

Internal Audit Quality Assurance and Improvement Programme



2021–2024



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Interpretation

A Quality Assurance and Improvement Programme (QAIP) enables an evaluation of the internal audit activity's conformance with the Internal Professional Practices Framework (IPPF), Definition of Internal Auditing and Standard 1300 (Quality Assurance and Improvement Programme) within the Public Sector Internal Audit Standards (PSIAS) 2017 and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity with the primary objective of the QAIP to promote continuous improvement to enable Internal Audit to meet its mission namely, to

“Deliver a forward thinking to enhance and protect organisational value by providing risk based, independent and objective assurance, consulting activity, advice and insight.”

Benefits of a QAIP

Internal Audit's QAIP is designed to provide reasonable assurance to its stakeholders that the service:

- ✓ Conforms with the mandatory guidance of the Public Sector Internal Audit Standards (PSIAS);
- ✓ Performs its work in accordance with its Charter (which is consistent with the PSIAS);
- ✓ Is perceived by stakeholders as adding value and continually improving its operations;
- ✓ Has the ability to increase the credibility of internal audit within the organisation;
- ✓ Anticipates, meets and exceeds stakeholder expectations by offering valuable advice and insight;
- ✓ Operates in an effective and efficient manner; and
- ✓ Adds value and identifies areas for continual improvement to the services provided.

PSIAS Standard 1300

A QAIP covers the entire spectrum of assurance, consulting and fraud / irregularity work performed by the internal audit activity in accordance with the Standard 1300 (Quality Assurance and Improvement Programme), including. To implement the Standard the Chief Internal Auditor (CIA) must consider the requirements related to its four essential components:

1. Undertaking both periodic and on-going internal assessments (Standard 1311);
2. Commissioning an external assessment and communicating the results to the Corporate Committee (1312 & 1320);
3. Proper use of a conformance statement (Standard 1320 & 1321); and
4. Disclosure of non-conformance (Standard 1322).

Internal Assessments

Internal assessments are undertaken through both on-going day to day supervision of Mazars and periodic reviews of the audit work.

On-going Reviews

Continual assessments of quality are undertaken via:

- ✓ Management supervision of all audit activity and structured documented review of Terms of Reference, working papers, draft and final reports;
- ✓ Audit quality procedures for each audit engagement to ensure consistency, quality and compliance with planning, fieldwork and reporting standards;
- ✓ Feedback from audit clients obtained through surveys at the closure of each engagement;
- ✓ Post audit evaluations undertaken at the end of each audit activity to identify trends and any learning and development needs;
- ✓ Monitoring of internal performance targets and quarterly reporting to Senior Management and Corporate Committee;
- ✓ High priority recommendation monitoring process in place to ensure implemented; and

Internal Audit Quality Assurance and Improvement Programme (QAIP) Framework

- ✓ Follow up audits undertaken where a limited assurance opinion on the control environment provided.

Periodic Reviews

Periodic assessments are conducted via:

- ✓ Annual Risk Based Internal Audit Plan developed. This is dynamic and changes in year due to risk, consultancy, irregularity and assurance needs;
- ✓ Quarterly Progress Reports presented to the Corporate Committee which includes progress against the annual plan, reports issued during the period including details of the risk and control opinions and summaries of key issues and outcomes from the work undertaken in the period, including fraud and irregularity work;
- ✓ Annual self-assessment of conformance with the PSIAS and annual review of compliance against the requirements of the QAIP, the results of which are reported to Senior Management and the Corporate Committee;
- ✓ Feedback from Director of Finance and Chair of the Corporate Committee on the CIA's performance; and
- ✓ Annual Satisfaction Surveys to key stakeholders.

External Assessment

In addition to internal assessments, the CIA is responsible for ensuring that the internal audit activity conducts an external assessment at least once every five years.

The purposes of the assessment, which must be performed by an independent assessor or assessment team from outside the organisation, is to validate whether the internal audit activity conforms with the Standards and whether internal auditors apply the Code of Ethics.

A self assessment may be performed in lieu of a full external assessment, provided it is validated by a qualified, independent, competent and professional assessor. The latest assessment was completed in July 2022 and the recommendations captured in this document.

Responsibility / Communication of QAIP Results

The CIA is committed to continuous improvement and is responsible for implementing the QAIP and will ensure that the results of this programme are communicated to the Corporate Board and the Corporate Committee (as defined within the Charters). However, everyone within Internal Audit have responsibility for maintaining quality, therefore all activities outlined in this QAIP involve all relevant staff and Mazars. The communication of QAIP results will include:

- ✓ The outcomes in respect of both internal and external assessments;
- ✓ The internal audit service will only communicate that the internal audit activity conforms with International Standards for the Professional Practice of Internal Auditing, if results of both the QAIP's internal and external assessments support such a statement; and
- ✓ Any non-conformance with the IPPF's mandatory elements of the standards, their impacts and improvement plans.

Appendix 1: Internal Audit service QAIP and performance monitoring arrangements.

To provide maximum assurance to inform the annual audit opinion	
Measure of assessment	Reporting
<p>Risk Based Internal Audit Plan and Delivery</p> <p>To undertake a risk based annual plan formulation exercise by risk assessment meetings with appropriate directors and / or their management teams based on their need for assurance or key risks.</p> <p>Deliver an effective and appropriately resourced Internal Audit function in line with the Accounts and Audit Regulations and provide an annual Audit opinion.</p>	<p>Annually to Senior Management and the Corporate Committee. Changes reported as they arise during the year.</p> <p>Provision of an internal audit service in compliance with the PSIAS including reporting audit opinion on the internal audit, risk management and governance as set out in the Corporate Committee's terms of reference.</p>
<p>Planned Audit Activities Completed</p> <p>Hold regular contract monitoring meetings with Mazars to monitor the delivery of the annual internal audit plan.</p>	<p>Report from Mazars setting out the status of audits to the Statutory Functions Board and the Corporate Committee on a regular basis.</p>

To provide maximum assurance to inform the annual audit opinion	
Measure of assessment	Reporting
<p>Counter Fraud and Investigation Activity</p> <p>Deliver a comprehensive Counter Fraud and Investigations Service.</p>	<p>Outcomes form part of Quarterly and Annual Internal Audit report which is presented to Senior Management and the Corporate Committee.</p>
<p>Priority Recommendations</p> <p>Where a priority 1 or 2 recommendation is raised, the recommendations are followed up and reported to the Statutory Functions Board and the Corporate Committee.</p>	<p>Annual report to Senior Management and the Board.</p> <p>Quarterly progress reports to the Board.</p>

To ensure that the service is customer focused, adds value and continually improves	
Measure of assessment	Reporting
<p>Post Audit Customer Satisfaction Survey Feedback</p> <p>Seek management assessment of the audit process by issuing post audit customer satisfaction survey feedback form which are to be sent directly to the Head of Audit.</p>	<p>Annual report to Statutory Functions Board and the Corporate Committee. Few returns are made each year, and further steps to seek feedback.</p>
<p>Acceptance of Recommendations</p> <p>Percentage of high / medium recommendations accepted which evidences added value in risk mitigation.</p>	<p>Analysis of recommendations raised by priority including a review of recommendations not accepted where relevant. Annual report to Statutory Functions Board and the Corporate Committee.</p>
<p>Audit Reports</p> <p>Audit report 'corporate' circulation list implemented to enable risks / issues / recommendations to feed back into business as usual i.e. via Finance, Performance and Change to enable the management of risk by management.</p>	<p>Corporate circulation list agreed and implemented.</p>
<p>Internal Audit's Strategic Plan</p> <p>Maintain a record of all audits carried out over the last five years and share with Directors as record of audits completed.</p>	<p>Share as part of the annual audit plan and as and when required.</p>

To ensure the service embeds and reflects organisational values	
Measure of assessment	Reporting
<p>Staff Behaviours and Values - Accountability, Integrity, Empowerment, Respect and Excellence</p> <p>All Audit and Risk Management officers (including Mazars) to consider and apply organisational values to their dailyworking behaviours and approach e.g. to:</p> <ul style="list-style-type: none"> ✓ Caring ✓ Collaborative ✓ Community-focused ✓ Courageous ✓ Creative 	<p>Monitored at 121s and Performance Development Plans.</p>

Appendix 2: Internal Audit Service Improvement Plan

Improvement Plan 2019/2020 onwards

	Opportunities for Improvement / Actions	Responsible Officer(s)	Timescale
1.	<p>Personal Development – Fraud Officer</p> <p>To undertake external training to enhance the work of the team, based on the outcome of consultations with the team.</p>	CIA	With effect from 1 st April 2019 On-going
2.	<p>Annual presentation of the Internal Audit Charter and Strategy to Corporate Committee</p> <p>To continue to promote the role, purpose, status and authority of Internal Audit within the organisation and explain how Internal Audit supports effective corporate governance.</p>	CIA	With effect from 1st April 2019 Completed
3.	<p>Succession Planning</p> <p>To review the structure of the team and appoint a deputy HOA enable more effective succession planning and support ongoing resilience and sustainability whilst allowing the team to engage in consultancy audits.</p>	CIA	1st December 2019 Completed

	Opportunities for Improvement / Actions	Responsible Officer(s)	Timescale
4.	<p>Audit Process - Clarity</p> <p>The audits take a lot longer to complete as the auditors and management are not clear about the process and how the audit is to be carried out.</p> <p>Develop a clear and unambiguous statement of the audit process that is circulated to management at the start of the audit.</p>	CIA	1 April 2020 Completed
5.	<p>Audit Process – Clarity</p> <p>To review and refine the audit terms of reference so that it becomes more risk focused and to review and refresh the assignment report so that it clearly provides the audit opinion and the reasons for the opinion in a systematic manner.</p>	CIA	1 April 2020 Completed
6.	<p>Follow Up – Repeat Recommendations</p> <p>It was noted several recommendations were not implemented in a timely manner, consequently, the follow up regime needs to be strengthened by tracking the implementation of recommendations.</p>	CIA	30 Sept 2022 On-going
7.	<p>PSIAS – External Assessment</p> <p>The external assessment for compliance with the Public Sector Internal Audit Standards is overdue. Report this to the Corporate Committee and arrange for the assessment to be completed promptly.</p>	CIA	31 March 2022 Completed
8.	<p>Team Structure / Vacancy</p> <p>There is a vacancy in the fraud team that creates an opportunity to review the current structure and consider appointment of apprentices / change of role.</p>	CIA	31 Mar 2024 To progress

	Opportunities for Improvement / Actions	Responsible Officer(s)	Timescale
9.	<p>In-Case Anti-Fraud System</p> <p>The new system has been implemented and replaces the Civica system which had numerous short comings. The new system needs to be bedded in to maximise its benefits.</p> <p>In addition, consider the use of IDIS to offer data matching and proactive fraud system benefit.</p>	CIA	31 March 2023 Completed
10.	<p>Delivery of Audit Plan</p> <p>Covid has disrupted the timely deliver of the audit plan. Discuss arrangements for the delivery of the audit plan with Mazars by considering a change in the profiling of audit work.</p>	CIA	31 March 2023 On-going
11.	<p>Include a statement of impairments to independence in the annual report (Advisory)</p> <p>Include a statement in the annual report to confirm that there have not been any impairments to the independence and objectivity of the Service. Alternatively, if there have been any impairments, the annual report should set these out together with the action that was taken.</p>	CIA	31 July 2022 Completed
12.	<p>Consider the options available should the London Borough of Croydon or Mazars LLP opt to terminate the APEX framework contract in 2024</p> <p>Explore the options available to the Council should the scenario arise in 2024 and to draw up an appropriate contingency plan.</p>	CIA	31 Dec 2022 Completed

	Opportunities for Improvement / Actions	Responsible Officer(s)	Timescale
13.	<p>Include an indicative distribution list for the final audit report in the audit terms of reference (Advisory)</p> <p>Include an indicative distribution list for the final audit report in the audit terms of reference.</p>	CIA	31 May 2022 Completed
14.	<p>Include an indicative distribution list for the final audit report in the audit terms of reference (Advisory)</p> <p>Include a distribution list in the final audit report.</p>	CIA	31 May 2022 Completed
15.	<p>Develop an assurance map for the Council and highlight assurances provided from internal audit.</p> <p>Develop a formal assurance map that highlights areas of risk and the sources of assurance.</p>	CIA	31 March 2024 On-going
16.	<p>Seek feedback from auditees</p> <p>Though a feedback form is sent out with the final report, the numbers returned every year is very small. Encourage more submissions / participation.</p>	CIA	31 March 2024 On-going

	Opportunities for Improvement / Actions	Responsible Officer(s)	Timescale
17	<p>Retender Anti-Fraud System</p> <p>The contract for the current system will expire in May 2025. The service will have to retender for implementation by May 2025.</p>	Deputy CIA	30 April 2025
18	<p>Responding to Draft Reports and Implementation of Recommendations</p> <p>Over the last year, there have been some delays in responding to internal audit reports and the review of recommendations raised and the implementation of recommendations has not been in line with the protocols. The current arrangements will be reviewed.</p>	CIA	31 Dec 2024.

Appendix 3: Internal Audit QAIP framework.

