

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

INTERNAL AUDIT PROGRESS REPORT

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Internal Audit Service delivers an annual programme of audit work designed to raise standards of governance, risk management and internal control across the council.
- 1.2 This work culminates in the Internal Audit's Annual Report that is used to inform the Annual Governance Statement. This report summarises key issues arising from work undertaken in the 2016/17 audit plan year.

2. BACKGROUND INFORMATION

2016/17 Audit Plan Progress

- 2.1 An effective Internal Audit service contributes to the achievement of strategic objectives by assessing, providing comment and where relevant recommending improvement to, the council's assurance and control frameworks. The Internal Audit Plan 2016/17 was approved by the Audit Committee on 12 April 2016; completion of the Plan is monitored and reported regularly to this Committee. The latest position is provided in appendix A.
- 2.2 To date, one audit has been deferred to next year at the request of the service manager. The scope of several audits has been reassessed and the allocations reduced. There have been some deferrals within the year for operational reasons in service areas; it is probable that these audits will roll over into next year. Long term sickness absence continues to be an issue. Priorities will be assessed in early January and revisions made to the plan to ensure that key areas are covered.
- 2.3 It is anticipated that there will be adequate plan coverage overall to ensure there will be a sufficient level of completed planned work to provide an opinion on the adequacy of the control environment, although due to the issues referred to in paragraph 2.2, a higher proportion of work than originally anticipated will be reported in April 2017.

Significant Audit Findings

- 2.4 There are no fundamental control weaknesses to bring to the Committee's attention. Appendix B shows 2016/17 completed audits where an audit opinion on the control environment was provided. An audit opinion of limited assurance was given in respect of four planned audits and improvements to controls have been agreed with service managers; progress will be assessed in the future. An investigation highlighted control weaknesses in a discrete area and an audit opinion of limited assurance was given.
- 2.5 The Internal Audit service continues to engage in the council's commercial policy. Since the last Committee, our quotations for services have been accepted in respect of an independent assurance service for an academy and assurance for a Homes and Communities Agency grant at a local authority. This work required minimal resources and has been completed.

Advisory and support work

- 2.6 Other areas of work and support which Internal Audit have committed time to during the period, in addition to the delivery of the audit plan, include:
- involvement in the group developing an assurance framework in relation to safeguarding;
 - provided training to Members on governance, internal control and risk management;
 - provided support and advice in relation to the council's approach to the External Auditor appointment to commence as from April 2018;
 - provided information and advice in relation to the value of "escrow" agreements;
 - representation on the Policy & resources Leadership Team-IT and Security Incident Group and provided advice on data breaches;
 - representation on the Change Agent Group; and
 - requests for advice from services relating to the control environment in their specific area e.g. schools.

Audit Standards and Quality Assurance and Improvement Programme Update

- 2.7 Under the Public Sector Internal Audit Standards (PSIAS) the Head of Audit and Assurance is expected to keep the Audit Committee informed on the processes in place to maintain compliance with them and also to report on the supporting Quality Assurance and Improvement Programme (QAIP). As part of the development of the shared service the various processes and procedures operated by the two councils have been reviewed and consolidated.

As previously reported, both councils' audit teams were self- assessed as complying with the standards in all material respects and hence this exercise was reasonably straightforward. To reflect the new shared arrangements we have updated:

- the Audit Charter (Appendix C); and
- the Quality Assurance and Improvement Programme (Appendix D).

The outcome of the assessment against the QAIP will be reported in the Annual Head of Audit Annual Report and Opinion.

2.8 During 2016 the international standards had two additional amendments, both which have been incorporated into the audit charter.

- a definition of the mission of internal audit- "To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight"; and
- the identification of 11 core principles of internal audit.

It is expected that effective audit teams, which add value can demonstrate compliance with each of the principles:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

We have carried out an initial self- assessment against the principles and found that we can demonstrate adherence to them, and will use them as a basis of continually examining ways to increase the effectiveness and value of internal audit.

2.9 From 1 January 2017 the standards will be subject to revision. The key changes will be:

- Two new standards, pertaining to:
 - The reality that CAEs (Chief Audit Executives) are sometimes asked to take on risk management, compliance, or other roles beyond internal auditing.
 - The potential objectivity-impairing situation in which an internal audit activity performs an assurance engagement after previously consulting in the area.

- Alignment of the Standards to the Core Principles, primarily focusing on the following two Core Principles, “Aligns with the strategies, objectives and risks of the organisation” and “Is insightful, proactive, and future-focused.”
- Updates to existing Standards in relation to communications - summarising in one standard the required communications from the Head of Audit and Assurance to the Audit Committee and senior management.
- An enhanced annual requirement for the Head of Audit and Assurance to report on their quality assurance and improvement program and current level of conformance.

Where applicable these revised standards have been incorporated into the Audit Charter.

External Auditor Appointment

2.10 The options available to the council for the appointment of an External Auditor were presented to Members at the meeting of the Council on 15 December 2016. The options were:

- the council leads the appointment process either independently or in collaboration with others; or
- appointment via the approved sector-led body acting as “appointing person”. Public Sector Audit Appointments Ltd has been appointed to this role.

The Council authorised the Director of Policy and Resources to sign up to the scheme by which the appointment is made on the council’s behalf by Public Sector Audit Appointments Ltd.

Risk Management

2.11 As part of the Audit & Assurance Shared Service with North East Lincolnshire the approach to risk management across the two councils is being developed. This includes:

- looking to have a common risk scoring methodology;
- the development of shared risk management software across both councils, due for implementation in April 2017; and
- the development of common risk registers where services are shared.

Other planned activities in January to March 2017 in relation to risk include:

- a review of the approach to defining the council’s risk appetite; and
- a review of Strategic Risks.

Fraud

2.12 In the past 3 months a significant amount of resource has been put into the rolling single adult residency discount review that is now fully under way. This started in North Lincolnshire in November 2016;

- 3662 Council Tax accounts receiving a discount were reviewed by comparing the council records to credit reference data. Of these;
- 774 accounts were identified where a link to other adults at the address was identified. These were sent a letter and required to complete a review form. 300 reminder letters were issued to those who had not responded;
- In total 652 people responded to the review, 146 reporting potential changes to their circumstances that may affect their single residency discount amounting to an additional £11,888.08 of Council Tax being billed and £3,370.59 of Council Tax due for previous years being identified for collection so far;
- The remaining 122 individuals who have not responded to the review will have their single residency discounts removed with a value amounting to approximately £32,000.

The next review will commence in January 2017.

2.13 In January we will conduct the first school admissions checks. We have been notified that there are three oversubscribed schools and so we will check 1069 applications against Council tax records to assess the validity of the applications using data matching software.

2.14 There have been 11 internal fraud referrals made to date, covering a range of allegations from abuse of council internet, timesheet fraud and theft. Of these nine are ongoing. Of the two cases completed, no wrongdoing was found in one case and in the other the individual resigned.

3. OPTIONS FOR CONSIDERATION

3.1 The Committee is asked to consider whether or not the report provides sufficient assurance on the adequacy of internal control arrangements. The Committee is invited to consider the report and seek clarification on its contents as necessary.

4. ANALYSIS OF OPTIONS

4.1 The progress report provides the Committee with an update on key internal control issues. It complies with professional guidance and is designed to provide the Committee with the assurance required to fulfil its role effectively.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 There are no additional resources implications however regular reviews of internal control help safeguard the council's assets and help ensure that value for money is achieved in the use of resources.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 An Integrated Impact Assessment is not required.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1 Consultation takes place with Directors and key staff at all stages of audit work and comments made are incorporated wherever possible.

7.2 There are no conflicts of interests to declare.

8. RECOMMENDATION

8.1 That the Audit Committee consider the level of assurance provided by this report on the adequacy of internal control arrangements.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report: None

Internal Audit Plan 2016/17

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
Fundamental Financial systems						
185 days	2015/16 Fundamentals	11				
	2016/17 Fundamentals:					
	• Payroll				•	
	• Creditors			•		
	• Debtors			•		
	• Cash Receipting				•	
	• Main Accounting Ledger				•	
	• Council Tax Reduction Scheme and Housing Benefit			•		
	• Council Tax/NNDR			•		
	• Treasury Management			•		
	• Fixed Asset Register			•		
	• CareFirst (Adult Social Care payments feeder system)				•	
	• Housing Benefit Subsidy claim	•				
	• Pensions assurance	•				
Corporate Governance						
35 days	2015/16 Corporate Governance evaluation	•				
	2016/17 Corporate Governance evaluation				•	

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	Shared service evaluation			•		
Risk Management						
10 days	Annual review of risk management arrangements				•	
IT Audit						
65 days	Email Controls (2015/16)	•				
	IT Governance				•	
	IT Project Management				•	
	Security of Mobile Devices			•		
	Public Sector Network				•	
	Remote Access			•		
	Inventory			•		
Commissioning / Contract Audit						
40 days	Contract monitoring – use of self-assessment	•				
	Compliance with corporate contracts			•		
	Compliance with CPRs – use of extensions and exceptions			•		
	Commissioning – Kaleidoscope	•				
Fraud Prevention and Detection						
98 days	National Fraud Initiative (Data Matching)			•		
	Fraud Preventative Measures			•		
	Income audits/ misuse of public funds:					

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	<ul style="list-style-type: none"> Preloaded cards 					<ul style="list-style-type: none"> (service has not yet been rolled out as planned therefore deferred until implementation complete)
	<ul style="list-style-type: none"> Deferred payments 			•		
	<ul style="list-style-type: none"> Brigg Tourist Information Centre (changed from Waters Edge Visitor Centre) 	•				
	<ul style="list-style-type: none"> Car Parking 	•				
	<ul style="list-style-type: none"> Trading Standards fees and charges 	•				
	<ul style="list-style-type: none"> Contracts – counter fraud and corruption 			•		
	Data analytics (Humber Authorities)				•	
Council Wide Systems						
58 days	Grant claims			•		
	Public Health – Contract monitoring				•	
	Public Health – NHS self-assessment				•	
	New legislation				•	
	Health & safety				•	
Other Strategic risks						
276 days	External funding – SSE (2015/16)	•				

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	Better Care Fund				•	
	Carer support	•				
	Services for older people					• (deferred to 2017/18 at client request)
	Assessment, planning & review				•	
	Special guardianships			•		
	Children leaving care				•	
	Protocol for children missing from home/care				•	
	Troubled Families Initiative	•				
	Special schools funding				•	
	NEETs Elective Home Education NEETS – processes	•			•	
	Education – partnership governance				•	
	Financial assessment process				•	
	Emergency planning	•				
	Environmental Health – Food safety	•				
	External Funding – Heritage Lottery Isle of Axholme				•	
	External Funding – Tata Challenge growth fund				•	
	Strategic assessment			•		
	Humber LEP	•				
	Greater Lincolnshire LEP			•		

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	Economic development			•		
	Compliance with HR Policies:					
	• pay policy	•				
	• training and development				•	
	• disciplinary policy		•			
	Information Governance – records management	•				
	Performance management			•		
Key operational Risks						
237 days	Commercialism (2015/16)			•		
	Short breaks (2015/16)	•				
	Specialist learning (2015/16)	•				
	Councillors allowances (2015/16)	•				
	Extra care housing			•		
	School visits	2		1	2	
	Schools assurance work:					
	• Financial compliance				•	
	• eSafety			•		
	• Information Governance			•		
	Council-run nurseries	•				
	Home improvements – non-DFGs			•		
	Licensing – taxis	•				
	Adult Community Learning	•				
	Grant certification – Highways and Bus Service Operators funding	•				

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	Transport – Call Connect			•		
	Highways and Neighbourhood budgetary control				•	
	Self-service portal	•				
	Schools catering			•		
	Community meals	•				
	Fleet management	•				
	Customer Services management system	•				
	Democratic Services			•		
	Search fees				•	
	*Budgetary Control			•		
Consultancy and Advice						
194 days	Advice and unplanned work as requested including commercial work:					
	Services to schools/academies e.g. school fund audits, responsible officer role.	6		2		
	Other commercial work	1				
	*5 internal investigations	5				
	*Contaminated land – Conesby Quarry	•				
	*Imprest – Church Square House	•				
	*Imprest – Central Administration	•				
	*Imprest – Kingfisher Lodge	•				

Audit Area/planned days	Audit Areas (*unplanned)	Complete	Draft report	Work in Progress	Not started	Deferred
	*Imprest – Hewson House	•				
	*Imprest – Adult Community Learning	•				
	*Taxi licence complaint	•				
	*Community meals – additional work		•			
	*Escrow agreements	•				
Other work						
Other 119 days	Follow up work. Audit plan and performance monitoring and reporting					
	Commercial properties (15/16)	•				
	Contaminated land				•	
	Continuing healthcare		•			
	Housing related support			•		
	*Social media		•			
	*Duty of care			•		
	*Construction framework – Highways	•				
	*Strategic regeneration imprest	•				
	*TLMS debtors				•	
TOTAL 1317						

Internal Audit Plan 2016/17 – Completed Audits

Planned Audits:

Service	Audit	Opinion
Places – Technical & Environmental	Licensing - Taxis	Satisfactory
People – Commissioning & Localities	Council run nurseries	Satisfactory
Policy & Resources - HR	Customer Management	Limited
Policy & Resources - Finance	Payroll	Satisfactory
People – Adult Services	Carer support	Substantial
Places – Technical & Environmental	Food safety	Satisfactory
Policy & Resources - HR	Pay policy	Limited
Places – Community Services	Self-service portal - Places	Satisfactory
Places – Planning & Regeneration	Brigg TIC	Satisfactory
Policy & Resources – Business Support	Information Governance - Records Management	Satisfactory
People - Education	Winterton Junior	Satisfactory
Council-wide	Contract Monitoring Self-Assessment	Limited
People - Education	Messingham Primary	Satisfactory
Places – Technical & Environmental	Emergency Planning	Satisfactory
People – Commissioning & Localities	Commissioning - Kaleidoscope	Limited

Other

Service	Audit	Opinion
Places	Working time investigation	Limited
People	Imprest - Hewson House	Substantial
People	Imprest – Church Square House	Substantial
Places - Planning & Regeneration	Imprest – Adult Community Learning	Substantial
Places - Planning & Regeneration	Imprest - Strategic Regeneration – follow up	Satisfactory
Places - Planning & Regeneration	Imprest - Central Admin	Satisfactory
People – Children’s	Imprest – Kingfisher Lodge	Satisfactory
Places - Planning & Regeneration	Construction framework Highways - follow up	Satisfactory



INTERNAL AUDIT CHARTER- NORTH LINCOLNSHIRE COUNCIL

1. Introduction

1.1 This document sets out the purpose, authority and responsibility of Internal Audit in accordance with the Public Sector Internal Audit Standards (PSIAS).

2. Definitions

2.1 Internal Audit is provided at North Lincolnshire Council by the Audit and Assurance team of Northern Lincolnshire Business Connect (the Assurance People) and is governed by the UK Public Sector Internal Audit Standards. They are mandatory for all internal auditors working in the UK public sector. The main components are:

- articulating the mission of internal audit;
- providing a definition internal audit;
- laying out the key principles of effective internal auditing;
- the code of ethics for internal auditors; and
- the standards themselves.

2.2 The mission of internal audit as laid out in the standards is *“To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight”*.

2.3 The standards define internal auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

2.4 Internal Audit supports the Strategic Director of Policy and Resources to discharge his responsibilities for maintaining an adequate and effective system of internal audit as required under section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2015.

- 2.5 Internal Audit supports the Monitoring Officer in discharging his/her responsibilities for providing advice on vires issues, maladministration, financial impropriety, probity, Code of Conduct, policy framework and investigating cases reported under the confidential reporting policy as appropriate.
- 2.6 The Head of Audit and Assurance is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Council's activities.
- 2.7 The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.
- 2.8 The Public Sector Internal Audit Standards require that the internal audit charter defines the terms 'board' and 'senior management' in relation to the work of internal audit. For the purposes of internal audit work, the 'board' refers to the Council's Audit and Governance Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on an individual basis according to individual context.

3. Independence

- 3.1 Internal Audit is independent of all of the activities of the Council to ensure it is able to appraise the Council's governance, risks and internal control systems in the impartial and unbiased manner essential to the proper conduct of audits. Independence is secured by a number of means, in particular:
 - unfettered access to all council officers, senior management and Elected Members;
 - direct access to the Chair of the Audit and Governance Committee if appropriate.
 - the right to all documentation held by the Council and to seek explanations as they see necessary to effectively discharge their duties, from all officers and Elected Members of the Council;
 - the Head of Audit and Assurance reports in his / her own name to officers and Elected Members, particularly those charged with governance; and
 - where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of work, this will be managed through the internal audit management and supervisory process. Staff are required to declare any potential conflict of interest when they are assigned a particular audit review and the work will then be reassigned to another auditor. All staff are required to complete a yearly declaration of interests form.
- 3.2 The responsibilities of the Head of Audit and Assurance include risk management, insurance and counter fraud. To maintain this independence in these areas his role, and that of the team, is clearly defined.

For example, although the Audit and Assurance team provides support and advice for the maintenance of the risk registers and the development of the Council's risk framework, the definition of risk appetites and the management of individual risks. These areas are periodically subject to audit by alternative audit providers.

4. Reporting Lines of the Head of Audit and Assurance

- 4.1 The Head of Audit and Assurance is a member of the management team of Northern Lincolnshire Business Connect and the senior finance management team at North Lincolnshire Council. He is line managed within the senior management structure of North East Lincolnshire Council, but has regular meetings with the Director of Policy and Resources and the Assistant Director of Finance. This ensures that the Head of Audit and Assurance has suitable status within the Authority.
- 4.2 The work of Internal Audit is reported to the Audit and Governance Committee in summary via a quarterly progress report, and he has periodic meetings with the Head of Paid Service.

5. Scope of Internal Audit Work

- 5.1 The scope of Internal Audit allows for unrestricted coverage of all the Council's activities and unfettered access to all records, assets, personnel and premises deemed necessary in the course of its work. It also has unrestricted access to all Authority employees and Elected Members and the Authority to obtain such information and explanations, as it considers necessary to fulfil its responsibilities.
- 5.2 The Head of Audit and Assurance has direct access to, and freedom to report to, all senior management including Strategic Directors, the Head of Paid Service, and the Audit and Governance Committee.
- 5.3 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis. Where Internal Audit undertakes work on behalf of any other organisations, this will be determined in conjunction with the Northern Lincolnshire Business Connect Management Board and both Councils' Section 151 officers to ensure that appropriate audit resources are available to provide assurance over the Council's activities.
- 5.4 Internal Audit may undertake consultancy work in addition to its primary assurance role. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Audit and Governance Committee before any significant unplanned consultancy work is accepted.

6. Responsibility

6.1 The Head of Audit and Assurance is responsible for:

- developing an annual audit plan based on an understanding of the organisations risks and control environment;
- determining the strategic direction of the Audit and Assurance Service;
- the management of the Audit and Assurance Service that is compliant with the Public Sector Internal Audit Standards;
- the monitoring and reporting of the performance of the Audit and Assurance service;
- the production and reporting of an annual audit opinion based on the outcomes of internal audit work conducted throughout the year;
- providing advice and guidance on risks and the application and development of internal controls;
- the fostering of good working relationships with External Audit with an aim to achieving mutual recognition and respect, leading to a joint improvement in performance and the avoidance of unnecessary overlapping of work; and
- assessing all matters of potential fraud or irregularity brought to his attention in line with the requirement of the Council's Counter Fraud Strategy, and arranging for team members to lead or support the investigations into such matters.

7. Resourcing and Staffing Matters

7.1 Internal audit is staffed according to the staffing structure as approved by the Joint Committee of Northern Lincolnshire Business Connect in consultation with the Audit and Governance Committee and both Councils' Section 151 officers. The structure is designed to ensure that there a suitable mix of experienced and qualified staff. In line with the standards the Head of Audit and Assurance will annually confirm whether there are sufficient resources available to deliver a reliable annual audit opinion and comply with the standards.

7.2 Individual training needs are established and agreed through the respective performance management systems of both Councils, involving regular 1-2-1 meetings. A training and development plan is developed for each team member, and the team has access to both Councils' training budgets.

8. Ethics

8.1 The Public Sector Internal Audit Standards (PSIAS) contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff are also required to adhere to the Codes of Ethics of their professional bodies where appropriate.

8.2 Team members are reminded of the need to comply with the Code on an annual basis including the requirement to complete a Code of Ethics Declaration Form. In addition they are expected to be aware of the seven standards of public life.

9. Limitations of Internal Audit Responsibilities

9.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit it should be noted that the Internal Audit Service is not responsible for:

- controlling the risks of the Authority;
- establishing and maintaining systems of internal control;
- determining operational policies or procedures; and
- ensuring the prevention or detection of fraud and irregularity.

10. Reporting

10.1 All internal audit assignments will be the subject of formal reports. Draft reports will be sent to the manager(s) responsible for the area under review for agreement of the factual accuracy of findings and the implementation of agreed actions made to address weaknesses in internal controls. Once agreed, final reports will be copied to all relevant stakeholders.

10.2 Internal Audit will report regularly on the results of its work to Senior Management through the Council's performance management processes, regular meetings with senior management teams, and the Audit and Governance Committee. An overall summary of Internal Audit's work will be provided in the Annual Head of Internal Audit Report and Opinion.



Quality Assurance and Improvement Programme

1. Introduction

Internal Auditing is defined as ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.’ (Public Sector Internal Audit Standards – PSIAS).

The Audit and Assurance team of Northern Lincolnshire Business Connect (the Assurance People) aims to meet its stakeholder expectations and deliver high quality services. This requires a lot of hard work and commitment to identify and consistently apply effective professional practice. This is why Attribute Standard 1300 of the International Standards requires heads of internal audit to develop and maintain a Quality Assurance and Improvement Programme (QAIP).

Standard 1310 states that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function.

In total there are three key requirements of the Standards, as follows:

- Ongoing monitoring of the performance of the internal audit activity. This refers to the day to day supervision, review and measurement of internal audit activity that is built into policies and routine procedures.
- Periodic self-assessments (or assessments by other persons within the organisation with sufficient knowledge of internal audit practices) to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards.
- External assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.

It is also a requirement of the Standards that the nature of the QAIP and reviews of effectiveness are regularly reported to Council's audit committee and senior management, and where applicable the Joint Committee for Northern Lincolnshire Business Connect.

The QAIP is designed to provide reasonable assurance to our stakeholders that internal audit:

- Performs its work in accordance with the current Audit Charter (approved by Audit Committee in January 2017), 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.

The QAIP covers all aspects of the Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and improvement Programme), including:

- Monitoring the internal audit activity to ensure it operates in an effective and efficient manner (1300);
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (1300);
- Helping the internal audit activity add value and improve organisational operations (1300);
- Undertaking both periodic and on-going internal assessments (1311 and 1312);
- Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Committee and Senior Management (1320); and
- Communicating the results of internal and external inspections to the respective senior management and Audit Committees, with disclosure including:
 - The scope and frequency of both the internal and external assessments.
 - The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
 - Conclusions of assessors.
 - Corrective action plans.

The Head of Audit and Assurance is responsible for the QAIP, which covers all types of Internal Audit activities, including consulting services.

2. Internal Assessments

In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

Continual assessments are conducted through:

- Management supervision of all engagements;
- Structured, documented reviews of terms of references, working papers and draft reports by internal audit management on a risk assessed basis;
- Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
- Internal Quality Control Checklist completed for each assignment, and reviewed by Head of Audit and Assurance on a sample basis;
- Reviews of a sample of engagements by the Head of Audit and Assurance to confirm that the quality assurance arrangements have been complied with by the team, and where applicable identify areas for improvement;
- Feedback from audit clients obtained through audit questionnaires at the closure of each engagement;
- Monitoring of internal performance targets and regular reporting to Audit Committees, the Joint Committee of Northern Lincolnshire Business Connect and strategic management teams;
- Review and approval of all final reports, recommendations and levels of assurance by the Head of Internal Audit or Strategic Leads;
- Review of the status of follow up reports in terms of recommendations implemented; and
- Regular team briefings attended by all members of the Internal Audit team and chaired by the Head of Internal Audit, for which action points are retained- this includes periodic reviews of the team's approach to particular standards (such as evidence, sampling and reporting), agenda items based around the standards, feedback from supervision of audit work and an update of actions arising from quality reviews.

Periodic Reviews

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. Periodic assessments are conducted through:

- Performance Reports, presented to the Audit Committees and the Joint Committee of Northern Lincolnshire Business Connect;
- Annual risk assessments for the purposes of annual audit planning;
- Annual self- assessment against the Auditing Standards;
- Annual self-assessment against the CIPFA document "Role of the Head of Internal Audit";
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme; and
- Feedback from the respective Audit Committees and the Leadership Teams of both Councils to inform the annual appraisal of the Head of Audit and Assurance in accordance with Standard 1100.

As per standard 1320 the Head of Audit and Assurance must communicate the results of the quality assurance and improvement program to senior management and the Audit Committee. The results of internal assessments are included in an action plan which is monitored continually and reported in the Annual Head of Internal Audit Report and Opinion. Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Internal Audit and Risk Manager's Annual Report and used to inform the Annual Governance Statement (AGS).

3. External Assessments

External assessments will appraise and express an opinion about internal audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be approved by the Audit Committee.

Scope of External Assessment

The external assessment is due for the latter part of 2017/18 and will consist of a 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 the Councils' 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; and
- A determination whether internal audit adds value to North Lincolnshire Council and North East Lincolnshire Council respectively.

Results of external assessments will be provided to each Audit Committee. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and Opinion and, if applicable, in the Annual Governance Statement (AGS).

Review of QAIP

This document will be subject to periodic review and will be update accordingly following any changes to the PSIAS or internal audit's operating environment and will be reviewed at least on an annual basis.

