



Strategy and Resources Directorate
Audit and Investment
Internal Audit

Internal Audit Quality
Assurance and
Improvement
Programme (QAIP)
Framework
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Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

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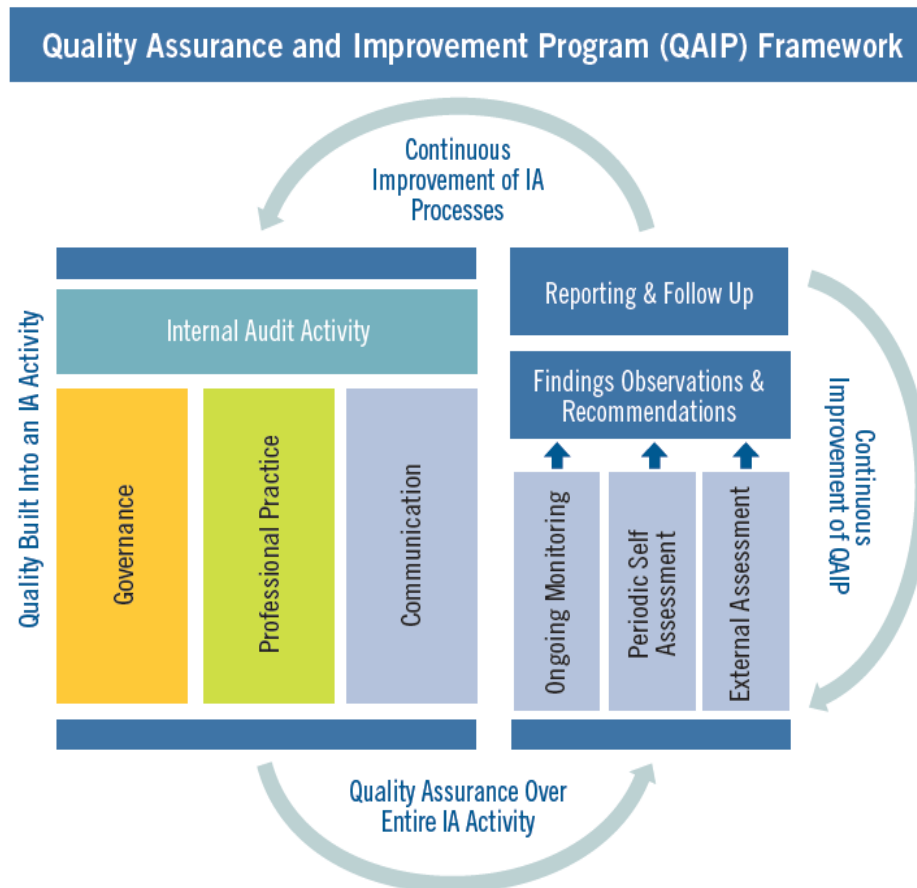
1. Introduction and Background

- 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 must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.'*
- 1.3 The QAIP is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.4 The QAIP must include both internal and external assessments.
- 1.5 **Internal assessments** must include:
- On-going monitoring of the performance of the internal audit activity. This is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. On-going monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards; and
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.
- 1.6 **External assessments** must be undertaken at least once every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation. The standards require the Head of Internal Audit¹ to discuss with the Board (within Leeds City Council the Corporate Governance and Audit Committee):
- The form of external assessments;

¹ Within Leeds City Council the role of 'Chief Audit Executive' as defined by the PSIAS is fulfilled by the Head of Internal Audit.

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- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.
- 1.7 Within Leeds City Council, the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit engagement (assignment) level as well as at a broader internal audit activity level (i.e. covering the internal audit service provision.)
- 1.8 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.
- 1.9 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of Leeds City Council Internal Audit Service that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
 - Operates in an efficient and effective manner;
 - Is adding value and continually improving its operations.
- 1.10 Internal Audit's QAIP will therefore cover all aspects of the Internal Audit activity. In this regard, a list of the features to be considered for the QAIP:
- Monitors the Internal Audit activity to ensure it operates in an effective and efficient manner (Attribute Standard 1300.)
 - Assures compliance with the Standards, Definition of Internal Auditing and Code of Ethics (Attribute Standard 1300.)
 - Helps the Internal Audit activity add value and improve organisational operations (Attribute Standard 1300.)
 - Includes both periodic and on-going internal assessments (Attribute Standard 1311.)
 - Includes an external assessment at least once every five years, the results of which are communicated to the Board (Attribute standards 1312, 1320.)



Source: IIA International Professional Practice Framework (IPPF) Practice Guide - Quality Assurance and Improvement Program

2. Internal Assessment

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

2.1 On-going quality assurance arrangements

2.1.1 Leeds City Council 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:

2.1.2 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;

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- The results of all audit testing work documented using the standard working papers;
- Documented review of file/working papers by an Audit Manager/Senior Audit Manager/Principal Audit Manager and sign-off of each stage of the audit process 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.
- Supervision of audit engagements;
- Regular 1:2:1 meetings to monitor progress with audit assignments;
- Audits with Limited/No Assurance are reviewed by the Head of Internal Audit 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. The questionnaire consists of 12 questions which require grading from 1 to 5 where 1 is poor and 5 is excellent;
- Post Audit Assessment forms completed after each audit assignment to evaluate performance against CIPFA's Excellent Internal Auditor (originally developed by LCC Internal Audit) competency framework including performance management and identify any training and development requirements as well as acknowledging any areas of excellent performance;
- Final reports and recommendations are reviewed and approved by the Principal Audit Manager or the Head of Internal Audit.

The results of the on-going quality assurance arrangements at an assignment level will be reported in the regular update reports and annual report to Corporate Governance and Audit Committee. These include the results of customer satisfaction questionnaires and the results of the bi-annual external assessment of the section's quality procedures.

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Internal Audit Activity Level

- The Internal Audit annual plan is produced using a risk based approach as documented in the Internal Audit annual plan methodology;
- The Section's quality management system has accreditation to quality standard ISO 9001:2008 with UKAS. This is reviewed by an external body (SGS) bi-annually;
- The Internal Audit technical manual provides a detailed description of the work of the internal audit service and the way in which work should be carried out. This is a point of reference for staff and guides them through the relevant standards the procedures followed within Internal Audit;
- 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. In addition as the majority of staff are professionally qualified/training, there is a personal requirement to undertake CPD on an on-going basis;
- Performance against agreed quality targets reported to Corporate Governance and Audit Committee on a regular basis.

Results of the on-going assessments at activity level will be included in the Internal Audit annual report.

2.1.3 Activity reporting to Corporate Governance and Audit Committee

On a regular basis (in accordance with the Committee's agreed work programme), Internal Audit provides the Corporate Governance and Audit Committee with an

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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 - assurance provided for the control environment and compliance with the control environment; and the organisational impact. All reports with a major organisation impact are reported to Corporate Leadership Team;
- 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;
- Customer satisfaction results from questionnaires received with any corrective action identified.

2.2 Periodic Reviews

2.2.1 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:

- Audits of the Section's Quality Management System are undertaken on a scheduled basis for performance in accordance with Internal Audit's Quality Procedures Manual (usually twice a year) by an external assessor (SGS.) SGS provide a conclusion on whether LCC Internal Audit has established and maintained its management system in line with the requirements of the standard and demonstrated that ability of the system to systematically achieve agreed requirements for products or services within the scope and the organisation's policy and objectives;
- Regular reviews to confirm compliance with Information Governance requirements;
- Regular activity and performance reporting to the Corporate Governance and 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

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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 customer survey.

Any resultant action plans will be monitored by Head of Audit on a regular basis.

Annual self-assessment reviews

- 2.2.2 On an annual basis, the Head of Internal Audit will update the Public Sector Internal Audit Standards (PSIAS) self-assessment checklist and obtain evidence to demonstrate conformance with the standards.
- 2.2.3 The results of the PSIAS self-assessment are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Financial Services Service Plan for Internal Audit and/or individual personal development action plans.
- 2.2.4 The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to the senior management and the Corporate Governance and Audit Committee as part of the annual report of the Head of Internal Audit.

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 assessment is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.
- 3.3 Results of external assessments will be reported to the Corporate Governance and 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

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further development and/or improvement will be included in the annual Improvement Action Plan for that year.

3.4 The external assessment process will consist of a broad scope of coverage that should include – as a minimum - the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and Internal Audit's Charter, procedures, plans, practices and any applicable legislative and regulatory requirements;
- Expectations of Internal Audit as expressed by senior management and operational management;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences and disciplines within the team.
- Whether Internal Audit adds value and improves the organisation's operations.

4. Reporting on Quality and Improvement Programme

Internal Assessments

4.1.1 Results of internal assessments will be reported to the Corporate Governance and Audit Committee and to senior management at least annually. The results of the QAIP and progress against any improvement plans will be included in the annual Internal Audit report.

External Assessments

4.2 Results of external assessments will be provided to senior management and the Corporate Governance and Audit Committee. The external assessment report will be accompanied by an action plan in response to recommendations made in the report.

Follow Up

4.3 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.