**BRISTOL**
**INTERNAL AUDIT**

# Internal Audit
# Quality Assurance and
# Improvement Programme
# (QAIP)

*Internal Audit Services*

# 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) and the CIPFA Statement on the role of the head of internal audit;

- 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 and 1320).

1.3    The Chief Internal Auditor is 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;

- Structured 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;

- Monitoring of internal performance targets and annual reporting to the Audit Committee; and

- Review and approval of complex, and high risk outputs including all limited and no assurance opinions by the Chief Internal Auditor.

### 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;

- 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 Section 151 Officer and Chair of the Audit

Committee to inform the annual appraisal of the Chief Internal Auditor in accordance with Standard 1100;

- At least annual performance reviews for each Internal Auditor; and

- Regular review of individual auditors' compliance with their continuous professional development requirements.

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 will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.

2.7 The Chief Internal Auditor 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 Consistent with the PSIAS, an external assessment occurs at least once every five years to ensure continued application of professional standards. The appointment of the External Assessor and scope of the External Assessment for the external assessment is approved by the Audit Committee

3.2 The Peer Review of the service was completed in February 2018 which expressed an opinion about Internal Audit's conformance with the Standards, the Definition of Internal Audit and Code of Ethics including recommendations for improvement.

3.3 The methodology and outcomes from the external assessment were initially reported to the Audit Committee in March 2018 followed by another report outlining progress against the recommendations from the Peer Review in respect of any areas of either partial or non-conformity with the PSIAS in September 2018.

3.4 A review on the progress being made in addressing the actions arising from the Peer Review has been completed and Appendix A provides an update on the recommendations that have not been fully implemented and therefore remain open.

## 4    Review of the QAIP

4.1 The QAIP is reviewed at least on an annual basis. The 2019/20 review has

identified a number of actions needed to enhance our quality assurance and improvement programme. These actions are reflected in Appendix B.

| Peer Review Report Observations | Recommendations | Update –November 2019 |
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| A draft Training Strategy for the Finance Service has been produced which focusses on professional qualifications only.  A skills review within Internal Audit is to be undertaken by the Chief Internal Auditor as part of the Improvement Plan to ensure the service has the correct skills, knowledge and competence to perform its responsibilities. | **Recommendation 6:** As outlined in the Improvement Plan, the skills review should be undertaken by the Chief Internal Auditor. | **Status:  In Progress** **Comment:** A preliminary review was completed which identified some skills gap and the improvement plan to address the gaps will be implemented as part of the Internal Audit Strategy 2020-23. |
| All auditors do not currently have sufficient knowledge of computer assisted audit techniques.  This has arisen as experienced staff have left the services. | **Recommendation 7:** Identified as part of self-assessment.  Training in this area is planned, and should be rolled out as appropriate. | **Status:  In Progress** **Comment:** Computer assisted audit techniques (CAAT) are used within the team albeit with some imitations. There is new impetus in the new Internal Audit Strategy to enhance the use of data analytics in the audit process. All internal audit team members will receive training on the use of CAATs by 31 March 2020. |
| Professionally qualified staff are responsible for meeting their own professional body requirements.   A Training Strategy for the team is not in place. | **Recommendation 9:** Following the outcome of the Skills Review and the establishment of performance targets, a training strategy should be formulated to guide the future development of the team. | **Status:  In Progress** **Comment:** A training strategy was completed previously but now needs a further review given the significant turnover within the team in the past few months. A new training strategy which is aligned to the Internal Audit Strategy will be finalised as part of 2020/21 annual planning. |
| The self-assessment identified a non-conformance in respect of the | **Recommendation 12:** Within the Improvement Plan | **Status:  In Progress** |

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| risk based plan taking into consideration the Council's assurance framework.  It is acknowledged that a number of attempts have been made to develop an assurance framework for the Council but this has not been achieved.<br><br>The PSIAS requires that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance. | there is an agreed action to progress assurance mapping for the Council.<br><br>The approach to using other sources of assurance and any work that may be required to place reliance upon those sources should be further developed as part of the assurance mapping exercise. | **Comment:**<br><br>Assurance mapping was piloted during 2018/19 and in early 2019/20.  However, the approach trialled did not fully engage management and did not deliverer the expected outcomes. Assurance mapping training is being arranged for the audit team and a high level assurance mapping exercise will be completed as part of 2020/21 annual planning. |
| Whilst procedures were agreed to guide the internal audit activity, these were not fully documented in the form of an audit manual and/or use of an electronic management system.  This has led to variations in application and thus inconsistencies in areas such as working papers and file storage. | **Recommendation 13:** Documented procedures should be developed to guide staff in performing their duties in a manner that conforms to the PSIAS. | **Status:  In Progress**<br><br>**Comment:**<br><br>A documented process and documentation standards have been agreed and is being rolled out to the team. The long term solution is the implementation of an audit management software which will ensure compliance with agreed procedures and documentary standards as well as provide quality review procedures. It is intended that such software will be implemented during 2020/21. |
| From a review of four audit assignments, there was insufficient detail within the working papers of three assignments to fully demonstrate that conclusions within the reports had been based on sufficient analysis and evaluation. | **Recommendation 18:** Consistent completion of the working papers, particularly the RCES, should be undertaken to ensure that all conclusions within the audit reports are adequately supported by documented testing. | **Status:  In Progress**<br><br>**Comment:**<br><br>The quality assurance arrangements have been improved and the implementation of an appropriate audit management software will further enhance these arrangements. |
| The working paper which was in | **Recommendation 22:** | **Status:  Complete** |

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| place to demonstrate the supervision and review of an audit engagement by an Audit Manager was not always completed.  In addition, the checklist of items that should be checked/reviewed as part of the quality monitoring was no longer in use. | As above, the approach to undertaking and document the quality review by the Audit Manager should be evaluated to ensure it meets the requirements of the PSIAS.  If necessary, the checklist of requirements should be reintroduced. | |

**Appendix B**

**Quality Assurance and Improvement Programme Action Plan 2019/20**

| QAIP Element | Action | Action Owner |
|---|---|---|
| Processes | Implement an internal audit management software and embed the use of data analytics in the audit process. | Chief internal Auditor<br><br>***Completion Date***<br>31 December 2020 |
| Professional proficiency | Complete the skills review and set up long term arrangements for IT assurance. | Chief internal Auditor<br><br>***Completion Date***<br>31 March 2020 |
| Communication results | Embed the new assurance opinions and the process for agreeing management actions | Deputy Chief internal Auditor<br><br>***Completion Date***<br>31 March 2020 |
| Follow ups | Automating the process for monitoring and reporting on the implementation of agreed management actions | Chief Internal Auditor<br><br>***Completion Date***<br>31 December 2020 |
| Assurance mapping | Undertake an assurance mapping exercise as part of annual planning. | Deputy Chief Internal Auditor<br><br>***Completion Date***<br>31 March 2020 |