

Audit Committee

23rd November 2017



Report of: Interim Chief Internal Auditor

Title: Internal Audit Quality Assurance Improvement Programme

Ward: N/A

Officer Presenting Report: Jonathan Idle – Interim Chief Internal Auditor

Contact Telephone Number: 0117 92 22452

Recommendation

The Audit Committee to approve the Internal Audit Quality Assurance and Improvement Programme (QAIP).

Summary

In accordance with the Public Sector Internal Audit Standards (PSIAS), Internal Audit is required to maintain a QAIP and report against it in its Annual Report to the Committee.

This QAIP is presented to the Audit Committee for consideration and approval, as required by the PSIAS.

Significant Matters Arising:

- The outlining of the internal and external quality assurance mechanisms for the Internal Audit service.
- The QAIP is provided at Appendix A to this report.

1. Policy

The PSIAS require the Internal Audit service within the organisation to set out its quality assurance arrangements in the form of a QAIP. The monitoring of performance against the QAIP must be assessed and reported to the Audit Committee on an annual basis.

2. Consultation

Internal – SLT including S151 Officer, Cabinet Member for Governance, Resources and Finance.
External – N/A

3. Context

3.1 The PSIAS sets out the requirement for a QAIP:

“The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity.”

3.2 The proposed QAIP sets out how this process will work. Reporting against the QAIP will be included in the Annual Internal Audit report.

4. Proposal

4.1 The Audit Committee considers and approves the updated Internal Audit QAIP.

5. Other Options Considered – N/A

6. Risk Assessment

The work of Internal Audit minimises the risk of failures in the Council’s internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. The PSIAS provide for an effective independent and objective Internal Audit Service, ensuring a good standard of service to the organisation, whilst at the same time providing the Internal Audit Service with wider support in terms of maintaining its independence and freedom from influence.

Public Sector Equality Duties

7a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:

i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.

- ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.

7b) No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal – N/A
Financial – N/A
Land – N/A
Personnel – N/A

Appendices:

Appendix A – Internal Audit Quality Assurance and Improvement Programme

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Public Sector Internal Audit Standards.



Internal Audit Quality Assurance and Improvement Programme (QAIP)



| | | |
|---|----------------------|---|
| 1 | Introduction | 1 |
| 2 | Internal Assessments | 1 |
| 3 | External Assessments | 3 |
| 4 | Review of the QAIP | 3 |

1 Introduction

1.1 Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS);
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and continually improving its operations.

1.2 Internal Audit's QAIP covers all aspects of Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (1300);
- Helping the Internal Audit activity add value and improve organisational operations (1300);
- Undertaking both periodic and on-going internal assessments (1311); and
- Commissioning an external assessment to the Audit Committee at least once every five years, the results of which are communicated to the Audit Committee (1312 & 1320).

1.3 The Chief Internal Auditor and Head of Internal Audit are ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.

2 Internal Assessments

2.1 In accordance with the PSIAS Standard, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

2.2 Continual assessments of quality are undertaken via:

- Management supervision of all engagements;
- Structure, documented review of working papers and draft reports by Internal Audit management;
- Feedback from audit clients obtained through post audit questionnaires at the closure of each engagement (Appendix A);
- Monitoring of internal performance targets (Appendix B) and annual reporting to the Audit Committee; and
- Review and approval of all final reports, recommendations and levels of assurance by the Head of Internal Audit.

Periodic Reviews

2.3 The Internal Audit service operates to a Charter that mandates compliance with relevant professional standards and specifically the definition of Internal Auditing, the Code of Ethics and the PSIAS which is regularly reviewed.

2.4 Periodic assessments are designed to evaluate conformance with these standards and are conducted via:

- Quarterly Progress Reports to the Audit Committee which includes progress against the annual plan, reports issued during the period including details of the opinion and summaries of key issues and outcomes from the work undertaken in the period;
- Annual Satisfaction Surveys to key stakeholders (Appendix C);
- Annual self-assessment of conformance with PSIAS;
- Annual review of compliance against the requirements of the QAIP, the results of which are reported to senior management and the Audit Committee;
- Feedback from the s.151 Officer and Chair of the Audit Committee to inform the annual appraisal of the Chief Internal Auditor / Head of Internal Audit in accordance with Standard 1100; and
- Periodic Skills and Competency exercise for each Internal Auditor.

2.5 Significant areas of non-compliance with PSIAS identified through internal assessment will be reported in the Internal Audit Annual Report and used to inform the Annual Governance Statement.

- 2.6 Results of internal assessments will be reported to the Audit Committee at least annually. The Chief Internal Auditor / Head of Internal Audit will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.
- 2.7 The Chief Internal Auditor / Head of Internal Audit will also periodically identify improvement requirements, for example in respect of audit planning, assurance mapping, audit processes, counter fraud, skills development for the team, audit profile and performance.

3 External Assessments

- 3.1 An external assessment will occur at least once every five years to ensure continued application of professional standards. This process will express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Audit and Code of Ethics and include recommendations for improvement, as appropriate.
- 3.2 The appointment of the External Assessor and scope of the External Assessment will be approved by the Audit Committee.
- 3.3 The external assessment will consist of a broad scope of coverage that should include the following elements of Internal Audit activity:
- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and Internal Audit's Charter, plans, policies and practices;
 - Expectations of Internal Audit as expressed by senior management and operational management;
 - Tools and techniques used by Internal Audit;
 - The mix of knowledge, experiences and disciplines within the team; and
 - Whether Internal Audit adds value and improves the organisation's operations.
- 3.4 Results of external assessments will be reported to the Audit Committee at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas identified of non-conformance will be reported in the Annual Internal Audit Report.

4 Review of the QAIP

- 4.1 This document will be reviewed at least on an annual basis.



Appendix A

Quality Assurance Questionnaire

Internal Audit is continuously looking at ways of improving the quality of service which we provide. Please could you complete this questionnaire to help us ensure that the service we provide is of the highest possible standard.

Evaluation

1. Overall evaluation of the audit in terms of added value to your business area and improving control / performance.
2. The level of consultation during the audit including the opportunity to comment on the scope.
3. The audit was carried out effectively with minimum disruption.
4. The auditor(s) were professional, objective and worked well with your team.
5. The final report was clear. Concise, addressed key issues, and was issued in a timely manner.

If you have marked any of the questions above as Poor or just adequate, please could you take a moment to detail why below:

Your views on any ways in which Internal Audit could be improved, observations on the manner or general approach in which the audit was conducted, and any areas which could benefit from future audit reviews would be appreciated.



Appendix B

Performance Targets 2017/18*

| Type | Description | Narrative | Target |
|-------------------|---|--|--------|
| Outputs | Audit Coverage | % of Audit Plan Delivered. | 90% |
| | Counter Fraud | No. of Tenancies Recovered | 37 |
| | Audit Recommendations | Level of Recommendation Implementation. | 90% |
| Quality | Client Satisfaction | % of Quality Assurance Questionnaires in which management have responded as "Very Good" or "Good". | 85% |
| | Management Perception | % of Positive Responses in respect of perceived benefits and value of Internal Audit work. | 90% |
| Compliance | Public Sector Internal Audit Standards (PSIAS) Compliance | Level of Compliance with PSIAS. | 100% |

- Performance Targets are also currently subject to review, for example in respect of monitoring the periods taken to produce draft and final reports.
- Additionally, a performance indicator for the Finance Department exists relating to the percentage of Financial Audits providing a reasonable level of assurance. This, however, is not a measure of Internal Audit performance.

Appendix C

Senior Management Satisfaction Questionnaire 2017/18

| Please tick or 'X' the relevant box | ✓ | ✓ | ✓ | ✓ | ✓ |
|---|----------------|-------|---------|----------|-------------------|
| To what extent do you agree or disagree that the Internal Audit Service: | Strongly Agree | Agree | Neither | Disagree | Strongly Disagree |
| 1. Understands your organisation, its needs and objectives. | | | | | |
| 2. Works with your organisation to assist you in achieving your objectives and managing your risks. | | | | | |
| 3. Consistently demonstrates competence and due professional care. | | | | | |
| 4. Adds value with the work delivered. | | | | | |
| 5. Is insightful, proactive and future-focused. | | | | | |
| 6. Promotes and supports organisational improvement and transformation. | | | | | |
| 7. Provides timely reports which are of a high standard and meet your needs. | | | | | |
| 8. Enables benchmarking and the sharing of good practice, solutions and experience across Bristol City Council. | | | | | |
| 9. Demonstrates quality and continuous improvement in the Audit service. | | | | | |
| 10. Has provided an effective service for the Council in 2017/18. | | | | | |
| Comments | | | | | |
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