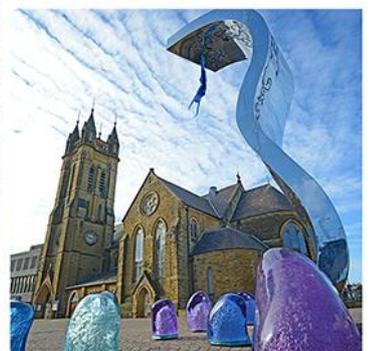


Internal Audit Quality Assurance and Improvement Programme 2018/19

Blackpool Council



Quality Assurance and Improvement Programme 2018-19

Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to stakeholders of the 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 Internal Audit's 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 Head of Audit and Risk is ultimately responsible for the QAIP, which covers all types of internal audit activity, including advice and consulting.

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 Head of Audit and Risk 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 Head of Audit and Risk and Audit Manager, and the Audit Manager and Audit team.
- Monthly team meetings.

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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 is reported to the Corporate Leadership Team and Audit Committee each quarter. The suite of indicators is:

- 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:

	2015/2016		2016/17		2017/18	
	Target	Actual	Target	Actual	Target	Actual
Audit plan completed	90%	89%	90%	92%	90%	98%
Draft reports delivered in deadline	96%	97%	96%	87%	96%	100%
Audit work completed in budget	92%	91%	92%	86%	92%	95%
Positive satisfaction surveys	85%	88%	85%	88%	85%	92%
Compliance with quality standards	85%	87%	85%	87%	85%	90%

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 summarised below:

Positive Feedback	Areas to Improve
<ul style="list-style-type: none"> ▪ It was useful to have the auditor in as we are changing the services and to help us clarify our services in our own minds. 	<ul style="list-style-type: none"> ▪ There were one or two points of clarity required regarding responsibilities/involvement of third parties, but some of the recommendations may add weight to future discussions.
<ul style="list-style-type: none"> ▪ The review provided a useful position statement following the organised crime pilot study undertaken by Greater Manchester Police. 	<ul style="list-style-type: none"> ▪ There were a couple of items that were not factually accurate though the draft report needed little amendment.
<ul style="list-style-type: none"> ▪ The report supports the ongoing work within the service to deliver the vision for integration. 	<ul style="list-style-type: none"> ▪ Possibly a mid-review meeting to check understanding and issues would be useful, rather than just at the beginning and at draft report stage.

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Positive Feedback	Areas to Improve
	It would help the complex audits.
<ul style="list-style-type: none"> ▪ The report was helpful. 	<ul style="list-style-type: none"> ▪ The audit added limited value to my service.
<ul style="list-style-type: none"> ▪ Good work well carried out as usual by a friendly and helpful team. 	<ul style="list-style-type: none"> ▪ The auditor went off sick part way through the audit but we were not advised of this. We had blocked out time in our diaries to be available for a meeting with the auditor. We only discovered that they were sick when we contacted their line manager to ascertain why the auditor had not arrived for the meetings.
<ul style="list-style-type: none"> ▪ Professional support that has improved my ability to assess service needs. 	<ul style="list-style-type: none"> ▪ There were some anomalies in the draft report but these were satisfactorily clarified in the meeting to review the audit.
<ul style="list-style-type: none"> ▪ The team were, once again, very professional and timely with the audit and production of the final report. 	<ul style="list-style-type: none"> ▪ I think the scoring was a little harsh in the initial draft; however this was remedied satisfactorily in the draft meeting.
<ul style="list-style-type: none"> ▪ An excellent piece of work that certainly facilitated the formulation of stronger governance of the Council's process. 	
<ul style="list-style-type: none"> ▪ This was a very professional audit as always. 	
<ul style="list-style-type: none"> ▪ The audit will add value to the self-assessment delivery which is critical to the council's external funding received. 	
<ul style="list-style-type: none"> ▪ Good service and staff. 	
<ul style="list-style-type: none"> ▪ Thanks to the auditor who completed the audit - very good and helpful. 	
<ul style="list-style-type: none"> ▪ I was particularly pleased with this review as the scope had to be broadened mid-review and the Audit Team rose to the challenge, and in a very tight timescale, to produce a very helpful and relevant work programme. 	
<ul style="list-style-type: none"> ▪ The auditor was courteous and professional, and the audit went very smoothly. 	
<ul style="list-style-type: none"> ▪ The auditor was courteous and professional throughout and offered some constructive advice. 	

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Positive Feedback	Areas to Improve
<ul style="list-style-type: none">The audit team have always given a high quality service and having the audit seen as a system for ensuring we are following best practice.	
<ul style="list-style-type: none">If we meet the recommendations as set out in the report then it will be a positive move.	

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 Head of Audit and Risk, 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.
- Periodic benchmarking with other local authorities to identify differences in coverage and potential areas for change..
- Networking with other local authorities to identify best practice and potential changes to implement.

The Head of Audit and Risk will implement appropriate follow-up 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 Annual Audit Report and used to inform the Annual Governance Statement.

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.

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Scope of External Assessment

The scope of the external assessment is broad and includes the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics and Internal Audit 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 are provided to the Audit Committee. The external assessment report will be accompanied by an action plan in response to the comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Audit Report and the Council's Annual Governance Statement.

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.

Action Taken Since QAIP 2017/18

A number of actions, which were identified in the QAIP 2017/18, have been implemented throughout 2017/18 as shown in **Appendix 1**.

Action Plan 2018/19

Actions to be addressed throughout 2018/19 and future years QAIP's are shown in **Appendix 2**.

Appendix 1 – Actions Completed in 2017/18

Source	Issue	Completed Action
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 Head of Audit and Risk.	This will be addressed in any future 360 degree appraisal processes where key officers will be invited to comment.
PSIAS External Assessment	Consideration should be given to including the available audit days in respect of the capacity of the Head of Audit and Risk and Audit Manager within the Annual Audit Plan to fully reflect internal audit resource available and utilised.	This was addressed in the 2017/18 Internal Audit Plan and will continue in future years.
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 significant deviations from the plan can be referred to the Audit Committee.	This was addressed in the 2017/18 Internal Audit Plan and will continue in future years.
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.	Consultancy reviews are now differentiated from assurance reviews in the annual audit plan and there is now only a requirement to give an opinion where assurance is required in the plan.
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 was incorporated into the Annual Report for 2016/17 and will continue for future years.
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 attending scoping and drafting meetings. A resource / skills	Any training needs will be identified through the IPA process and one to ones which are already established. A provisional number of days have been included in the audit plan however

Source	Issue	Completed Action
	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.	these will be amended once the scope of each assignment is known.
PSIAS External Assessment	<p>Amendments to the QAIP should be considered:</p> <ul style="list-style-type: none"> • Consideration could be given to producing the Quality Assurance & Improvement Programme (QAIP) as a separate strategic document, which can be subject to review and update as required. • 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). 	The QAIP 2017/18 was amended to address this action and this will continue going forward.
PSIAS External Assessment	Staff should formally acknowledge acceptance of the Internal Audit Code of Ethics periodically.	The Code of Ethics was circulated to all audit staff in January 2017 and signed as accepted by all staff. This will be repeated on an approximately annual basis depending on staff changes.
PSIAS External Assessment / Internal Assessment	<p>Amendments to the Charter should be considered:</p> <ul style="list-style-type: none"> • 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. • Extend the Charter to include the requirements from the PSIAS (see para 4.2.1 of the report) • Update to the Charter is required to include revisions to the PSIAS which came into effect in April 2016. 	The Internal Audit Charter was updated for 2017/18 and created as a standalone document. This will continue in future years.
PSIAS External Assessment /	Clear links between the Corporate Risk Register and the nature and scope of planned audit work should be defined within the Strategic Audit Plan,	This was addressed in the 2017/18 Internal Audit Plan and will

Source	Issue	Completed Action
Internal Assessment	Annual Audit Plan and / or the scope of specific reviews.	continue to feature in future years.
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 was 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 and will continue in future years.
Audit Strategy 2014-2017	There is a need to set out the role of the Head of Audit and Risk and how this fits with others charged with governance at Blackpool Council.	A Good Governance Group has been established which addresses this issue at which Risk Services is represented by the Head of Audit and Risk.
Customer Satisfaction Surveys	Services sometimes do not feel that they have been adequately consulted prior to a draft report being issued.	A formal summary of findings meeting is held prior to any draft reports being issued to encourage a culture of no surprises.
Customer Satisfaction Surveys	There is a need to ensure that all relevant officers are consulted with during the audit programme.	Potential auditees are defined at the pre-scope and scoping stage and steps taken to ensure that they are consulted with as part of the fieldwork.
Service Improvement Day	Increase awareness of the work of Internal Audit to all employees, not just managers.	A quick guide as to 'What to expect when being audited' has been prepared and is available on the Hub.
Service Improvement Day	The audit team are not always familiar with the strategic element of audit.	Links have been sent to each auditor setting out where to find the strategic documents such as the Risk Services Quarterly Reports, Internal Audit Plan and Audit Committee papers.

Appendix 2 – Actions to Complete in 2018/19

Source	Issue	Action	Action By	Status	Target Date
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.	<ul style="list-style-type: none"> There is a need to streamline the reports issued for compliance work. 	<ul style="list-style-type: none"> Audit Manager 	Partially Implemented.	March 2019
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.	<ul style="list-style-type: none"> There is a need to review how compliance testing is undertaken on key financial systems to ensure that it is control assurance focused and less resource intensive. 	<ul style="list-style-type: none"> Audit Manager 	Partially Implemented.	June 2018
Service Improvement Day	Responses are not always received to customer satisfaction surveys and the value added during an audit is not always recognised.	<ul style="list-style-type: none"> Steps are being taken to launch an on-line customer satisfaction survey for 2018/19 which should improve response rates. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Partially Implemented.	April 2018
Service Improvement Day	Sometimes useful information about previous audits is not available as the information has not been retained.	<ul style="list-style-type: none"> Set up a library of Audit Programmes so that auditors have a reference point for future audits. 	<ul style="list-style-type: none"> Audit Manager 	Partially Implemented.	March 2019
Service	Not all auditors are using file interrogation	<ul style="list-style-type: none"> Training has now been provided so 	<ul style="list-style-type: none"> Audit 	Partially	April 2018

Source	Issue	Action	Action By	Status	Target Date
Improvement Day	software to assist with their reviews.	<p>that all members of the team are able to use IDEA software.</p> <ul style="list-style-type: none"> • There needs to be more rigorous consideration of using the software for all types of audit work. • There is a need to upgrade to the latest version of IDEA software. 	Manager	Implemented.	
Internal Audit Strategic Plan 2018/21	Develop resource planning to ensure that the team is appropriately structured to deliver the increasing risk focused demands on the service.	<ul style="list-style-type: none"> • Review the organisation structure to ensure that appropriate levels of qualified staff are in post to undertake the increasing level of risk based auditing/ consultancy required by the Council. 	<ul style="list-style-type: none"> • Head of Audit and Risk 	Not yet implemented.	April 2019
Internal Audit Strategic Plan 2018/21	Clearly align the work of internal audit to the Council's strategic direction and transformation process.	<ul style="list-style-type: none"> • Develop stronger links with the Corporate Delivery Unit and Transformation Board to ensure that the transformation process complements and supports that of Internal Audit. 	<ul style="list-style-type: none"> • Head of Audit and Risk 	Not yet implemented.	March 2019
Internal Audit Strategic Plan 2018/21	Keep up to date with the changing landscape at the Council and adapt the way in which the internal audit service is delivered accordingly.	<ul style="list-style-type: none"> • Review the structure of the audit team to ensure that there is adequate resource for risk based / consultancy work. 	<ul style="list-style-type: none"> • Head of Audit and Risk 	Not yet implemented.	April 2019
Internal Audit Strategic Plan	Maintain efficient and high quality work which meets customer expectations and	<ul style="list-style-type: none"> • Continue to undertake quality assurance throughout the audit 	<ul style="list-style-type: none"> • Audit Manager 	Partially	March 2019

Source	Issue	Action	Action By	Status	Target Date
2018/21	audit standards.	<p>process.</p> <ul style="list-style-type: none"> Review the Head of Audit and Risk audit completion quality check to ensure this remains fit for purpose. Carry out a service improvement event including a self-assessment against the PSIAS. 	<ul style="list-style-type: none"> Head of Audit and Risk Audit Manager 	Implemented.	
Internal Audit Strategic Plan 2018/21	Continue to raise the profile and the value added by internal audit across the Council and with external customers.	<ul style="list-style-type: none"> Continue to participate in corporate groups / project assurance role as required. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Ongoing.	March 2019
Internal Audit Strategic Plan 2018/21	Maximise income generation opportunities through the continuous exploration of opportunities such as shared services and external work.	<ul style="list-style-type: none"> Continue to review all opportunities with a view to generate income, create resilience across the team and maintain an appropriate level of assurance for the Council. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Ongoing.	March 2019
Internal Audit Strategic Plan 2018/21	Ensure that adequate IT audit provision is available within the team.	<ul style="list-style-type: none"> Sign up to the Lancashire wide IT procurement framework for the provision of specialist IT audit support where required. Qualify a member of the audit team to undertake IT audit. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Not yet Implemented	April 2020
Internal Audit Strategic Plan 2018/21	Embrace the digital strategy through the maximisation of IT hardware and software opportunities.	<ul style="list-style-type: none"> Explore the potential for using SharePoint for both the internal audit team and for the issue of audit reports. 	<ul style="list-style-type: none"> Head of Audit and Risk 	Yet to Complete.	March 2020

Source	Issue	Action	Action By	Status	Target Date
		<ul style="list-style-type: none"> Move onto the Microsoft Windows 10 and 365 platforms. 			
Internal Audit Strategic Plan 2018/21	Strengthen the integration with the wider Risk Services to enhance auditor knowledge and experience and deliver a cohesive risk management and assurance service to the Council.	<ul style="list-style-type: none"> Explore the potential of undertaking joint audits between the audit team and other risk professionals in the service. Expand the standard internal control evaluation template to cover fraud, health and safety and equality and diversity risks. 	<ul style="list-style-type: none"> Head of Audit and Risk Audit Manager 	Yet to Complete.	March 2019
Internal Audit Strategic Plan 2018/21	Ensure that all staff in the team are appropriately qualified and have a broad range of experience.	<ul style="list-style-type: none"> Map out existing skills and experience in the team and identified opportunities for development and additional responsibilities. 	<ul style="list-style-type: none"> Audit Manager 	Yet to Complete.	March 2020