

NOTTINGHAM CITY COUNCIL – INTERNAL AUDIT

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

1 Introduction

1.1 The Public Sector Internal Audit Standards (PSIAS) came into force from 1st April 2013. The standards apply the Institute of Internal Auditors' (IIA) International Standards to the UK public sector.

1.2 Attribute standard 1300 - Quality Assurance and Improvement Programme (QAIP) states that: 'The Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.'

1.3 The use of this document will assist the CAE in establishing if the Internal Audit function conforms with the PSIAS.

1.4 In accordance with the PSIAS, the QAIP results should be reported at least annually.

1.5 The Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders that Internal Audit:

- a) Performs its work in accordance with its Charter, which is consistent with the PSIAS
- b) Operates in an effective and efficient manner; and
- c) Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- d) To that end, Internal Audit's QAIP will cover all aspects of the Internal Audit activity (PSIAS Attribute Standard 1300). The features to be considered for the QAIP are:
 - Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner which includes the maintenance and reporting of KPI's (1300). The CAE should encourage board oversight in the QAIP.
 - Assures compliance with the *Standards*, Definition of Internal Auditing and Code of Ethics (1300).
 - Helps the Internal Audit activity add value and improve organisational operations and identify opportunities for improvement (1300).
 - Includes both periodic internal assessments and ongoing monitoring for quality (1311).

- Includes an external assessment at least once every five years, the results of which are communicated to the Board (Audit Committee) including the elements required by the Standard (1312, 1320).
- The form and frequency of the assessment and qualification and independence of the assessor to be discussed by CAE with the board. (1312).

1.6 The Chief Audit Executive (Head of Audit) is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.

1.7 All members of the Internal Audit team have responsibility for maintaining quality. The activities outlined in this QAIP involve all members of the team.

2 Internal Assessment

2.1 Internal Assessment is made up of both on-going reviews and periodic reviews:

On-going quality assurance arrangements

2.2 NCC Internal Audit maintains appropriate on-going quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the PSIAS). These arrangements include:

Internal Audit Assignment Level

- The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards.
- The objectives, scope and expected timescales for each audit assignment subject to agreement with the client before detailed work commences;
- The results of all audit testing work documented using a standard approach in the manual;
- Documented review of file/working papers by an Audit Manager/Lead Auditor/IT Specialist and signed-off at each stage of the audit process using the standard approach in the manual, to ensure that:
 - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
 - Audit files are complete and properly structured;
 - The objectives of the audit have been achieved;
 - Appropriate levels of testing have been carried out;
 - The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence
 - The final audit report is complete, accurate, objective, clear, concise, constructive and timely.

- Support and direction for audit engagements including regular 1:2:1 meetings to monitor progress;
- Audits with No Assurance are considered by the CAE with the team carrying out the assignment;
- Customer satisfaction questionnaires are issued with each final audit report to obtain feedback on the performance of the auditor and on how the audit was received.
- Post Audit Assessment forms completed after each audit assignment to evaluate performance against a competency framework identified in the training strategy including performance management and identify any training and development requirements as well as acknowledging any areas of excellent performance;
- Draft and Final reports and recommendations are reviewed and approved by the Audit Manager or Group Auditor and may be escalated to the CAE prior to issue.
- The results of the on-going quality assurance arrangements and periodic assessments will be reported in the regular update reports and annual report to the Audit Committee, which will include the results of customer satisfaction questionnaires.

Internal Audit Management Level

- The Internal Audit annual plan is produced using a risk based approach as documented in the Internal Audit annual plan methodology;
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility of the Internal Audit activity as well as formalising the Code of Ethics for members of the Internal Audit team;
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including:
 - Job descriptions and detailed competency profiles for each internal audit post;
 - Regular performance appraisals with individual development plans;
 - Training strategy and associated training activities with documented training records;
 - Active encouragement of Continuing Professional Development (CPD) within the section and procurement of appropriate training activities.
- All of the above will be agreed where appropriate with s151 officer and reported to Audit Committee.

Reporting to Audit Committee

2.3 On a regular basis (in accordance with the Committee's agreed work programme), Internal Audit provides the Audit Committee with an update report summarising the audit activity undertaken during the period. This includes the following:

- Progress against the annual plan in terms of audit days achieved;
- A list of reports issued during the period including details of the opinion provided
- A summary of the key issues and outcomes from the work undertaken in the period including findings from any reviews reported during the period with limited or no assurance
- Where appropriate, any management responses to risk that the CAE considers to be unacceptable to the organisation and the outcome of the CAE reporting this to senior management
- Customer satisfaction results from questionnaires received

Periodic Reviews

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

- Regular activity and performance reporting to the Audit Committee (through their agreed work programme) and Section 151 officer
- Annual self-review of conformance with the Public Sector Internal Audit Standards. This will be done using CIPFA's 'Checklist for assessing compliance with PSIAS and the Local Government Application Note' which was developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme.

Annual self-assessment reviews

2.5 On an annual basis, the CAE will update the Public Sector Internal Audit Standards (PSIAS) self-assessment checklist and obtain evidence throughout the year to demonstrate conformance with the standards, this will include a review of activity against the risk-based plan and achievement of objectives. The results of the self-assessment are reported to the senior management and the Audit Committee as part of the annual report of the CAE.

2.6 The results of the PSIAS self-assessment are used to identify opportunities for development and/or improvement. Any specific changes or improvements and progress against these are included in the annual Improvement Action Plan. Specific actions may also be included in individual personal development action plans.

3 External assessment

3.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process will appraise and express an opinion about internal audit's conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

3.2 The CAE will use professional judgement to assess the competence of potential assessors. The assessors should be independent, have no conflicts of interest with NCC, be suitably qualified and have relevant experience of professional practice of internal audit and the external assessment process.

3.3 The CAE will consider the different types of external assessment (i.e. full or self-assessment plus independent validation). The proposed form of external assessment will be discussed with the Audit Committee.

3.4 The scope of the assessment will be agreed with the sponsor (Strategic Director of Finance) and with the selected assessor / assessment team.

3.5 The results of the assessment will be initially reported to the CAE.

3.6 The results of external assessments will be reported to the Audit Committee and Section 151 Officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year, which will include any progress made.

3.7 NCC Internal Audit is part of the Core Cities group that took the decision to undertake peer reviews within the group during 2016/17.

3.8 The result of the latest external assessment completed by the team from Birmingham City Council in March 2017 concluded that NCC Internal Audit mostly conforms to the requirements of the PSIAS.

4 Follow Up

4.1 The Head of Internal Audit will implement appropriate follow up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.