

# Internal Audit Quality Assurance and Improvement Programme 2019/20

Blackpool Council



# Quality Assurance and Improvement Programme 2019-20

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## Introduction

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

- 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.

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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 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:

	2016/17		2017/18		2018/19	
	Target	Actual	Target	Actual	Target	Actual
<b>Audit plan completed</b>	90%	92%	90%	98%	90%	94%
<b>Draft reports delivered in deadline</b>	96%	87%	96%	100%	96%	93%
<b>Audit work completed in budget</b>	92%	86%	92%	95%	92%	91%
<b>Positive satisfaction surveys</b>	85%	88%	85%	92%	85%	89%
<b>Compliance with quality standards</b>	85%	87%	85%	90%	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"> <li>▪ The auditor was flexible and delayed the audit as our Business Manager was on maternity leave and the new business manager had only been in post for a few weeks.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There were some factual inaccuracies in the body of the report but this was probably due to the technical nature of the subject matter.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The review was conducted professionally and supportive.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The recommendations although relevant will not necessarily be helpful or indeed work.</li> </ul>
<ul style="list-style-type: none"> <li>▪ Considering the auditor was new to Blackpool Council this was an excellent piece of work.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The draft report showed a complete lack of understanding of what the data they had used in the report actually meant. Owing to the poor</li> </ul>

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Positive Feedback	Areas to Improve
	quality of the draft report the period of the review was substantially extended.
<ul style="list-style-type: none"> <li>The audit added weight to our plans to reorganise the service offer.</li> </ul>	<ul style="list-style-type: none"> <li>The Directors did not feel that they were involved in the audit close out process until after other third parties despite commissioning the work.</li> </ul>
<ul style="list-style-type: none"> <li>The auditor was extremely professional and knowledgeable and is a credit to the team. They left no rock unturned and had a clear skill in listening.</li> </ul>	<ul style="list-style-type: none"> <li>I did not agree with the wording on one recommendation and had thought clarification was going to be sought with information provided and then further discussed before final publication.</li> </ul>
<ul style="list-style-type: none"> <li>The audit report was timely as changes needed to be made mid-way through the project and the review provides a useful reference point to do so.</li> </ul>	<ul style="list-style-type: none"> <li>The auditor at times missed appointments and / or tried to set up meetings with staff at very short notice. At times they seemed to be going down a wrong path. That said the auditor did considerable research and brought the audit back on track offering useful insight and recommendations.</li> </ul>
<ul style="list-style-type: none"> <li>A very thorough review in the time that was available.</li> </ul>	
<ul style="list-style-type: none"> <li>As usual professional approach that supported the service identifying areas of strength and opportunity.</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 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.

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- 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.

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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 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.

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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 Taken Since QAIP 2018/19

A number of actions, which were identified in the QAIP 2018/19, have been implemented throughout 2018/19 and are shown in **Appendix 1**.

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## Action Plan 2019/20

Actions to be addressed throughout 2019/20 and future years QAIP's are shown in **Appendix 2**.

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## Appendix 1 – Actions Completed in 2018/19

Source	Issue	Completed Action
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.	Specific templates are now available for risk based audits, compliance audits and financial control assurance testing audits. However, these can be adapted to meet the needs of the particular audit and where there is any doubt the lead auditor will discuss this with the Audit Manager at the planning stage of the audit.
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.	The FCAT process has undergone a complete overhaul and reviews of key financial systems are now undertaken in greater depth, cyclically over a two to three year period. The audit work now clearly distinguishes between ascertaining/evaluating controls and testing of compliance with those controls and offers recommendations to aid control improvement.
Service Improvement Day	Responses are not always received to customer satisfaction surveys and the value added during an audit is not always recognised.	An on-line customer satisfaction survey has now been launched and is being used by customers which has had a positive effect on the number of returns received.
Service Improvement Day	Not all auditors are using file interrogation software to assist with their reviews.	Training has now been provided so that all members of the team are able to use IDEA software and the upgrade has been introduced although the changes are minimal in terms of functionality that we are likely to use. Potential for use of IDEA or other tools is part of the Review Checklist and is considered at planning stage for each assignment.

Source	Issue	Completed Action
Internal Audit Strategic Plan 2018/21	Maintain efficient and high quality work which meets customer expectations and audit standards.	The two performance indicators relating to quality (quality review and customer satisfaction) continue to meet or exceed target year on year.
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.	The Head of Audit and Risk continues to be involved in a number of key projects across the Council to provide advice on risk and control issues and add value to the organisation.
Internal Audit Strategic Plan 2018/21	Maximise income generation opportunities through the continuous exploration of opportunities such as shared services and external work.	Arrangements are in place for the internal audit team to provide a service to the majority of Council owned companies. Where arrangements have not yet been agreed plans are in place to address this.

## Appendix 2 – Actions to Complete in 2019/20

Source	Issue	Action	Action By	Status	Target Date
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"> <li>Set up a library of Audit Programmes so that auditors have a reference point for future audits.</li> </ul>	<ul style="list-style-type: none"> <li>Audit Manager</li> </ul>	Partially Implemented.	March 2020
Internal Audit Strategic Plan 2018/21	<p>Develop resource planning to ensure that the team is appropriately structured to deliver the increasing risk focused demands on the service.</p> <p>Keep up to date with the changing landscape at the Council and the increasing number of wholly owned companies and adapt the way in which the internal audit service is delivered accordingly.</p>	<ul style="list-style-type: none"> <li>Review the organisation structure to ensure that appropriate levels of experienced and qualified staff are in post to undertake the increasing level of risk based auditing/ consultancy required by the Council.</li> <li>Ensure that there is adequate commercial knowledge in the team to enable effective support of the wholly owned companies.</li> </ul>	<ul style="list-style-type: none"> <li>Head of Audit and Risk</li> </ul>	Not yet implemented.	March 2020
Internal Audit Strategic Plan 2018/21	Strengthen the integration with the wider Risk Services to enhance knowledge and experience and deliver a cohesive risk management and assurance service to the Council.	<ul style="list-style-type: none"> <li>Explore the potential of undertaking joint audits / consultancy / projects between the audit team and other risk professionals in the service.</li> </ul>	<ul style="list-style-type: none"> <li>Head of Audit and Risk</li> </ul>	Not yet implemented	March 2020
Internal Audit Strategic Plan 2018/21	Ensure that adequate IT audit provision is available within the team.	<ul style="list-style-type: none"> <li>The service have signed up to the Lancashire wide IT procurement framework for the provision of</li> </ul>	<ul style="list-style-type: none"> <li>Head of Audit and Risk</li> </ul>	Partially Implemented	April 2021

Source	Issue	Action	Action By	Status	Target Date
		<p>specialist IT audit support where required.</p> <ul style="list-style-type: none"> <li>• Qualify a member of the audit team to undertake IT audit.</li> </ul>			
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"> <li>• Explore the potential for using SharePoint for both the internal audit team and for the issue of audit reports.</li> <li>• The team have moved onto the Microsoft Windows 10 and 365 platforms.</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Audit and Risk</li> </ul>	Partially Implemented	March 2020
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"> <li>• Map out existing skills and experience in the team and identified opportunities for development and additional responsibilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Manager</li> </ul>	Not yet implemented	March 2020