

# Internal Audit

## Quality Assurance and Improvement Programme

Version 1.1  
September 2018

Working for a **brighter future**  together



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## Document Control

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<b>Subject</b>	Internal Audit: Quality Assurance and Improvement Programme
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## Revision History

<b>Revision Number</b>	<b>Reviser</b>	<b>Previous Version</b>	<b>Description of Revision</b>	<b>Date of Revision</b>
1.0	JG	N/A	First Draft	28/08/2018
1.1	JG	1.0	Proof reading corrections	17/092018

## Associated Documentation

Public Sector Internal Audit Standards (2017)  
CIPFA: The Role of the Head of Internal Audit (2010)  
CIPFA: Practical Guidance for Audit Committees (2018)  
CIPFA: The Excellent Internal Auditor (2006)

Cheshire East Council – Internal Audit Charter

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# 1. Introduction

- 1.1. The purpose of Internal Audit's Quality Assurance and Improvement Programme is to define the practical arrangements in place to provide reasonable assurance to stakeholders that the activity of the Internal Audit section
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
  - Operates in an effective and efficient manner; and
  - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2. The PSIAS require that the Head of Internal Audit as Chief Audit Executive develops and maintains a quality assurance improvement programme covering all aspects of internal audit activity, including consulting activity. This programme should enable an evaluation of Internal Audit's conformance against the Standards and an evaluation of whether individual auditors apply the Code of Ethics.
- 1.3. Cheshire East Council's Internal Audit QAIP covers all aspects of Internal Audit activity, in accordance with PSAIS Standard 1300, and includes:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (Standard 1300);
  - Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (Standard 1300);
  - Helping the Internal Audit activity add value and improve organisational operations (Standard 1300);
  - Encouraging Audit and Governance Committee oversight in the quality assurance and improvement programme (Standard 1300)
  - Undertaking both periodic and on-going internal assessments (Standard 1311);
  - Commissioning an external assessment at least once every five years, (Standard 1312); and

- Communicating the results of the QAIP to Corporate Leadership Team (CLT) as the Senior Management and to the Audit and Governance Committee as the Board (Standard 1320).
- 1.4. In accordance with Standard 1321, QAIP results should be used to confirm that the internal audit activity complies with the PSIAS Code of Ethics and Standards.
  - 1.5. In accordance with Standard 1322, should there be non conformance with the Code of Ethics or the Standards which impacts on the overall scope or operation of the internal audit activity, the non conformance, and its impact should be disclosed by the Head of Internal Audit to senior management (CLT) and the Board (Audit and Governance Committee).
  - 1.6. The Head of Internal Audit has ultimate responsibility for the QAIP, and ensuring it covers all elements of Internal Audit activity. All staff have an individual responsibility for maintaining quality and ensuring that their audit activity demonstrably complies with the Standards.

## **2. Internal Assessments**

- 2.1. In accordance with PSIAS Standard 1300, internal assessments are undertaken through ongoing and period reviews.
- 2.2. Continual assessments are conducted through:
  - Management supervision of all audits;
    - Agreement on objectives, scope and timing of all audit engagements
    - Use of standard working papers within the Audit Management System
    - Completion of internal quality assurance checklists to ensure consistency, capture relevant performance data and reduce administrative errors.
    - Review and approval of working papers and draft reports prior to issue through supervision
    - Review and approval of all final reports, including audit opinion and recommendations by Head of Internal Audit or Internal Audit Manager
  - Definition of the purpose, authority and responsibility of Internal Audit in the Charter, subject to regular review;

- Audit policies and procedures, including work procedures within the Audit Management System, used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
- Maintenance of a detailed Audit Manual to provide guidance on all aspects of audit activity;
- Feedback from audit clients obtained through completion of Client Satisfaction Questionnaires at the end of each engagement (APPENDIX A);
- Regular monitoring of Internal Audit performance targets (APPENDIX B);
  - Quarterly reporting to Corporate Leadership Team
  - Regular reporting to Audit and Governance Committee
- Regular 121 sessions between all audit staff and their line managers. Covering progress on individual audit engagements;
- Use of the Council's Performance Development framework, complemented with the use of CIPFA's "The Excellent Internal Auditor" competency guide, to identify areas of good practice and areas for development and improvements and
- Regular team briefings attended by all members of the Internal Audit team and chaired by the Head of Internal Audit.

2.3. 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 internal audit in meeting the needs of its various stakeholders.

2.4. Periodic assessments are conducted through:

- Regular Internal Audit update reports, presented to the Audit and Governance Committee;
- Annual risk assessment in accordance with the Internal Audit Charter, for the purposes of annual audit planning;
- Annual review of the effectiveness of Internal Audit, undertaken by the Head of Internal Audit, resulting in the identification of development and

improvement actions, included in the Head of Internal Audit's Annual Report;

- Annual review of compliance against this Quality Assurance and Improvement Programme, the results of which will be reported to the Corporate Leadership Team and the Audit and Governance Committee in the Head of Internal Audit's Annual Report;
  - Feedback from the Chief Executive, Section 151 Officer and the Chair of the Audit and Governance Committee to inform the appraisal of the Head of Internal Audit, in accordance with Standard 1100;
  - Annual appraisals conducted for all Internal Audit Staff Members, identifying individual training and development needs.
- 2.5. Improvement and development actions identified in the course of assessments will be reported to the Audit and Governance Committee. The Head of Internal Audit will implement appropriate and prompt action as necessary to ensure continual improvement in the service.
- 2.6. Significant areas of non-compliance with the Standards identified through internal assessment will be reported in the Head of Internal Audit's Annual Opinion and used to inform the Annual Governance Statement as necessary.

### **3. External Assessments**

- 3.1. External assessments will appraise and express an opinion about the Internal Audit section's conformance with the PSIAS Definition of Internal Auditing and the Code of Ethics and include recommendations for improvement as appropriate.
- 3.2. In accordance with the PSIAS, an external assessment will be conducted at least every five years. The appointment of the external assessor and the scope of the assessment will be endorsed by the Audit and Governance Committee.
- 3.3. The external assessment will consist of broad scope of coverage that includes the following elements of Internal Audit activity:
- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and internal audit's Charter, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements;

- Integration of the Internal Audit activity into Cheshire East 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 of whether Internal Audit adds value and improves Cheshire East Council's operations.
- 3.4. Results of external assessments will be provided to the Corporate Leadership Team and the Audit and Governance Committee. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified.
- 3.5. Any significant areas of non-compliance will be reported in the Annual Report of the Head of Internal Audit and in the Council's Annual Governance Statement (AGS).

## **4. Reporting on the QAIP**

- 4.1. The results of internal assessments will be reported to the Corporate Leadership Team and to the Audit and Governance Committee as part of the Head of Internal Audit's Annual report. This will include any identified actions for improvement.
- 4.2. The results of external assessments carried out will be reported to the Corporate Leadership Team and to the Audit and Governance Committee. The external assessment report will be provided, along with any actions identified for improvement.

## **5. Review of the QAIP**

- 5.1. This document will be updated as necessary following any changes to the PSIAS or to Internal Audit's operating environment, and will be reviewed at least annually.

## APPENDIX A

### Client Satisfaction Questionnaire

<b>Engagement</b>		<b>Lead Auditor</b>	
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**Please score ( ✓ ) how satisfied you are with each aspect of the audit.**

**Not at all satisfied** **Very satisfied**

←-----→

1	2	3	4	5	6	7	8	9	10
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1	Sufficient prior notice of the audit was given	1	2	3	4	5	6	7	8	9	10
2	The scope addressed the significant risks to your service										
3	The Auditor(s) demonstrated sufficient understanding of your service										
4	The Auditor(s) conducted themselves professionally										
5	The Audit caused only minimal disruption to normal operations										
6	Significant concerns were raised promptly during the audit work										
7	The draft Audit Report was produced promptly										
8	The report is clear and concise										
9	Recommendations made will help to improve controls in your service										
10	The Audit provides value in addition to controls assurance										

**Please feel free to add any comments below.**

<b>Completed by:</b>		<b>Position</b>	
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**Thank you very much for completing this customer satisfaction questionnaire.**

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**Internal Audit – Performance Targets**

DESCRIPTION	NARRATIVE	MEASURED BY	TARGET
PSIAS Compliance	Level of compliance with the Standards	Annual Self Assessment and External Self Assessment (5 Yearly)	100%
Productive Time	Measures the total productive time as a percentage of the available time during the reporting period. Productive time is categorised according to the criteria for CIPFA benchmarking.	Galileo Time Recording data	80%
Customer Satisfaction	The PI measures the user satisfaction score from client questionnaires received during a reporting period, focused on the added value to the individual service	Client Satisfaction Questionnaires (Questions 9 and 10)	92%
Prompt Reporting	This PI monitors the client's view on how promptly they have received the draft audit report following completion of fieldwork	Client Satisfaction Questionnaires (Question 7)	95%
Significant Recommendations Agreed	This PI monitors the percentage of significant recommendations raised in final reports and agreed to by management.	Final Audit Reports and Action Tracking in Galileo – Audit Management System	92%
Timely implementation of agreed actions	This PI is not a direct measure of Internal Audit's performance, but monitors the implementation of actions by management in line with the agreed target dates.	Follow up and Action Tracking in Galileo – Audit Management System	Reported as % on time % after agreed date % in progress/overdue % subsequently not implemented