

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2019-2022



2019 - 2022

Contents

Interpretation	2
Benefits of a QAIP	2
PSIAS Standard 1300	3
Internal Assessments	3
On-going Reviews	3
Periodic Reviews	4
External Assessment	4
Responsibility / Communication of QAIP Results	5
Appendix 1: Internal Audit service QAIP and performance monitoring arrangements	6
Appendix 2: Internal Audit Service Improvement Plan.	13
Appendix 3: Internal Audit QAIP framework.	15

Interpretation

A Quality Assurance and Improvement Programme (QAIP) enables an evaluation of the internal audit activity's conformance with the Internal Professional Practices Framework (IPPF), Definition of Internal Auditing and Standard 1300 (Quality Assurance and Improvement Programme) within the Public Sector Internal Audit Standards (PSIAS) 2017 and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity with the primary objective of the QAIP to promote continuous improvement to enable Internal Audit to meet its mission i.e.

'A collaborative partnership delivering a modern, innovative, customer focused service aligned to business needs to enhance and protect organisational value by providing risk based, independent and objective assurance, consulting activity, advice and insight.'

Benefits of a QAIP

Internal Audit's QAIP is designed to provide reasonable assurance to its stakeholders that the service:

- Conforms with the mandatory guidance of the IPPF;
- Applies a systematic, disciplined (risk based) approach to the internal audit activity;
- Has the ability to increase the credibility of internal audit within the organisation;
- Anticipates, meets and exceeds stakeholder expectations;
- Supports, develops and retains good internal auditors, as team members are a fundamental part of the process with specific tasks and KPIs built into personal development plans;
- Performs its work in accordance with its Charter (which is consistent with the PSIAS);
- Operates in an effective and efficient manner; and
- Adds value and identifies areas for continual improvement to the services provided.

PSIAS Standard 1300

A QAIP covers the entire spectrum of assurance, consulting and fraud / irregularity work performed by the internal audit activity in accordance with the Standard 1300. To implement the Standard the Chief Internal Auditor (CIA) must consider the requirements related to its five essential components:

1. Internal assessments (Standard 1311);
2. External assessments (Standard 1312);
3. Communication of QAIP results (Standard 1320);
4. Proper use of a conformance statement (Standard 1321); and
5. Disclosure of non-conformance (Standard 1322).

Internal Assessments

Internal assessments are undertaken through both on-going day to day supervision and periodic reviews.

On-going Reviews

Continual assessments of quality are undertaken via:

- Management supervision of all audit activity and structured documented review of Terms of Reference, working papers, draft and final reports;
- Audit quality procedures for each audit engagement to ensure consistency, quality and compliance with planning, fieldwork and reporting standards;
- CIA review of all reports where a limited opinion on the control environment has been provided;
- Feedback from audit clients obtained through surveys at the closure of each engagement;
- Post audit evaluations undertaken at the end of each audit activity to identify trends and any learning and development needs;
- Regular 121s between line managers and auditors to monitor performance;

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

- Monitoring of internal performance targets and quarterly reporting to Senior Management, Audit Committees and Boards;
- High priority recommendation monitoring process in place to ensure implemented; and
- Follow up audits undertaken where a limited assurance opinion on the control environment provided.

Periodic Reviews

Periodic assessments are conducted via:

- Annual Risk Based Internal Audit Plan developed. However, is dynamic and changes in year due to risk, consultancy, irregularity and assurance needs;
- Quarterly Progress Reports presented to the partner Audit Committees and Client Board of Directors which includes progress against the annual plan, reports issued during the period including details of the risk and control opinions and summaries of key issues and outcomes from the work undertaken in the period, including fraud and irregularity work;
- Annual self-assessment of conformance with the PSIAS and annual review of compliance against the requirements of the QAIP, the results of which are reported to Senior Management, the Audit Committees and Boards;
- Principal Auditor Working Group (PAG) led by the Group Manager (GM) identifies, develops and recommends to the CIA, any required changes to operational practices and processes;
- Feedback from the ARA Board which includes Senior Management and Audit Committee Chairs on the CIA's performance; and
- Six monthly performance development reviews for each Internal Auditor.

External Assessment

In addition to internal assessments, the CIA is responsible for ensuring that the internal audit activity conducts an external assessment at least once every five years in consultation with Senior Management and the Board.

The purposes of the assessment, which must be performed by an independent assessor or assessment team from outside the organisation, is to validate whether the internal audit activity conforms with the Standards and whether internal auditors apply the Code of Ethics.

A self assessment may be performed in lieu of a full external assessment, provided it is validated by a qualified, independent, competent and professional assessor.

The review undertaken during May 2015 by the Chartered Institute of Internal Auditors (CIIA) included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance and reported the outcomes to the June 2015 Gloucestershire County Council Audit and Governance Committee.

The next external assessment is due in May 2020 and will be undertaken by the CIIA assessment team. The outcomes of the review will be reported to the partner Audit Committees in July 2020.

Responsibility / Communication of QAIP Results

The CIA is committed to continuous improvement and is responsible for implementing the QAIP and will ensure that the results of this programme are communicated to Senior Management, Audit Committees and Boards (as defined within the Charters). However, all staff within Internal Audit have responsibility for maintaining quality, therefore all activities outlined in this QAIP involve all staff. The communication of QAIP results will include:

- The outcomes in respect of both internal and external assessments;
- The internal audit service will only communicate that the internal audit activity conforms with International Standards for the Professional Practice of Internal Auditing, if results of both the QAIP's internal and external assessments support such a statement; and
- Any non-conformance with the IPPF's mandatory elements of the standards, their impacts and improvement plans. Significant areas of non-compliance will be used to inform the Annual Governance Statement.

Appendix 1: Internal Audit service QAIP and performance monitoring arrangements.

Quality Objective: To provide maximum assurance to inform the annual audit opinion.		
KPI / Measure of assessment	Target	Reporting
<p>Risk Based Internal Audit Plan</p> <p>To undertake a risk based annual plan formulation exercise which includes facilitating risk based audit planning workshops for the Boards and the portfolio areas designated, which then feed into the overall audit plan(s). (As per the CIA approved methodology).</p>	Timetable set by CIA.	Annually to Senior Management and the Board (Audit Committees and Board of Directors).
<p>Planned audit activities completed</p> <p>Percentage of planned assurance work from revised plan (including carry forwards) completed to draft report stage as at 31st March in each financial year.</p> <p>Monitored at 121s and 6 monthly Personal Development Reviews.</p>	85%	Annual report to Senior Management and the Board. Quarterly progress reports to the Board.
<p>Planned audit activities completed</p> <p>Percentage of individual audit activities completed to final report stage from the issue of the Terms of Reference.</p> <p>Allocated days up to 15 (3 months).</p> <p>Allocated days 16+ (4 months).</p> <p>Monthly monitoring of individuals by the line management. Quality Assurance process.</p>	80%	Overall monitoring by the GM reporting key issues to the CIA.

Quality Objective: To provide maximum assurance to inform the annual audit opinion.		
KPI / Measure of assessment	Target	Reporting
<p>Planned audit activities completed</p> <p>Percentage of individual audit activities completed to draft report stage within 15 working days from QA submission.</p> <p>Monthly monitoring of individuals by the line management quality assurance process.</p>	90%	Overall monitoring by the GM reporting key issues to the CIA.
<p>Counter Fraud and Investigation Activity</p> <p>To undertake a fraud risk assessment in accordance with relevant best practice / guidance to enable the direction of counter fraud activity and risk based internal auditing.</p>	December of each year to help inform annual audit planning.	Outcomes form part of Annual Internal Audit Plan which is presented to Senior Management and the Board.
<p>Limited Assurance Opinions</p> <p>Where a “limited” assurance opinion is made, the report will be reviewed by the CIA or in her absence by the GM before being issued to the client. This time needs to be factored in, to still ensure the client receives the report within the 15 working day target.</p>	100%	Annual report to Senior Management and the Board. Quarterly progress reports to the Board.

Quality Objective: To ensure that the service is customer focused, adds value and continually improves.		
KPI / Measure of assessment	Target	Reporting
<p>Post Audit Customer Satisfaction Survey Feedback</p> <p>% of customers scoring audit service good or above (3 out of 4) where 1 is poor and 4 is excellent.</p> <p>Line Management review identifying and recommending to the CIA any 'lessons' learned' for further development and improvement.</p>	80%	Annual report to Senior Management and the Board.
<p>Post Audit Evaluation (PAE)</p> <p>PAE (activity lead and activity manager) self assessments undertaken at the end of each audit activity to identify any developmental and learning actions.</p>	100%	Overview by the GM reporting key issues to CIA.
<p>Acceptance of Recommendations</p> <p>Percentage of high / medium recommendations accepted which evidences added value in risk mitigation.</p>	90%	Annual report to Senior Management and the Board. Quarterly progress reports to the Board.
<p>Management Responses</p> <p>Percentage of management responses to audit actions within 14 days. Escalation process in place as required.</p>	80%	Quarterly report to GM. CIA ability to report to the Board as required.

Quality Objective: To ensure that the service is customer focused, adds value and continually improves.		
KPI / Measure of assessment	Target	Reporting
<p>Development of Terms of Reference</p> <p>To develop a quality terms of reference with minimal input from the activity manager which focuses on the ‘right first time’ principle which then informs the final audit report.</p> <p>PAE assessment of trends and developmental needs.</p>	<p>Any activity over 2 attempts is escalated to Line Managers.</p>	<p>Monitored by GM and overseen by the CIA to identify any learning and development actions.</p>
<p>Development of Audit Report</p> <p>To develop a quality first draft audit report with minimal input from the activity manager which focuses on the ‘right first time’ principle and is ready to be discussed with the client, prior to submission to the activity manager for quality assurance.</p> <p>PAE assessment of trends and developmental needs.</p>	<p>Any activity over 2 attempts is escalated to Line Managers.</p>	<p>Monitored by GM and overseen by the CIA to identify any learning and development actions.</p>

Quality Objective: To ensure that the service is customer focused, adds value and continually improves.		
KPI / Measure of assessment	Target	Reporting
<p>Audit Reports</p> <p>Audit report ‘corporate’ circulation list implemented to enable risks / issues / recommendations to feed back into business as usual i.e. via Finance and Planning, Performance and Change to enable the management of risk by management.</p>	100%	Corporate circulation list agreed and implemented. Documented in Audit Manual.
<p>Internal Audit’s Strategic Performance</p> <p>Discuss Internal Audit’s overall strategic performance with the ARA Shared Services Board implementing improvements as identified / required.</p>	Quarterly	ARA Shared Services Board.
<p>Chargeable Hours/productivity (non official KPI)</p> <p>The audit plan is stated in terms of estimated productive days provided to the Council. The CIA target is to achieve 70% productivity.</p>	70% productivity levels	Resource allocation at annual planning stage. QA process and CIA plan monitoring.

Quality Objective: To manage and implement approved Client Audit Plan as agreed by the Ubico Ltd Board of Directors within the contracted days.

KPI / Measure of assessment	Target	Reporting
<p>Completion of Ubico Ltd Audit Plan</p> <p>Percentage of planned assurance work from plan complete to draft report stage as at 31st March in a financial year.</p>	<p>100%</p>	<p>Annual report to the Board of Directors and Senior Management.</p> <p>Quarterly progress reports to the Board of Directors.</p>

Quality Objective: To ensure that the service embeds and reflects organisational values.		
KPI / Measure of assessment	Target	Reporting
<p>Staff Behaviours and Values - Accountability, Integrity, Empowerment, Respect and Excellence</p> <p>All ARA officers to consider and apply organisational values to their daily working behaviours and approach e.g. to:</p> <ul style="list-style-type: none"> ➤ Identify and communicate information in a timely manner that would have an impact on the ARA team; ➤ Reflect on working practices and champion any changes or improvements that are needed; ➤ Actively seek opportunities for learning and development; ➤ Show mutual respect and provide support for each other across the Shared Service; and ➤ Constructively challenge behaviour that is not consistent with values and receive any feedback from colleagues in a positive light. 	Adherence	Monitored at 121s and Performance Development Reviews.

Appendix 2: Internal Audit Service Improvement Plan.

Improvement Plan 2020/2021 onwards

	Opportunities for Improvement / Actions	Responsible Officer(s)	Timescale
1.	<p>Time Management</p> <p>The current requirement is that any variation over budget for completion of an audit activity needs to be authorised by the Activity Manager, and if this is to exceed the allocated days by 5 working days this needs to be authorised in advance by the Group Manager to enable the achievement of the audit plan.</p> <p>Due to a number of audits exceeding their allocated days, a specific project will be implemented led by the GM and supported by PAG to consider trends, rationale and make recommendations for improvement.</p>	GM / CIA	30th September 2020
2.	<p>Team Development</p> <p>To develop and implement a mandatory team training day facilitated by an external professional internal audit provider to ensure auditors are kept abreast of key issues / changes in the profession of internal auditing.</p>	GM / CIA	With effect from 1 st January 2020

	Opportunities for improvement / Actions	Responsible Officer(s)	Timescale
3.	<p>Personal Development - Senior and Trainee Auditors</p> <p>To undertake one quality assurance review of an audit that has been undertaken, by a peer member of the Internal Audit team.</p>	GM / CIA	With effect from 1 st April 2020
4.	<p>Annual presentation of the Internal Audit Charter, Code of Ethics and QAIP to Audit Committee</p> <p>To continue to promote the role, purpose, status and authority of Internal Audit within the organisation and explain how Internal Audit supports effective corporate governance.</p>	CIA	With effect from 31 st January 2020
5.	<p>Audit Manual Update</p> <p>To ensure all updates to audit systems, processes, practices and templates are reflected via the audit manual to ensure all retained in a central repository and easily accessible to all auditors.</p>	GM / CIA	With effect from 1 st January 2020
6.	<p>Succession Planning</p> <p>To continue with the career graded trainee auditor to senior auditor programme, to promote an attractive recruitment and retention offer, enable more effective succession planning and support ongoing resilience and sustainability.</p>	CIA	Ongoing

Appendix 3: Internal Audit QAIP framework.

