

# internal audit

Tewkesbury Borough

# Quality Assurance and Improvement





---

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).





## Bi-annual plan

The work of the team is directed by a bi-annual audit plan. The plan is presented at corporate management team for endorsement before they are presented at Audit & Governance Committee for formal approval.

Once approved the plan is profiled in consultation with relevant managers. The plan is monitored regularly by both the senior auditor and the CAE. On a monthly basis, the internal audit team hold a team meeting to monitor progress in delivering the audit plan.

Within the plan is an allocation of days headed as "corporate improvement". These are used by Corporate Management Team to use Internal audit for improvement type work, for example where current resource may not exist.

Prior to undertaking an audit, the assignment brief 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.

A review sheet will be completed by the peer reviewer 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 signed off.

Supporting the working papers will be a draft report including any recommendations. These will be quality assured at the same time as the working papers. The CAE will see all draft reports. 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 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 will be submitted to the CAE to formally sign the audit off by making comments and deciding 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 daily work log. 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 & Governance Committee with escalation procedures in place should the recommendation not have been implemented.

---

the CAE will see  
all draft reports,  
regardless if he  
has quality  
assured the  
working papers  
or not

---

## 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.



## Client survey

The draft audit 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 senior auditor for review and appropriate action taken where necessary including informing the CAE. The eight measurements within the client survey are scored and cumulative values are reported as a performance indicator to audit & governance committee and at quarterly team meetings.



## Chair of Audit & Governance Committee and Lead Member engagement

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

## Performance

### Indicators

The team has three performance indicators, which is deemed proportionate to the size of the Internal Audit activity; details of these can be seen in Appendix 1.

## 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. 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 & Governance Committee. Corporate management team will be informed of the assessment process.

## Reporting to Audit & Governance 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.

---

### The audit team

recognise it is important to continually review practices which would lead to the establishment of an 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.



## Internal audit key performance indicators

### IA 1 % Number of Recommendations implemented in the year

Description	% Number of Recommendations implemented in the year
Purpose/aim	To measure IA effectiveness in setting realistic performance targets in respect of the recommendations made and to measures services' effectiveness in the implementation of recommendations.
Definition	Follow ups are undertaken on a quarterly basis on recommendations that met their target date in the previous quarter. On the evidence supplied, a determination is made by the auditor and agreed with the client as to the status of the recommendation i.e is it implemented, partially implemented or not implemented. This PI will measure the number of recommendations implemented by the initial quarterly target date.
Formula	$X \times Y / 100$ <p>X = number of recommendations implemented by the quarterly follow up target date. Y = total number of recommendations reviewed by the quarterly follow up target date.</p>
Measurement Period	Current financial year. Each quarter the PI will be calculated and reported as a cumulative measurement at the end of the year.
Evidence to support PI	1 – recommendations, implementation dates, and quarterly target dates for follow ups are recorded on the outstanding recommendations sheet.

### IA 2 % of audits completed to draft stage within the allocated number of days

Description	% of audits completed to draft stage within the allocated number of days.
Purpose/aim	% of audits completed to draft stage 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 issue the audit as a draft report ie. Includes research, scope, assignment brief through to issue of draft report. Days taken as recorded on the audit work log will be used within the formula.
Formula	$X \times Y / 100$ <p>X = number of audits to be issued as a draft report within the allocated number of days Y = number of audits</p>
Measurement Period	Current Financial Year reported on a cumulative basis.
Evidence to support PI	<p>1 – for X— The hours for each audit undertaken are daily recorded on the work log. The audit plan notes the day the audit was issued at draft. The hours will be calculated to the date that the report was issued at draft and the total hours will be recorded in days on the audit plain.</p> <p>2— for Y— This is actual days allocated for audit and is recorded on audit plan.</p>

**Internal audit key performance indicators - continued****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 for each audit is issued to the client when the draft audit report is sent. It is not mandatory that a client survey is completed so the PI only measures 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 good (4) and unsatisfactory (1). The average score is then applied to each assurance subcategory and the overall cumulative average.</p>					
Formula	A worked example is as follows based on 10 client surveys being returned :-					
	<b>Heading</b>	<b>Good (4)</b>	<b>Satisfactory (3)</b>	<b>Limited (2)</b>	<b>Unsatisfactory (1)</b>	<b>Average</b>
	<b>Audit planning</b>					
	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
	<b>Audit communication</b>					
	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
	<b>Audit reporting</b>					
	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) = 2	0 x (1) = 0	32/10 = 3.2
					<b>Total:</b>	26.5
					<b>Overall Average</b>	26.5/8 = 3.3
Measurement Period	Current financial year on responses received. A cumulative measurement of this PI will be reported.					
Evidence to support PI	<p>1 – client surveys are retained electronically on individual audit files and are dated.</p> <p>2 – the client values are entered into the audit plan spreadsheet, under IA3.</p>					

## Internal audit improvement programme summary

	PSIAS Ref	Improvement action identified	Implementation Date
1	Proficiency and due professional care	The establishment of an audit manual to support internal processes. The manual will be reviewed on a 3 yearly basis *	December 2019
2	Continuing Professional Development	To support one of the team to achieve a recognised internal audit qualification	September 2019
3	Continuing Professional Development	To look at the feasibility of a new income stream through the implementation of a training programme for other internal auditors	March 2020
4	Managing the internal audit activity	Training to be provided to support new members of the Audit & Governance Committee in achieving their terms of reference	January 2020
5	Managing the internal audit activity	Carry out a management survey to ensure Internal Audit is maximising its value	March 2020
6	Planning	Undertake an audit of the risk management framework. *	March 2020
7	Planning	An assurance mapping exercise should be carried out, to ensure all areas of the council's control environment are adequately covered.	March 2020
8	Resource Management	Undertake an ICT risk assessment and following this use of specialist IT auditors for more in-depth work. *	September 2019
9	Quality of Communications	A review of audit documentation and processes including intranet and website pages.	March 2020