

# PUBLIC SECTOR INTERNAL AUDIT STANDARDS / QUALITY ASSURANCE & IMPROVEMENT PROGRAMME



Cabinet Member Finance, Procurement, Revenues & Benefits

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Agenda Item:

Contact Officer: Andrew Wood

Tel Number: 01543 308030

Email: andrew.wood@lichfielddc.gov.uk

Key Decision? NO

Local Ward

Members

## AUDIT & MEMBER STANDARDS COMMITTEE

### 1. Executive Summary

- 1.1 To report to the Audit & Member Standards Committee on Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP).

### 2. Recommendations

- 2.1 That the Committee notes Internal Audit's compliance with the PSIAS (Appendix 1); and the QAIP (Appendix 2).

### 3. Background

- 3.1 The PSIAS has been in place since April 2013. Internal Audit's compliance with the PSIAS is required under the Accounts & Audit Regulations 2015. The PSIAS require that Internal Audit comply with professional best practice and assess themselves against the requirements on an annual basis and that an External Quality Assessment (EQA) should be completed at least every 5 years.
- 3.2 An EQA was last completed in 2017 and was reported to this Committee. The next EQA is due in 2022. As required for the annual self-assessment, Internal Audit operations have been reviewed by the Shared Audit Manager against the standards as specified in the code. An overview of current compliance with the PSIAS is attached at **Appendix 1** which shows Internal Audit operations as being compliant with this code.
- 3.3 Part of the requirement of the PSIAS is for the Shared Audit Manager to develop a QAIP. Under the QAIP, quality should be assessed at both an individual audit engagement level as well as a broader operational level. A well-developed QAIP is to ensure that quality is built in to, rather than on to, the way Internal Audit operates.
- 3.4 The QAIP should conclude on the quality of the Internal Audit activity and lead to recommendations for appropriate improvements. It is an evaluation of:

- conformance with Definition of Internal Auditing, the Code of Ethics and the Standards;
- the adequacy of the Internal Audit activity's charter, goals, objectives, policies and procedures;
- the contribution to the organisation's governance, risk management and control processes;
- completeness of coverage of the entire audit universe;
- compliance with applicable laws, regulations, and government or industry standards to which the Internal Audit activity may be subject;
- the risks affecting the operation of the Internal Audit activity itself;
- the effectiveness of continuous improvement activities and adoption of best practices; and
- whether the Internal Audit activity adds value, improves the organisation's operations, and contributes to the attainment of objectives.

3.5 Attached as **Appendix 2** is the Quality Assurance & Improvement Programme (QAIP). No actions have been carried forward from last year's QAIP and no further actions have been identified this year. Minor changes have been highlighted on the document.

Alternative Options	1. None.
Consultation	1. The Council's Section 151 Officer has been consulted on the PSIAS and QAIP.
Financial Implications	1. None, not otherwise covered from existing Internal Audit budgets.
Contribution to the Delivery of the Strategic Plan	1. Delivery of an effective internal audit contributes to all aspects of the Council's Strategic Plan.
Equality, Diversity and Human Rights Implications	1. None arising
Crime & Safety Issues	1. None arising
Environmental Impact	1. None arising.
GDPR/Privacy Impact Assessment	1. None required.

	Risk Description	How We Manage It	Severity of Risk
A	Significant / high risk of non compliance with the PSIAS which leads to non compliance with the Accounts & Audit Regulations 2015.	Regular review of the QAIP to ensure full compliance with the PSIAS.  External Quality Assessment against the standards every 5 years and annual self-assessment.	Likelihood: Green Impact: Green Severity of Risk: Green
B			
C			

## Background documents

PSIAS

## Relevant web links

<https://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>

Appendix 1

**Public Sector Internal Audit Standards Compliance Overview**

Mission Statement, Definition of Internal Auditing and Code of Ethics

Mission Statement & Definition of Internal Auditing



Integrity



Objectivity



Confidentiality



Competency



Performance Standards

1000 - 1322 Attribute Standards

1000 - 1110 Purpose, Authority and responsibility

Purpose, Authority, and Responsibility



Recognising Mandatory Guidance in the Internal Audit Charter



1110 – 1130 Independence and Objectivity

Organisational Independence



Independence and Objectivity



Direct Interaction with the Board



Chief Audit Executive Roles Beyond Internal Auditing



Individual Objectivity



Impairment to Independence or Objectivity



1210 – 1230 Proficiency and Due Professional Care

Proficiency



Due Professional Care



Continuing Professional Development



1300 – 1322 Quality Assurance and Improvement Programme (QAIP)

Quality Assurance and Improvement Programme (QAIP)



Requirements of the Quality Assurance and Improvement Programme



Internal Assessments



External Assessments



Reporting on the Quality Assurance and Improvement Programme



Use of Conforms with the International Standards for the Professional Practice of Internal Auditing



Disclosure of Non-conformance



## 2000 – 2600 Performance Standards

### 2000 – 2060 Managing the Internal Audit Activity

Managing the Internal Audit Activity



Planning



Communication and Approval



Resource Management



Policies and Procedures



Coordination



Reporting to Senior Management and the Board



### 2070 External Service Provider and Organisational Responsibility for Internal Audit

External Service Provider and Organisational Responsibility for Internal Audit



2100 – 2130 Nature of Work

Nature of Work



Governance



Risk Management



Control



2200 – 2240 Engagement Planning

Engagement Planning



Planning Considerations



Engagement Objectives



Engagement Scope



Engagement Resource Allocation



Engagement Work Programme



2300 – 2340 Performing the Engagement

Performing the Engagement



Identifying Information



Analysis and Evaluation



Documenting Information



Engagement Supervision



2400 - 2440 Communicating Results

Communicating the Results



Criteria for Communicating



Qualities of Communications



Errors and Omissions



Use of "Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing"



Engagement Disclosure of Non-conformance



Disseminating Results



2450 Overall Opinions

Overall Opinions



2500 Monitoring Progress



Monitoring Progress



2600 Communicating the Acceptance of Risks

Communicating the Acceptance of Risks



## Appendix 2

# Internal Audit Quality Assurance & Improvement Programme

## 1 Introduction

Internal Audit's Quality Assurance Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders (the Board, Senior Management, the External Auditor and Operational Managers etc) that Internal Audit:

- conforms with the Definition of Internal Auditing, the Code of Ethics and the Standards;
- has an adequate Internal Audit Activity's Charter, Goals, Objectives, Policies and Procedures;
- contributes to the organisations 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 itself;
- has an effective continuous improvement activity in place and adopts best practice; and
- adds value to improve the organisations operations and contributes the attainment of the organisations objectives.

The Chief Audit Executive (CAE), who at the Council is the **Shared Audit Manager with Tamworth Borough Council**, is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consultancy and those engagements delivered by a third party. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

The QAIP is reviewed on an annual basis.

## 2 Internal Assessments

Internal Assessments are made up of both ongoing reviews and periodic reviews.

### Ongoing reviews

Ongoing reviews provide assurance that the processes in place are working effectively to ensure that quality is delivered on an audit by audit basis. This includes continuous monitoring of:

- Engagement planning and supervision (preapproval of the audit scope, innovative best practices, budgeted hours, and assigned staff).
- Standard working practices (including working paper procedures, sign off, report review, checklists to ensure that the audit process has been followed).
- Feedback from other clients and stakeholders.
- Analysing performance metrics to measure audit plan completion and stakeholder value.

### Periodic reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, the quality of the audit work and supervision, policies and procedures supporting the internal audit activity, the added value to the organisation and the achievement of performance standards.

Periodic assessments will be conducted through:

- Working paper reviews for conformance to the definition of Internal Auditing, the Code of Ethics, the Standards, and internal audit policies and procedures
- Self-assessment of the internal audit activity with objectives established as part of the QAIP components – Governance, Professional Practice and Communication

- Review of internal audit performance measure and benchmarking of best practices. Periodic activity and performance reporting to the board and other stakeholders as deemed necessary.
- Annual self-review of conformance to the PSIAS.

The periodic self assessment should identify the quality of ongoing performance and opportunities for improvement and to check and validate the objectives and criteria used in the QAIP. The self assessment will be completed on an annual basis and the results reported to the Board and Senior Management.

### 3 External Assessment

The External Assessment will consist of a broad scope of coverage that includes the following:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements.
- Expectations of Internal Audit as expressed by the Board and Senior Management.
- Integration of the Internal Audit activity into the governance process.
- The mix of staff knowledge, experiences, and disciplines, including use of tools and techniques, and process improvements.
- A determination whether Internal Audit adds value and improves the Council's operations.

An external assessment will be conducted every five years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be agreed with the Board.

### 4 Assessment scale

The scale to assess the level of conformance of the Internal Audit activity with the standards is as follows:

Generally Conforms/Partially Conforms/Does Not Conform.  
(IIA Quality Assessment Manual Scale).

### 5 Reporting on the Quality Programme

Internal Assessments – reported to the Board and Senior Management on an annual basis. The internal assessment report will be accompanied by a written action plan in response to significant findings and recommendation contained in the report.

External Assessments – reported to the Board and Senior Management. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow up – The CAE will implement appropriate follow up actions to ensure that recommendations made in the reports and action plans developed are implemented in a reasonable timeframe.

<b>Quality Assurance &amp; Improvement Programme</b>			
<b>Ongoing Monitoring of Performance</b>			
<b>Activity</b>	<b>Frequency</b>	<b>Responsibility</b>	<b>Reporting</b>
Review of the audit universe	Annual	Shared Audit Manager	N/A
Identification of risks affecting the operation of the Internal Audit Service	Quarterly	Shared Audit Manager	N/A

Review of audit engagements	Each engagement	Shared Audit Manager / Principal Auditor. Where audit engagements are delivered by a third party, their Quality Review processes will be used, with all final reports requiring sign off from Shared Audit Manager.	N/A
Progress against the audit plan	Quarterly	Shared Audit Manager / Principal Auditor	Quarterly report to Audit & Member Standards Committee
Progress against Key Performance Indicators	Quarterly	Shared Audit Manager / Principal Auditor	Quarterly report to Audit & Member Standards Committee
Discuss performance of internal audit activity	Monthly	Shared Audit Manager and Head of Finance & Procurement	Annual report to Audit & Member Standards Committee
Customer survey/questionnaire	For each engagement	Shared Audit Manager/ Principal Auditor	Annual report to Audit & Member Standards Committee
Review of Internal Audit Charter, policies & procedures	Annual	Shared Audit Manager	Annual report to Audit & Member Standards Committee
Personal Development Review	Annual	Appropriate line manager	Documentation to HR
Continuous improvement activity and adoption of best practice	Continuous	Shared Audit Manager / Principal Auditor	Annual report to the Audit & Member Standards Committee
Identification of added value to the authority's operations	Continuous	Shared Audit Manager / Principal Auditor	Annual report to the Audit & Member Standards Committee
<b>Periodic Self Assessments</b>			
Self assessment against the Public Sector Internal Audit Standards (PSIAS)	Annual	Shared Audit Manager	Annual report to the Audit & Member Standards Committee
Compliance with applicable laws, regulations and other standards that the	Continuous review	Shared Audit Manager	Report to Audit & Member Standards Committee when applicable

Internal Audit activity may be subject to			
Benchmarking review of Internal Audit Services	When practical	Shared Audit Manager	Report to Audit & Member Standards Committee
<b>External Assessments</b>			
Assessment against the PSIAS	Every 5 years	Shared Audit Manager and external reviewer	Report to the Audit & Member Standards Committee