

Audit Committee

21st November 2022



Report of: Chief Internal Auditor

Title: Internal Audit Quality Assurance Improvement Programme

Ward: N/A

Officer Presenting Report: Simba Muzarurwi – Chief Internal Auditor

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Recommendation

The Audit Committee to approve:

- (i) the Internal Audit Quality Assurance and Improvement Programme (QAIP) – Appendix 1;
- (ii) the Internal Audit Charter – Appendix 2; and
- (iii) the Internal Audit Strategy – Appendix 3.

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. The QAIP must cover all aspects of the internal audit activity which must include both internal and external assessments. The QAIP is underpinned by the Internal Audit Charter which sets out how the Service will comply with the PSIAS and its place within the organisation and the Internal Audit Strategy that sets out the framework for internal audit activities at the Council.

This QAIP, Internal Audit Charter and Internal Audit Strategy are presented to the Audit Committee for consideration and approval, as required by the PSIAS.

Significant Matters Arising:

- The QAIP includes the update on the implementation of recommendations arising from the previous report and identifies new improvement actions.
- The Internal Audit Charter and Internal Audit Strategy reflect changes from the documents that were reviewed and approved by the Committee in November 2021.

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 and to define its role, responsibilities and authority in the form of a Charter, which includes an explanation of the way in which the internal audit function will comply with the PSIAS. The monitoring of performance against the QAIP and adherence to the Charter must be assessed and reported to the Audit Committee on an annual basis.

2. Consultation

Internal – CLB 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 which must include both internal and external assessments.”

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

3.3 The Charter defines the purpose, authority, scope and responsibility of the Internal Audit service and is consistent with the mandatory requirements of the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Authority Guidance Note (LGAN) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA). It also meets the PSIAS requirement for Internal Audit’s risk-based plan to incorporate or link to a strategic or high-level statement.

3.4 It is the responsibility of the Chief Internal Auditor to ensure that the Internal Audit Charter is reviewed each year in order to confirm the Service’s compliance with the requirement as detailed in the Charter, as well as to maintain the Charter’s relevance to both the Internal Audit Service and the organisation as a whole. Following the review, amendments were made to clearly clarify arrangements relating to:

- right of access to records, properties, officers etc;
- dealing with the self-review risk associated with the Chief Internal Auditor’s responsibility for managing the Council’s whistleblowing;
- following up actions using Pentana Audit;
- role of Internal Audit in National Fraud Initiative exercises; and
- the Seven Principles of Public Life.

3.5 The Internal Audit Strategy outlines how internal audit activities will be undertaken within the Council and defines the key principles and approach to be used. It further enhances the processes that form the basis for the annual opinion which informs the Council’s Annual

Governance Statement and seeks to maximise collaborative working opportunities with other assurance providers such as external auditors, external assessment teams and regulatory compliance teams.

The Strategy has been informed by various guidance from the CIAA and CIPFA. For easy of reference the recent publication by CIPFA titled *Internal Audit: Untapped Potential* is Appendix 4 of this report. The Strategy is underpinned by the following principles:

- Use of strategic partner
- Partnership and collaborative working with other neighbouring councils
- Increased use of analytics
- Agile auditing and reporting
- Succession planning and building resilience in the team
- Increased reliance on continuous auditing and continuous monitoring methodologies
- Increased use of other assurances – more investment in assurance mapping and reporting

3.6 The Committee last approved the QAIP, Charter and Internal Audit Strategy in November 2021.

4. Proposal

4.1 Consistent with the PSIAS, the Committee consider and approve the updated QAIP, Internal Charter and Internal Audit Strategy. This also gives the Committee the opportunity to understand how the internal audit service is governed and delivered within the Council.

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

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 1 – Internal Audit Quality Assurance and Improvement Programme

Appendix 2 – Internal Audit Charter

Appendix 3 – Internal Audit Strategy

Appendix 4 – Chartered Institute of Public Finance & Accountancy: Internal Audit: Untapped Potential Publication

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Public Sector Internal Audit Standards.

CIPFA: Internal Audit: Untapped Potential