



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



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1 Introduction

1.1 The Standards for proper practices in relation to internal audit are laid down in the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the ethical, attribute and performance standards for an effective Internal Audit service. Compliance with the standards should be assessed internally and subject to periodic, independent external quality assessment. The PSIAS requires that Internal Audit sets out its quality assurance arrangements in the form of a Quality Assurance Improvement Plan (QAIP).

1.2 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.”

1.3 The 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.

1.4 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).

- 1.5 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:
- Effective planning, allocation of audit resources and reporting of activities;
 - Management supervision of all engagements;
 - Structured documented review of working papers and draft reports by Internal Audit Management;
 - Feedback from audit clients obtained through regular audit engagement using the Audit Client Engagement model;
 - Monitoring of key performance targets and annual reporting to the Audit Committee;
 - Monitoring and reporting the implementation of agreed management actions;
 - Regular training for the team;
 - Use of data analytics and audit management software; 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 audit clients and those who interact with the team;
- 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 Audit Committee has in the past received a few reports on the implementation of recommendations arising from the Peer Review. The last update was given in November 2021. The update on the residual actions is

given in Appendix A on page 4.

- 3.4 The next external assessment is due in the current financial year and arrangements have been agreed that this will be undertaken by Nottingham City Council. The terms of reference and timing of this assessment was agreed with the Audit Committee in July 2022. The Audit Committee will receive the outcomes from this review in March 2023.

4 Review of the QAIP

- 4.1 The QAIP is reviewed at least annually. Appendix B provides an update on the improvement actions identified in 2021/22 and any new actions.

APPENDIX A

Peer Review Report Observations	Recommendations	Status and November 2022 Update
<p>All auditors do not currently have sufficient knowledge of computer assisted audit techniques. This has arisen as experienced staff have left the services.</p>	<p>Recommendation 7: Identified as part of self-assessment. Training in this area is planned and should be rolled out as appropriate.</p>	<p>The risks associated with the lack of sufficient IT audit knowledge has been successfully mitigated by the collaborative working arrangements with KPMG as our current internal audit strategic partner. One of the key objectives of the arrangements is knowledge transfer between the two teams. Work is ongoing to ensure that this objective is achieved but this will take some time to complete.</p>
<p>The self-assessment identified a non-conformance in respect of the 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.</p> <p>The PSIAS requires that an assurance mapping exercise is undertaken as part of identifying and determining the approach to using other sources of assurance.</p>	<p>Recommendation 12: Within the Improvement Plan there is an agreed action to progress assurance mapping for the Council.</p> <p>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.</p>	<p>Assurance mapping is now embedded as part of planning and audit process. Assurance maps are used to inform audit plans.</p>

Appendix B

Quality Assurance and Improvement Programme Action Plan

QAIP Element	Action	November 2022 Update
Professional Proficiency	Appoint Level 7 Internal Audit Professional Apprentices to build capacity and resilience	Completed. Two Level 7 Apprentices started in September 2022.
Follow ups	Automating the process for monitoring and reporting on the implementation of agreed management actions	Completed
Processes	Implement continuous monitoring and continuous auditing methodologies.	Slow progress but starting to see tangible outcomes and this will be a key priority in 2023/24.
Processes	Introduce agile auditing methodologies	In progress - the focus is now on formalising the approach across all audit activities.
Processes	Enhance the use of analytics in completing audits	In progress - we are starting to use analytics and the focus is ensuring that we have a data driven audit process.
Processes	Formalise the process for reporting annual feedback on internal audit performance	New
Professional Proficiency	Explore opportunities for seconding staff in and out of Internal Audit.	New
Professional Proficiency	Explore and enhance partnership arrangements with other local authority audit teams	New