

Blackburn with Darwen Borough Council



Internal Audit Quality Assurance & Improvement Programme 2015/16

**Audit & Assurance
Finance & IT Department**

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1. INTRODUCTION

1.1 The Institute of Internal Auditor's International Professional Practices Framework (IPPF) defines a quality assurance and improvement programme as:

“An ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. These ongoing and periodic assessments are composed of rigorous, comprehensive processes, continuous supervision and testing of internal audit and consulting work, and periodic validations of conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. This also includes ongoing measurements and analyses of performance metrics (e.g. internal audit plan accomplishment, cycle time, recommendations accepted and customer satisfaction). If the assessments results indicate areas for improvement by the internal audit activity, the chief audit executive (CAE) will implement the improvements through the QAIP”.

1.2 The QAIP is designed to provide reasonable assurance to the various stakeholders (the Audit Committee, the Leadership Team, External Auditor and Operational Managers) that Internal Audit:

- Conforms with the definition of internal audit, the code of ethics and the public sector internal audit standards (PSIAS);
- Has an adequate internal audit charter, objectives, policies and procedures;
- Contributes to the Council's governance, risk management and control processes;
- Has complete coverage of the audit universe;
- Complies with applicable laws, regulations and other standards that the internal audit activity may be subject to;
- Has identified the risks affecting the operation of the internal audit activity;
- Has an effective continuous improvement activity in place and adopts best practice; and
- Adds value to improve the Council's operations and contributes to the attainment of the Council's objectives.

1.3 The QAIP covers all aspects of the internal audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme) by:

- Monitoring the internal audit activity to ensure that it operates in an effective and efficient manner (1300);
- Ensuring compliance with the PSIAS definition of internal auditing and the code of ethics (1300);
- Helping the internal audit activity add value and improve organisational operations (1300);
- Undertaking both periodic and ongoing internal assessments (1311); and
- Commissioning an external assessment at least once every five years.

1.4 The Council's Head of Audit & Assurance is responsible for maintaining the QAIP. The QAIP includes both internal and external assessments. Internal assessments are both ongoing and periodic, whilst external assessments will be undertaken at least once every five years. The QAIP will be reviewed on an annual basis.

2. INTERNAL ASSESSMENTS

Internal assessments include both ongoing and periodic reviews.

2.1 Ongoing Reviews

2.1.1 Ongoing assessments of the internal audit activity provide assurance that the processes in place are working effectively and ensure that quality is delivered on an audit by audit basis.

2.1.2 Ongoing assessments are conducted through:

- Supervision of individual audit assignments (including management review of assignment terms of reference, fieldwork activity and audit reports);
- Audit policies and procedures are used for each engagement (including the Audit & Assurance Manual) to ensure compliance with applicable planning, fieldwork and reporting standards.
- Adherence to agreed working practices through regular documented review of assignment evidence, assessments and test findings (including working paper procedures, sign off, report review and quality control checklists);
- All draft and final reports (including management action plans) are moderated and approved by the Audit & Assurance Manager.
- All adverse (limited or no assurance) final reports are moderated and approved by the Head of Audit & Assurance.
- Feedback received from clients and other stakeholders after each engagement;
- Analysing performance metrics to measure audit plan completion and stakeholder value; and
- Regular team meetings attended by all members of the Audit & Assurance team and chaired by the Head of Audit & Assurance.

2.1.3 In assigning internal audit work to an individual auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision is exercised.

2.1.4 Feedback from the management reviews of audit files, client feedback questionnaires and individual performance against team targets will form part of the discussion during regular 1-2-1 meetings and will help inform the annual performance appraisal discussions.

2.1.5 Performance measures/targets for the Audit & Assurance team will be agreed with the Director of Finance & IT as part of the annual business planning cycle. The performance measures for the internal audit activity in 2015/16 are summarised at Appendix 1. Performance against these targets will be reported to the Director of Finance & IT, the Executive Director - Resources (within the programme area performance report) and the Council's Audit Committee.

2.2 Periodic Reviews

2.2.1 Periodic assessments are designed to assess conformance with the Definition of Internal Auditing, the Code of Ethics and Standards as set out in the PSIAS. The assessments also assess conformance with the Audit & Assurance Team's own Internal Audit Charter and the efficiency and effectiveness of internal audit in meeting the needs of the Council and its stakeholders.

2.2.2 Periodic assessments will be conducted through:

- Annual self-assessment of compliance against the PSIAS/LGAN checklist;
- Annual review of compliance against the requirements of this QAIP;
- In year review of progress against the agreed Audit & Assurance Plan to ensure that the key priorities have been achieved;
- Annual review of the effectiveness of Internal Audit in accordance with the Accounts & Audit Regulations;
- Feedback from the Chief Executive and Chair of Audit Committee to inform the performance appraisal of the Head of Audit & Assurance, in accordance with PSIAS standard 1110;
- Annual performance appraisal of all internal audit staff in accordance with corporate standards and against the agreed skills and competencies defined for each level of auditor by the Head of Audit & Assurance;
- Annual client satisfaction survey to all members of the Leadership Team to obtain feedback on all aspects of the internal audit activity; and
- Review of internal audit performance measures including periodic benchmarking of internal audit services against comparator authorities.

2.2.3 Any significant areas of non-compliance with the PSIAS that are identified through internal assessments will be reported in the Head of Audit & Assurance's annual internal audit opinion report and used to inform the Annual Governance Statement (AGS). Any resultant actions will be implemented by the Head of Audit & Assurance and monitored on a quarterly basis.

3. EXTERNAL ASSESSMENTS

- 3.1 The external assessment will consist of a broad scope of coverage that includes the following:
- Conformance with the Definition of Internal Auditing, the Code of Ethics and Standards as set out in the PSIAS;
 - Conformance with the Internal Audit Charter, plans, policies, procedures, practices and applicable legislative and regulatory requirements;
 - Expectations of the internal audit activity as expressed by the Audit Committee and the Leadership Team;
 - Integration of the internal audit activity into the governance process;
 - The mix of staff knowledge, experiences and disciplines, including use of tools/techniques and process improvements: and
 - A determination of whether internal audit adds value and improves the Council's operations.
- 3.2 An external assessment will be conducted every five years by a qualified, independent assessor from outside of the Council. The assessment will be in the form of a full external assessment, a self-assessment with independent validation or a peer review process.
- 3.3 Peer reviews provide a cost effective approach to the meeting the external assessment requirements. However, peer reviewers are required to meet the independence and qualifications criteria required in the Standard. All members of the assessment team are to be independent of the Council and its internal auditors. Two organisations must not review each other mutually but reciprocal external assessment teaming arrangements between three or more organisations may be structured in a manner that achieves the independence objectives.
- 3.4 The format of the external assessment will be agreed with the Audit Committee.
- 3.5 The scale to assess the level of conformance of the internal audit activity will be in accordance with the standards recommended by the Institute of Internal Auditors:

Generally Conforms/Partially Conforms/Does Not Conform

4. REPORTING

- 4.1 The results of the completed internal assessments will be reported to the Audit Committee. The annual internal audit opinion report will summarise the results of the ongoing assessments undertaken. Further monitoring information will be provided in the Audit & Assurance Plan, Progress & Outcomes, Audit & Assurance Plan Review reports presented to Audit Committee.
- 4.2 The results of the periodic assessments will be reported to the Audit Committee in the annual internal audit opinion report. This will be supplemented with benchmarking comparative information every three years.
- 4.3 The results of the external assessments will be reported to the Director of Finance & IT. The results of the external assessments will form a separate report to the Audit Committee.
- 4.1.4 The Head of Audit & Assurance will prepare written action plans to accompany any findings arising from the internal and external assessments. Progress on the implementation of these actions will be reported to the Audit Committee on at least an annual basis. Where significant non-conformances are identified more frequent (quarterly) reporting to Audit Committee will be undertaken.
- 4.1.5 Appendix 2 summarises the QAIP activities across both internal and external assessments, which includes details of the reporting procedures.

Internal Audit Performance Metrics 2015/16

Measure	Category	Description	Source	Target
Delivery of Priority 1 Audits	Coverage	Percentage of Priority 1 audit reviews completed	Time Management System	100%
Planned Audits Completed Within Budget.	Utilisation	Percentage of audit reviews completed within planned days allocated	Time Management System	90%
Final Reports Issued Within Deadline	Productivity	Percentage of final reports issued within 10 days of management response	Time Management System	90%
Follow Ups Undertaken Within Deadline	Productivity	Percentage of standard follow ups undertaken (3 months or 6 months) after issue of final report	Time Management System	90%
Recommendations Implemented	Effectiveness	Percentage of recommendations implemented by agreed date	Time Management System	90%
Client Satisfaction	Quality	Percentage of clients satisfied or very satisfied with the audit assignment	Returned Questionnaires	75%
Compliance with PSIAS	Quality	Percentage compliance with PSIAS/LGAN checklist	Annual Self-Assessment	95%
	Quality	External Assessment Review	External Assessment Report	General/ Partial

Summary Quality Assurance & Improvement Programme Activities

Activity	Frequency	Responsibility	Reporting
Internal Assessments – Ongoing Monitoring			
Review of internal audit charter, audit policies and procedures	Annual	Head of Audit & Assurance	Annual Plan to Audit Committee
Agree performance metrics for internal audit	Annual	Head of Audit & Assurance/Director of Finance & IT	Annual Plan to Audit Committee
Allocation of audit assignments to appropriate internal auditors	Each Assignment	Audit & Assurance Manager/Principal Audit & Assurance Officers	Annual Report to Audit Committee
Review of audit assignments	Each Assignment	Audit & Assurance Manager/Principal Audit & Assurance Officers	Annual Report to Audit Committee
Moderation and approval of internal audit reports	Each assignment	Head of Audit & Assurance/ Audit & Assurance Manager	Annual Report to Audit Committee
Customer survey/questionnaire	Each Assignment	Head of Audit & Assurance/ Audit & Assurance Manager/Principal Audit & Assurance Officers	Quarterly Progress Report to Audit Committee
Analyse performance metrics of internal audit activity	Quarterly	Head of Audit & Assurance	Quarterly Progress Report to Audit Committee
Discuss performance of internal audit activity	Monthly	Head of Audit & Assurance	Team Meeting Minutes
Discuss performance with individual internal auditors	Monthly	Audit & Assurance Manager/Principal Audit & Assurance Officers	Finance & IT DMT

Summary Quality Assurance & Improvement Programme Activities (Continued)

Activity	Frequency	Responsibility	Reporting
Internal Assessments – Periodic Self-Assessments			
Self-Assessment against PSIAS	Annual	Head of Audit & Assurance	Annual Report to Audit Committee
Review of QAIP	Annual	Head of Audit & Assurance	Annual Report to Audit Committee
Progress against the audit & assurance plan/completion of priority 1 audits	Annual	Head of Audit & Assurance	Review of Audit Plan to Audit Committee
Appraisal of Head of Audit & Assurance	Annual	Director of Finance & IT/Chief Executive/Chair of Audit Committee	Finance & IT DMT
Appraisal of auditors including objective/target setting against agreed skills & competencies.	Annual	Head of Audit & Assurance/ Audit & Assurance Manager/Principal Audit & Assurance Officers	Finance & IT DMT
Client Satisfaction Survey	Annual	Head of Audit & Assurance	Annual Report to Audit Committee
Benchmarking review of internal audit services	Every 3 Years	Head of Audit & Assurance	Annual Report to Audit Committee
External Assessments			
Assessment against PSIASs	Every 5 Years	Head of Audit & Assurance	PSIA Report to Audit Committee