

# Internal Audit Quality Assurance and Improvement Programme 2017/18

Blackpool Council



# Quality Assurance and Improvement Programme 2017-18

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## Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to stakeholders of internal audit that the service:

- Performs its work in accordance with its Charter which conforms to the requirements of the Public Sector Internal Audit Standards (PSIAS);
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving operations.

Internal Audit's QAIP covers all aspects of the Internal Audit Service 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;
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
- Helping the Internal Audit service add value and improve organisational operations.
- Undertaking both periodic and on-going internal assessments.
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Committee and Corporate Leadership Team in accordance with the Standards.

The Chief Internal Auditor is ultimately responsible for the QAIP, which covers all types of internal audit activity, including advice and consulting.

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## Internal Assessments

In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

### On-Going Reviews

Continual assessments are conducted through:

- Management supervision of all audit activities and structured, documented review of all working papers.
- Audit quality procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards.
- Review of all draft and final reports by the Audit Manager and Chief Internal Auditor before they are issued.
- Feedback from audit clients obtained through customer satisfaction surveys which are issued at the end of every audit.
- Monthly one to ones between the Chief Internal Auditor and Audit Manager, and the Audit Manager and Audit team.
- Monthly team meetings.

# Quality Assurance and Improvement Programme 2017-18

## Internal Audit Performance Management

In order to monitor the performance of the internal audit team year on year, an agreed suite of performance indicators are in place. Progress against the performance indicators are reported to the Corporate Leadership Team and Audit Committee each quarter. The suite of indicators includes:

- Percentage of annual audit plan completed;
- Percentage draft reports issued within deadline;
- Percentage audit work within resource budget;
- Percentage of positive satisfaction surveys;
- Percentage compliance with quality standards for audit reviews.

Details of performance against the targets for a three year period are illustrated below:

	2014/2015		2015/2016		2016/17	
	Target	Actual	Target	Actual	Target	Actual
<b>Audit plan completed</b>	90%	91%	90%	89%	90%	92%
<b>Draft reports delivered in deadline</b>	96%	97%	96%	97%	96%	87%
<b>Audit work completed in budget</b>	92%	90%	92%	91%	92%	86%
<b>Positive satisfaction surveys</b>	85%	82%	85%	88%	85%	88%
<b>Compliance with quality standards</b>	85%	84%	85%	87%	85%	87%

Whilst the stretched performance targets are not always achieved, variances are minimal and therefore are not cause for significant concern. The internal audit team will continue to strive to achieve all of their performance targets in future years.

In addition to receiving a score in relation to customer satisfaction surveys sometimes comments are also included. These can be both supportive of the work of the auditors or identify lessons for improvement and these are captured below:

Positive Feedback	Areas to Improve
<ul style="list-style-type: none"> <li>▪ Having never prepared for an audit myself, I found the auditor to be helpful and communicative especially before the actual visit.</li> </ul>	<ul style="list-style-type: none"> <li>▪ With regard to 'no surprises' it would be helpful to know if Priority 1 issues are likely to be made before the report is issued. Effective communication on findings only seems to have occurred where the findings were less significant which is a bit bizarre.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The auditor was thorough but personable throughout.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Whilst it was beyond the control of audit management, the review was late because of staff</li> </ul>

## Quality Assurance and Improvement Programme 2017-18

Positive Feedback	Areas to Improve
	sickness and didn't make the planned Committee meeting.
<ul style="list-style-type: none"> <li>All relevant shortcomings were identified and addressed in a positive manner.</li> </ul>	<ul style="list-style-type: none"> <li>More positive points would be good considering all the hard work that is undertaken by the service.</li> </ul>
<ul style="list-style-type: none"> <li>The audit re-enforced the view that the financial administration process around payment and processing requires continuous review and monitoring.</li> </ul>	<ul style="list-style-type: none"> <li>The report did not focus on the primary scope of the audit therefore the key element seemed to be diluted.</li> </ul>
<ul style="list-style-type: none"> <li>The audit was thorough and there was good communication and informal feedback prior to the final report.</li> </ul>	<ul style="list-style-type: none"> <li>There was a lack of understanding about a particular issue, which continued through to the draft report, although the auditor was provided with information which countered the argument being made.</li> </ul>
<ul style="list-style-type: none"> <li>First class service as always, thanks very much.</li> </ul>	
<ul style="list-style-type: none"> <li>A much better outcome than I was expecting and a very useful and relevant report.</li> </ul>	
<ul style="list-style-type: none"> <li>The auditor was very knowledgeable and remained professional at all times.</li> </ul>	
<ul style="list-style-type: none"> <li>The auditor was professional and the report was readable and offered some useful points we can take forward.</li> </ul>	
<ul style="list-style-type: none"> <li>The audit was conducted in a professional and timely manner.</li> </ul>	

### Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the PSIAS Definition of Internal Auditing, the Code of Ethics and the efficiency and effectiveness of the Internal Audit function in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- An annual risk assessment of the Audit Universe for the purpose of audit planning.
- Annual review of compliance against the requirements of the QAIP, undertaken by the Chief Internal Auditor, the results of which are reported to the Corporate Leadership Team and Audit Committee.
- Annual internal audit service improvement day.
- Compliance with the Individual Performance Appraisal process which sees a full annual and a six monthly assessment of auditor team performance.

# Quality Assurance and Improvement Programme 2017-18

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- Periodic benchmarking with other local authorities to assess what lessons can be learned.
- Networking with other local authorities to identify best practice and potential changes to implement.

The Chief Internal Auditor will implement appropriate follow-up action to any identified actions to ensure continual improvement of the service.

Any significant areas of non-compliance with the PSIAS that are identified through internal assessments will be reported in the Chief Internal Auditor's Annual Report and used to inform the Annual Governance Statement.

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## **External Assessments**

External assessment will appraise and express an opinion about internal audit's conformance with the PSIAS Definition of Internal Auditing and Code of Ethics. The assessment report will include recommendations for improvement as appropriate.

### **Frequency of External Assessment**

An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the external assessment will be approved by the Audit Committee. The last external assessment took place in June 2016.

### **Scope of External Assessment**

The external assessment covers a broad scope including the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics and Internal Audits Charter; plans, policies, procedures, practices and any applicable legislative and regulatory requirements.
- Integration of the Internal Audit activity into the Council's governance framework, including the audit relationship between and among the key groups involved in the process.
- Tools and techniques used by Internal Audit.
- The mix of knowledge, experiences and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement Programme.
- A determination whether Internal Audit adds value and improves the Council's operations.

Results of external assessments will be provided to the Audit Committee. The external assessment report will be accompanied by an action plan in response to the significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Report of the Chief Internal Auditor and the Council's Annual Governance Statement.

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# Quality Assurance and Improvement Programme 2017-18

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## **Review of the QAIP**

The QAIP will be appropriately updated following any changes to the PSIAS or Internal Audit's Operating Environment. It will be reviewed, as a minimum, on an annual basis.

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## **Action Plan**

The lessons learned through the Quality Assurance and Improvement Programme have been captured in **Appendix 1**, which details actions taken to date and further action required over the next twelve months.

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## Appendix 1 - Action Plan

Source	Issue	Action	Action By	Status
PSIAS External Assessment	Staff should formally acknowledge acceptance of the Internal Audit Code of Ethics periodically.	The Audit Manager will circulate the Code of Ethics on an annual basis to all team members and obtain an e-mail to confirm adherence.	Audit Manager	Complete.
PSIAS External Assessment	Mechanisms to obtain formal feedback from the Chief Executive, Audit Committee Chair and Monitoring Officer should be established to inform the appraisal of the Chief Internal Auditor.	This will be addressed in any future 360 degree appraisal processes where key officers will be invited to comment.	Chief Internal Auditor	Complete.
PSIAS External Assessment	Consideration should be given to including the available audit days in respect of the capacity of the Chief Internal Auditor and Audit Manager within the Annual Audit Plan to fully reflect internal audit resource available and utilised.	This has been addressed in the 2017/18 Internal Audit Plan which was approved by the Corporate Leadership Team in February 2017 and Audit Committee in March 2017.	Chief Internal Auditor	Complete.
PSIAS External Assessment	An allocation in respect of consultancy reviews and services, corporate governance and risk work and counter fraud activity should be reflected in the Annual Audit Plan in order that outturn can be reported and	This has been addressed in the 2017/18 Internal Audit Plan and ongoing reports will be provided to Audit Committee as part of the Risk Services Quarterly Report.	Chief Internal Auditor	Complete.

Source	Issue	Action	Action By	Status
	significant deviations from the plan can be referred to the Audit Committee.			
PSIAS External Assessment	The scope of consultancy work should be clearly defined at the outset of each consultancy review and an audit opinion given at the conclusion of each review only if appropriate to do so.	This will be addressed on a case by case basis and the outcome included in the Risk Services Quarterly Report.	Chief Internal Auditor	Complete.
PSIAS External Assessment	Consultancy reviews and services, corporate governance and risk work and counter fraud activity should be reflected in the Annual Report and included within the scope of the Annual Audit opinion.	This will be incorporated into the Annual Report for 2016/17.	Chief Internal Auditor	Complete.
PSIAS External Assessment	Length of Internal Audit Reports – Reports routinely contain extensive and long narrative which is time consuming to produce - Could be leaner / streamlined.	This was discussed at the Internal Audit Service improvement day in February 2017. It was agreed that narrative reports were still suitable for risk based reviews; however there was an action to streamline the reports for compliance work.	Audit Manager	Not yet implemented.
PSIAS External Assessment	The allocation of Internal Audit days to individual reviews appears high (20 day reviews) which may be in part due to the allocation / involvement of two officers	Any training needs will be identified through the IPA process and one to ones which are already established. A provisional number of days has been included in the audit plan however these	Audit Manager	Complete.



Source	Issue	Action	Action By	Status
	attending scoping and drafting meetings. A resource / skills analysis exercise may be beneficial in identifying areas which are unnecessarily labour intensive or skills gaps which need to be addressed through training and development. This would address weaknesses identified in succession planning within the section.	will be amended once the scope of each assignment is known.		
PSIAS External Assessment	The FCATs approach to financial systems assurance is labour intensive. However, despite the significant resource expended on this, overview / strategic recommendations are not reported in a manner which maximises the process as a continuous improvement tool and demonstrates the value that it adds to the organisation.	There is a need to ensure that the Internal Audit Team are aware of the reports which are issued and how these are dealt with so that they can see what actions are being taken to address issues.	Audit Manager	Not yet implemented.
PSIAS External Assessment	Amendments to the QAIP should be considered: <ul style="list-style-type: none"> <li>Consideration could be given to producing the Quality Assurance &amp; Improvement Programme (QAIP) as a separate strategic document, which can be subject to review and</li> </ul>	This has been addressed through the production of this document which was taken to the Corporate Leadership Team in March 2017 and Audit Committee in April 2017.	Chief Internal Auditor	Complete.

Source	Issue	Action	Action By	Status
	<p>update as required.</p> <ul style="list-style-type: none"> <li>A review of the current QAIP is required to ensure that it reflects the requirements of the revised Public Sector Internal Audit Standards (April 2016).</li> </ul>			
PSIAS External Assessment / Internal Assessment	<p>Amendments to the Charter should be considered:</p> <ul style="list-style-type: none"> <li>Produce the Charter as a separate, strategic document which clearly reflects the requirements of the PSIAS / LGAN and can be reviewed and updated independently from the Annual Audit Plan.</li> <li>Extend the Charter to include the requirements from the PSIAS (see para 4.2.1 of the report)</li> <li>Update to the Charter is required to include revisions to the PSIAS which came into effect in April 2016.</li> </ul>	<p>The Internal Audit Charter has been updated and created as a standalone document. This was approved by the Corporate Leadership Team in February 2017 and Audit Committee in March 2017.</p>	Chief Internal Auditor	Complete.
PSIAS External Assessment / Internal Assessment	<p>Clear links between the Corporate Risk Register and the nature and scope of planned audit work should be defined within the Strategic Audit Plan, Annual Audit Plan</p>	<p>This has been addressed in the 2017/18 Internal Audit Plan which was approved by the Corporate Leadership Team in February 2017 and Audit Committee in March 2017.</p>	Chief Internal Auditor	Complete.

Source	Issue	Action	Action By	Status
	and / or the scope of specific reviews.			
PSIAS External Assessment / Internal Assessment	All external sources of assurance should be taken into consideration as part of an assurance mapping exercise, to inform the Annual Audit opinion.	This has been addressed as part of the 2017/18 planning process where other forms of assurance have been linked to all identified audit work in order to prioritise how audit resource will be used.	Chief Internal Auditor	Complete.
PSIAS Internal Assessment / Audit Strategy 2014/2017	The internal audit team have limited knowledge of key information technology risks and controls.	A member of the internal audit team is currently training to be an IT auditor to help address this skills gap.	Audit Manager	Partially implemented.
Audit Strategy 2014-2017	There is a need to set out the role of the Chief Internal Auditor and how this fits with others charged with governance at Blackpool Council.	A Good Governance Group has now been established which addresses this issue and is represented by the Chief Internal Auditor.	Chief Internal Auditor	Complete.
Customer Satisfaction Surveys	Services sometimes do not feel that they have been adequately consulted prior to a draft report being issued.	Steps will be taken to ensure that a formal summary of findings meeting is held prior to any draft reports being issued to encourage a culture of no surprises.	Audit Manager	Partially Implemented.
Customer Satisfaction	There is a need to ensure that all relevant officers are consulted with during the audit	Potential auditees are to be defined at the pre-scope and scoping stage and steps taken to ensure that they are consulted with as part of	Audit Manager	Partially Implemented.

Source	Issue	Action	Action By	Status
Surveys	programme.	the fieldwork.		
Service Improvement Day	Not all staff have the same level of experience and knowledge across the team.	Encourage further input by all team members into all elements of the internal audit service including the use of mentoring, development plans and shared learning.	Audit Manager	Partially Implemented.
Service Improvement Day	Increase awareness of the work of Internal Audit to all employees, not just managers.	Ensure that the quick guide as to 'What to expect when being audited' is sent out with meeting requests and requests for information.	Audit Manager	Not yet implemented.
Service Improvement Day	Responses are not always received to customer satisfaction surveys and the value added during an audit is not always recognised.	Review the form used for customer satisfaction surveys and assess how added value can be measured, either through discussions with Directors or the Chief Internal Auditor discussing individual reviews with auditors once the final report has been issued.	Chief Internal Auditor	Not yet implemented.
Service Improvement Day	Sometimes useful information about previous audits is not available as the information has not been retained.	Set up a library of Audit Programmes so that auditors have a reference point for future audits.	Audit Manager	Not yet implemented.
Service Improvement Day	The audit team are not always familiar with the strategic element of audit.	Links to be sent to each auditor setting out where to find the strategic documents such as the Risk Services Quarterly Reports, Internal	Chief Internal Auditor	Complete.

Source	Issue	Action	Action By	Status
		Audit Plan and Audit Committee papers.		
Service Improvement Day	Not all auditors are using file interrogation software to assist with their reviews.	Ensure that all members of the audit team are using IDEA and arrange training where required.	Audit Manager	Not yet implemented.