Improvement Programme is in place to provide reasonable assurance that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and continually improving Internal Audit's operations as well as contributing to the organisation achieving its objectives.

4.3 Specific requirements of the PSIAS are that it:

- Monitors the Internal Audit activity to ensure it operates in an effective and efficient manner (1300)
- Assures compliance with the *Standards*, Definition of Internal Auditing and Code of Ethics (1300)
- Helps the Internal Audit activity add value and improve organisational operations (1300)
- Includes both periodic and ongoing internal assessments (1311)
- Includes an external assessment at least once every five years (1312)
- Reporting on the results of the QAIP and any improvements plans in the annual report (1320)
- Disclosure of non conformance with the Definition of Internal Auditing, the Code of Ethics or the Standards (1322)

4.4 A core element of the QAIP is the measures of performance that will allow internal audit to monitor its performance, identify improvements and demonstrate the value it adds to the Council. The QAIP is documented in Appendix 3.

Appendix 3 – Quality Assurance and Improvement Programme

INTERNAL ASSESSMENTS (PSIAS ref: 1311)

On-going reviews conducted through	Elements	Confirmation of conformance
Supervision of engagements	<ul style="list-style-type: none"> • Work is allocated from the annual risk based plan by the internal audit management team across the shared service • Staff are involved in developing audit scope in conjunction with audit clients prior to commencement • Work is supervised to ensure that it complies with the approved methodology for carrying out an audit • Audit Manager / Principal Auditor attend close out meetings to support the auditor and ensure that key messages are relayed appropriately • Internal Audit reports signed off by Audit Manager • Audit reports with less than Reasonable Assurance subject to final review by Group Audit Manager 	<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>
Regular, documented review of working papers during engagements	<p>Audit Manager / Principal Auditor review each audit file to ensure:</p> <ul style="list-style-type: none"> • The scope and objectives of the audit have been agreed with clients and adequately documented and communicated • Key risks have been identified • The audit testing strategy has been designed to meet the objectives of the audit and testing undertaken to the extent necessary to provide an audit opinion for each piece of work • Audit has been completed in a thorough, accurate and timely manner • The standard of working papers and evidence collected during the audit 	<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>

On-going reviews conducted through	Elements	Confirmation of conformance
	<p>are in accordance with audit processes and procedures</p> <ul style="list-style-type: none"> • The draft audit report fully reflects all findings from the audit and these are properly explained and practical recommendations made • The assurance rating is fully supported by the working papers and can be justified by the auditor • The audit has been completed within the time allocation • The audit report has been produced to a good standard in an accurate and timely manner • Training and development needs are identified through the review process. <p>Periodic reviews by the Group Audit Manager to ensure that the quality assurance process is being applied consistently.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>
<p>Audit manual containing all key policies and procedures to be used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards</p>	<p>Audit manual is in place for all key elements of the audit process together with templates for all audit working papers.</p>	<p>✓</p>
<p>Feedback from customer survey on individual assignments</p>	<ul style="list-style-type: none"> • Customer feedback form reviewed in April 2014 and linked to performance measures for internal audit. • Feedback form issued for all internal audit assignments • Feedback from client satisfaction forms passed on to individual auditors. Any areas identified for 	<p>✓</p> <p>✓</p> <p>✓</p>

On-going reviews conducted through	Elements	Confirmation of conformance
	<p>learning and development are taken forward</p> <ul style="list-style-type: none"> Any common issues are identified and action taken where necessary 	✓
Analysis of performance measures established to improve internal audit effectiveness and efficiency	<ul style="list-style-type: none"> Regular monitoring of performance measures by the audit management team. Feedback to individuals / teams as appropriate Reporting to audit committees on a quarterly basis. 	 ✓ ✓ ✓
All final reports and recommendations are reviewed and approved by the Audit Manager	<p>Formal sign off and issue of all final reports and recommendations by Audit Manager.</p> <p>New audit report template includes comments from Corporate Director or equivalent.</p>	 ✓ ✓

Periodic reviews conducted through	Elements	
Annual risk assessments for the purposes of annual audit planning	<ul style="list-style-type: none"> Annual risk assessment of each organisation's audit universe as part of the planning process 	✓
Annual assessment of Internal Audit's conformance with its Charter, PSIAS with an improvement plan produced to address any areas of non-conformance identified	<ul style="list-style-type: none"> Review of Charter for conformance Completion of CIPFA checklist for assessing conformance with the PSIAS Improvement plan produced to address areas of non-conformance. Service development plan identifying actions for service improvement. 	 ✓ ✓ ✓ ✓
Benchmarking with other Internal Audit service providers	<ul style="list-style-type: none"> Benchmarking Networking with North West and County Council Audit Groups 	 ✓ ✓

<p>Quarterly reports to audit committees on progress with delivery of the audit plan</p>	<ul style="list-style-type: none"> • Preparation of progress report for each audit committee and attendance at audit committee by Group Audit Manager and / or Audit Manager. 	<p>✓</p>
<p>Adherence to Code of Ethics by all internal audit staff</p>	<ul style="list-style-type: none"> • Staff are reminded of the Code of Ethics. 	<p>✓</p>
<p>Annual completion of declaration of business interests by all internal audit staff</p>	<ul style="list-style-type: none"> • Interests are declared as appropriate and considered by audit management team when allocating work. 	<p>✓</p>