

Internal Audit quality assurance and improvement programme





the following programme has been developed and implemented for the internal audit team at Tewkesbury

Background

In accordance with standard 1300 of the Public Sector Internal Audit Standards (PSIAS) the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme must include both internal assessments and external assessments. For Tewkesbury Borough Council, as defined in the internal audit charter, the Head of Corporate Services undertakes the role of CAE.

To meet the above standards the following programme has been developed and implemented for the internal audit team at Tewkesbury. The programme has been developed so it is proportionate and practical for the small size of the team (2FTE).





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Annual plan

The work of the team is directed by the annual audit plan. The plan is drawn together by the CAE. For further quality assurance purposes, the plan is presented at corporate management team for endorsement before it is presented at Audit Committee for formal approval.

Once approved the plan is profiled on a quarterly basis. This is done in consultation with relevant managers. The plan is monitored regularly by both the senior auditor and CAE. On a monthly basis, the internal audit team hold a team meeting. A standing agenda item is progress in delivering the plan. Completion of the plan is one of a small basket of management indicators.

Internal audit process

During the course of the audit, individual auditors tend to work on their own initiative. If need be, the small size of the team does make it easy for auditors to discuss any issues that may arise, particularly if it requires management input either from the senior auditor or CAE.

Prior to undertaking an audit, the assignment brief and control and testing template will be approved and signed off by the CAE. All subsequent working papers will be quality assured by the senior auditor, and they will be dated and initialled as evidence of the quality check. The work of the senior auditor will be peer reviewed by the other internal auditors and on a sample basis, work will be quality assured by the CAE.

A review sheet will be completed by either the senior auditor or CAE of questions arising as a result of the quality assurance review. The auditor will respond to these and all responses will be documented on the review sheet and quality assured by either the senior auditor or CAE.

Supporting the working papers will be a draft report and if appropriate, a set of recommendations. These will be quality assured at the same time as the working papers. The CAE will see all draft reports, regardless if he has quality assured the working papers or not. The outcome of the review of the working papers can lead to an amendment of the draft report.

Following a supervisory review of all audit documentation, the draft report and recommendations will be issued to the client for approval. The client will naturally quality assure these, for example to ensure they are factually accurate. If there are any significant changes to the draft report or recommendations these will be agreed with the CAE.

Once finalised, the final report and a final review sheet will be submitted to the CAE. The purpose of the final review sheet is for the CAE to formally sign the audit off, make comment and decide if there is any further action. For example, to raise any findings with senior management or if any future audit work is required.

The time taken on individual audits is recorded on a timesheet. A management indicator is to measure the total number of audits completed within the allocated number of days.

There are allocated days within the audit plan to follow up audit recommendations to determine if they have been implemented. Clients are notified on a quarterly basis of outstanding recommendations and these are also raised by the CAE at management meetings. The progress in implementing recommendations are reported to audit committee with escalation procedures in place should the recommendation not have been implemented.



Client survey

The final report and recommendations are sent to the client together with a client survey form. The completion of the form is encouraged but is not mandatory. Completed client survey forms are returned to the CAE for review and appropriate action taken where necessary. The eight measurements within the client survey are scored and cumulative values are reported as a performance indicator to audit committee and at quarterly team meetings.

Every two years, a survey is sent to each Head of Service. This is different to the operational type client survey and is more strategic in nature. For example, to ask questions around the value of internal audit.

Chair of Audit Committee and Lead Member engagement

The quality assurance and improvement programme, together with an overview of internal audit work undertaken will form part of a quarterly discussion with relevant members.

Performance Indicators

To summarise, the effectiveness of the internal audit team in delivering the audit plan is measured by three performance indicators; details of these can be seen in Appendix I.

Knowledge and Networking

It is important the team keep abreast of local and national news that affect the work of internal audit. This ensures the team is up to date with best practice and

where appropriate can use this to improve the internal audit function. This is achieved through a number of ways;

External focus

- Continuing professional development
- Membership of the Institute of Internal Auditors
- Subscription to CIPFA TIS forum
- Participants in the Midland Internal Audit Group
- Ad hoc training courses

The team also need to be in touch with what is going on internally within the council;

Internal focus

- Membership of key corporate groups
- Representation on project teams
- CAE sits on management team
- Corporate location of the team
- Direct reporting to the Chief Executive

The location and standing of the internal audit function including its reporting remit is detailed within the internal audit charter.

Personal, Professional Development (PPD)

In line with the council's HR procedures, each member of the team participates in an annual PPD appraisal. This is supported with less formal meetings during the course of the year. The PPD creates dialogue around individual performance, training and development.

Internal assessments

This will be achieved through ongoing monitoring of the performance of the internal audit activity by the CAE. For example, through monthly team meetings, performance indicator outturn figures, 1-2-1 meetings and feedback from other management team members. A year end, high level assessment of the internal



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function will be presented to the Chief Executive. The CAE meets on a regular 1-2-1 basis with the Chief Executive.

External assessment

An external assessment of the internal audit function will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The CAE will agree the approach of the assessment and the appointment of the assessor with the Head of Finance and Asset Management and the Chair of Audit Committee. Corporate management team will be informed of the assessment process.

Reporting to Audit Committee

As part of the CAEs annual report, this will include details on compliance with the quality assurance framework and progress on implementing actions within the improvement programme.

Improvement programme

The audit team recognise it is important to continually review practices which would lead to the establishment of an improvement programme and an associated action plan to deliver the programme. The current improvement programme is attached in Appendix 2 and remains flexible so new areas of improvement can be added and timetabled.

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Internal audit key performance indicators

IA 1 – Completion of Plan

Description	Number of audits completed as a % of planned audits
Purpose/aim	To measure IA performance against the industry benchmark of 90% thereby helping to demonstrate the effectiveness of IA
Definition	<p>Number of audits completed – an audit will be defined as complete on issue of the draft report to client.</p> <p>Planned audits – this is the total number of audits that have been risk assessed and included in the Annual Audit Plan that has been approved by the Audit Committee (therefore excludes follow up audits)</p>
Formula	$X/Y \times 100$ <p>X = number of audits at draft report stage Y = total number of planned audits within the plan</p>
Measurement Period	Current financial year. For quarterly reporting purposes the PI will measure the number of audits at draft report stage as at 30/06, 30/09 etc. A cumulative measurement of this PI will be reported.
Evidence to support PI	<p>1 – all draft reports are held electronically on individual audit files and are dated</p> <p>2 – audits are identified on an internally maintained spreadsheet entitled 'Audit Plan Profile' and this spreadsheet will inform the calculation of the PI. The number of audits should agree to the total number of audits approved at Audit Committee</p>

IA 2 – Days taken to complete audit assignments

Description	% of audits completed within the allocated number of days.
Purpose/aim	% of audits completed within the allocated number of days. To give assurance as to the efficiency of work and days being allocated are reasonable.
Definition	Days taken – the number of days taken to complete the full audit ie. Includes research, scope, assignment brief through to issue of final report and final review sheet. Days taken as recorded on the time sheet will be documented on the Final Review Sheet and this will be used within the formula.
Formula	$X/Y \times 100$ <p>X = number of audits completed within the allocated number of days Y = number of audits completed</p>
Measurement Period	Current Financial Year reported on a cumulative basis.
Evidence to support PI	<p>1 – a timesheet should be completed for each audit undertaken</p> <p>2 – time taken should be recorded on the final review sheet – a reason for any significant under/over spend on the number of days should be given</p>

Internal audit key performance indicators

IA 3 – Customer satisfaction

Description	The level of customer satisfaction achieved as recorded on the client survey					
Purpose/aim	PSIAS requires that a quality assurance programme is in place.					
Definition	<p>A client survey is sent electronically at the end of each audit, usually at the same time as the final audit report. It is not mandatory that a client survey is completed so the PI measures only responses received.</p> <p>The client survey consists of 3 quality assurance areas; audit planning, audit communication, and audit feedback. There are 8 subcategories in total in relation to these assurance areas, and they are scored between Very Good (4) to Poor (1).</p> <p>The average score is then applied to each assurance subcategory and the overall cumulative average will be reported in relation to responses to finalised audits received that quarter.</p>					
Formula	A worked example is as follows :-					
	Heading	Very Good (4)	Good (3)	Fair (2)	Poor (1)	Average
	Number of client surveys returned= 10					
	Audit planning					
	1) Consultation	4 x (4)= 16	5 x (3)= 15	1 x (2)= 2	0 x (1)= 0	33/10= 3.3
	2) Response	3 x (4)= 12	4 x (3)= 12	3 x (3)= 9	0 x (1)= 0	33/10= 3.3
	Audit communication					
	1) Feedback on findings	4 x (4)= 16	5 x (3)= 15	1 x (2)= 2	0 x (1)= 0	33/10= 3.3
	2) Helpfulness	4 x (4)= 16	5 x (3)= 15	1 x (2)= 2	0 x (1)= 0	33/10= 3.3
	3) Knowledge of service	2 x (4)= 8	8 x (3)= 24	0 x (2)= 2	0 x (1)= 0	34/10= 3.4
Audit reporting						
1) Accuracy of findings	6 x (4)= 24	2 x (3)= 6	1 x (2)= 2	1 x (1)= 1	33/10= 3.3	
2) Report opinion	5 x (4)= 20	4 x (3)= 12	1 x (2)= 2	0 x (1)= 0	34/10= 3.4	
3) Value of conclusion	4 x (4)= 16	4 x (3)= 12	2 x (2)= 4	0 x (1)= 0	32/10= 3.2	
	Total:					26.5
	Overall average:					26.5/8= 3.3
Measurement Period	Current Financial Year ie responses received to finalised audits. These are reported on a cumulative basis.					
Evidence to support PI	1) all client surveys are held in each audit file 2) A spreadsheet supporting the calculation of the PI reported to each audit committee will be retained within the audit committee folder					

Internal audit improvement programme summary

	Quality Assurance Statement reference	Improvement action identified	Date
1.	Personal, Professional Development	To support one of the team to achieve a recognised internal audit qualification.	Commence training May 2018 Complete training 2020
2.	Knowledge and Networking Personal, Professional Development	To look at the feasibility of a new income stream through the implementation of a training programme for other internal auditors.	June 2018
3.	Annual Plan Chair of audit committee and lead member engagement	In line with the Annual Governance Statement, support a review of the effectiveness of the Audit Committee.	March 2018
4.	Knowledge and Networking Personal, Professional Development Annual Plan	Look to identify opportunities with other teams so to increase resilience within the team through arrangements such as a secondment or one off development opportunity.	March 2018
5.	Internal audit process	Review of documentation and audit process including a review of audit opinions and recommendation categorisation.	March 2018
6.	Client Survey Internal Audit Process	Increasing awareness with managers on the recommendations process including the setting of feasible implementation dates and the escalation process for recommendations not implemented.	September 2017
7.	Annual Plan Internal Audit Process	Production of audit committee annual report	March 2018