

## **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 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

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

- Performs its work in accordance with the current Audit Charter 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 “cold reviews” of engagements by audit management 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 and periodically from questionnaires sent to Assistant Directors;
- Monitoring of internal performance targets and regular reporting to Audit Committees, and strategic management teams;
- Review and approval of all final reports, recommendations and levels of assurance by the Head of Internal Audit or the Audit Lead Officer;;
- 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, 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
- Annual risk assessments for the purposes of annual audit planning;
- Annual self- assessment against the Public Sector Internal Audit Standards (PSIAS),
- 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 Head of Internal Audit’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 consists 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 are 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).

The most recent review was carried out in November 2023 and reported in February 2024. This confirmed compliance with the standards. Some actions for further improvement were identified which will be incorporated into the QAIP action plan.

#### **Review of QAIP**

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