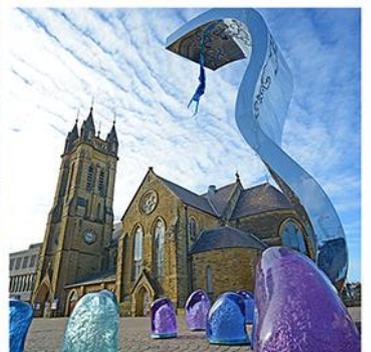


# Internal Audit Quality Assurance and Improvement Programme 2020/21

Blackpool Council



# Quality Assurance and Improvement Programme 2020-21

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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 Senior Auditors and the 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 the Senior Auditors, and between the Senior Auditors and the Audit team.
- Monthly Risk Services and Audit 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:

	2017/18		2018/19		2019/20	
	Target	Actual	Target	Actual	Target	Actual
<b>Audit plan completed</b>	90%	99%	90%	94%	90%	90%
<b>Draft reports delivered in deadline</b>	96%	100%	96%	93%	96%	98%
<b>Audit work completed in budget</b>	92%	95%	92%	91%	92%	93%
<b>Positive satisfaction surveys</b>	85%	92%	85%	89%	85%	92%
<b>Compliance with quality standards</b>	85%	90%	85%	90%	85%	93%

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>▪ As always, a professional approach to the audit.</li> </ul>	<ul style="list-style-type: none"> <li>▪ There was some areas of scope which extended beyond my service.</li> </ul>
<ul style="list-style-type: none"> <li>▪ A new audit but scoped well from the beginning involving relevant stakeholders resulting in a good audit in an unusual area.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The draft report required significant change relating to the Senior Responsible Officer for the recommendations.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The audit supported the regulatory compliance of the service.</li> </ul>	<ul style="list-style-type: none"> <li>▪ I don't think I was reasonably involved in the audit review.</li> </ul>
<ul style="list-style-type: none"> <li>▪ The audit outcomes support ongoing development of the service.</li> </ul>	

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Positive Feedback	Areas to Improve
<ul style="list-style-type: none"> <li>Good focus in terms of audit testing.</li> </ul>	
<ul style="list-style-type: none"> <li>It is a complicated and developing area but the auditor performed well.</li> </ul>	
<ul style="list-style-type: none"> <li>It will help move the processes on as they need to within a multi-disciplinary team approach.</li> </ul>	
<ul style="list-style-type: none"> <li>It was good to see that improvement had been recognised - sincere thanks to the audit team.</li> </ul>	
<ul style="list-style-type: none"> <li>The review was very well handled and very useful in helping to drive the challenging programme forward.</li> </ul>	
<ul style="list-style-type: none"> <li>Operational managers were more involved than I was but I was satisfied with this level of communication.</li> </ul>	
<ul style="list-style-type: none"> <li>The flexibility of the auditor in terms of wanting to get to know the service contributed to the quality of the audit outcome and recommendations.</li> </ul>	
<ul style="list-style-type: none"> <li>The audit was helpful in encouraging great collaboration between services.</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.
- Networking with other local authorities to identify best practice and potential changes to implement.

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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 2019/20

A number of actions, which were identified in the QAIP 2019/20, have been implemented throughout 2019/20 and are shown in **Appendix 1**.

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## Action Plan 2020/21

Actions to be addressed throughout 2020/21 and future years QAIP's are shown in **Appendix 2**.

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## Appendix 1 – Actions Completed in 2019/20

Source	Issue	Completed Action
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>	<p>A review of the organisation structure has taken place to increase capacity across the team for delivering a wide range of work.</p> <p>All members of the team are now involved in providing services to our wholly owned companies therefore increasing commercial knowledge and the work of different sectors.</p>
Internal Audit Strategic Plan 2018/21	<p>Ensure that adequate IT audit provision is available within the team.</p>	<p>The service have signed up to the Lancashire wide IT procurement framework for the provision of specialist IT audit support where required.</p>
Internal Audit Strategic Plan 2018/21	<p>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.</p>	<p>Where appropriate joint advice / consultancy / audits are provided across the Audit and Risk team which has increased joint working.</p>

## Appendix 2 – Actions to Complete in 2020/21

Source	Theme	Action	Status	Target Date
Internal Audit Strategic Plan 2018/21	Knowledge and Skills	<ul style="list-style-type: none"> <li>• Ensure that all staff in the team are appropriately qualified and have a broad range of experience.</li> <li>• Look to skill a member of the audit team with IT audit skills to further enhance the team's ability.</li> <li>• Explore the potential of training a team member in formal contract audit.</li> <li>• Look to produce development plans for each Auditor / Senior Auditor to ensure that they get the experience they need / want to further develop their skills.</li> <li>• Set up a library of Audit Programmes so that auditors have a reference point for future audits.</li> <li>• To develop standard test schedules for our compliance audit work, related to the establishment that we visit.</li> </ul>	Partially Implemented	March 2023
Internal Audit Strategic Plan 2018/21	Technology	<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>• Embrace technology to ensure that ability to undertake internal audit work remotely.</li> <li>• Explore options available for recording audit interviews and turning these into text files to reduce the resource needed for typing up notes (or other solutions which bring efficiencies).</li> </ul>	Partially Implemented	September 2020

Source	Theme	Action	Status	Target Date
Service Improvement Day	Communications	<ul style="list-style-type: none"> <li>• Introduce monthly internal audit team meetings to discuss best practice, key findings and developments in the profession.</li> <li>• Produce a brief booklet outlining what our audit service, types of assurance we can provide and value we can add, aimed at our wholly owned companies Board members and their Audit Committees.</li> </ul>	Yet to start	October 2020
Service Improvement Day	Quality Assurance	<ul style="list-style-type: none"> <li>• Ensure that meetings are arranged at the mid-point of all audits between the Senior Auditor and Auditor. Develop a template which should be used to record these meetings covering key points (which should be kept on the audit file as evidence of team leader review).</li> <li>• A review of file structures for audit reviews to be to ensure that all audit documents for each review are consistently filed.</li> <li>• Review the need for the Head of Audit and Risk or Senior Auditors to sign and review every document. More efficient if a team leader review document is in place which can evidence review throughout the life of the audit.</li> <li>• Full review of all core documents to make sure they are all relevant and correctly formatted including appropriate client facing templates in place for all of our wholly owned companies.</li> <li>• Ensure that the internal audit manual is fully up to date to reflect current working practices.</li> </ul>	Partially Implemented	October 2020
Service Improvement Day	Work Allocation	<ul style="list-style-type: none"> <li>• Review alternatives to current Access Time Recording system. The current system is resource intensive compared to limited value it adds (managing chargeable time).</li> </ul>	Yet to start	March 2021

Source	Theme	Action	Status	Target Date
		<ul style="list-style-type: none"> <li>• Look to scope all audits at the start of each quarter and build this into the audit process.</li> <li>• Quarterly meetings to be scheduled between Head of Audit and Risk and Senior Auditors to consider work allocation and resourcing.</li> </ul>		