

Committee Name and Date of Committee Meeting

Audit Committee – 23rd March 2021.

Report Title

Internal Audit Quality Assurance and Improvement Programme (QAIP).

Is this a Key Decision and has it been included on the Forward Plan?

No.

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director, Finance and Customer Services.

Report Author

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Ward(s) Affected

Borough-Wide.

Report Summary

Internal Audit is a major source of assurance to the Council on the framework of control, risk management and governance. It is therefore important that it operates in conformance with Public Sector Internal Audit Standards.

An internal self-assessment was completed in February 2020 which showed general conformance with those standards. A Quality Assurance and Improvement Programme (QAIP) was produced to address the areas where conformance was not achieved, or further improvement could be made. The Improvement Programme has been implemented since then. This paper shows the status of actions in last year's QAIP.

In late 2020 an external assessment to validate the self-assessment was completed, confirming general conformance with the standards. Service Improvement Actions were identified which will become the QAIP for the coming year. These actions are reported in the PSIAS assessment paper to the committee.

Recommendations

The Audit Committee is asked to note the production and ongoing implementation of the QAIP based on the internal self-assessment reported to this committee.

List of Appendices Included

Appendix A Quality Assurance and Improvement Plan 2020/21

Background Papers

Public Sector Internal Audit Standards.

Accounts and Audit (England) Regulations 2015.

Audit Committee Paper February 2018.

Consideration by any other Council Committee, Scrutiny or Advisory Panel

No.

Council Approval Required

No.

Exempt from the Press and Public

No.

Internal Audit Quality Assurance and Improvement Programme.

1. Background

- 1.1 Internal Audit is required to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). Those standards require the existence of a Quality Assurance and Improvement Plan for Internal Audit.
- 1.2 The QAIP requires ongoing and periodic reviews of quality within Internal Audit. External reviews must take place at least every five years. A self-assessment was completed in February 2020 and the results reported to the Audit Committee in May 2020. Where conformance to the standards was not achieved actions were generated which in total comprised the Improvement Action Plan for 2020.
- 1.3 The self-assessment used the checklist developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). When arranging for peer review external assessments between Councils in South and West Yorkshire, for consistency it was agreed to use this checklist. An external review was planned for April/May 2020 but was delayed because of Covid-19. It was completed in late 2020 leading to the production of a new QAIP based on the latest results.

2. Key Issues

- 2.1 The current position against the 2020 Improvement Action Plan is given in Appendix A. Many actions were completed during the year, but the implementation of the plan was affected by Covid-19 and audit resources being used in other areas. Those that were not completed related to the use of Computer Aided Audit Techniques. They did not affect the standard of work carried out by the team.
- 2.2 An updated QAIP has been produced using the results of the external assessment and the resultant actions. This is shown in a separate paper. Although General Conformance has been achieved, suggestions have been made where appropriate to drive further improvements.
- 2.3 Implementation of the actions will be progressed throughout the year.

3. Options considered and recommended proposal

- 3.1 There is no discretion on whether to comply with the PSIAS. The purpose of the report is to inform the Audit Committee of the QAIP that has been put in place and is being implemented.

4. Consultation

- 4.1 None.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Audit Committee is asked to receive this report at its 23rd March 2021 meeting.

6. Financial and Procurement Implications

- 6.1 There are no direct financial or procurement implications arising from this report. The budget for the Internal Audit function is contained within the budget for the Finance and Customer Services Directorate.

7. Legal Advice and Implications

- 7.1 The provision of Internal Audit is a statutory requirement for all local authorities that is set out in the Accounts and Audit (England) Regulations 2015. These state:

“each principal authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

- 7.2 Internal Audit also has a role in helping the Council to fulfil its responsibilities under s.151 of the Local Government Act 1972, which are:

“each local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”

8. Human Resources Advice and Implications

- 8.1 There are no direct Human Resources implications arising from this report.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 There are no direct implications for Children and Young People.

10. Equalities and Human Rights Advice and Implications

- 10.1 There are no direct Equalities and Human Rights Implications arising from this report.

11. Implications for Partners

- 11.1 Internal Audit is an integral part of the Council’s Governance Framework, which is wholly related to the achievement of the Council’s objectives, including those set out in the Council Plan.

12. Risks and Mitigation

12.1 The following risk has been identified.

Risk	Impact	Likelihood	Mitigation
Failure to meet the requirements of the standards set down in the UK Public Sector Internal Audit Standards (PSIAS).	Low	Low	Internal assessment shows areas where standards are not currently met. Produce and implement Quality Assurance and Improvement Plan.

13. Accountable Officer

David Webster, Head of Internal Audit.



Rotherham Metropolitan Borough Council

Internal Audit Quality Assurance and Improvement Plan 2020/21

1 Introduction and Background

- 1.1 The professional responsibilities for Internal Auditors are set out in the International Standards for the Professional Practice of Internal Auditing, published by the Chartered Institute of Internal Auditors (CIIA) in the UK and Ireland. Public Sector Internal Audit Standards (PSIAS) are based on the international standards.
- 1.2 The Standards require the Head of Internal Audit to develop a Quality Assurance and Improvement Programme (QAIP), designed to enable an evaluation of Internal Audit's conformance with the Standards. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.3 The QAIP must include both internal and external assessments.
- 1.4 Internal assessments must include:
 - Ongoing monitoring of the performance of the Internal Audit activity. This is an integral part of the day-to-day supervision, review and measurement of internal audit. Ongoing monitoring is incorporated into the routine policies and practices used to manage internal audit and uses processes, tools and information considered necessary to evaluate conformance with the Definition of Internal Auditing, Code of Ethics and Standards; and
 - Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices, to evaluate conformance.
- 1.5 External assessments must be completed at least every five years by a qualified, independent assessor or assessment team from outside the organisation and may be either a full external assessment or a self-assessment with independent validation.
- 1.6 Within RMBC the Head of Internal Audit is responsible for the QAIP, which covers all types of Internal Audit activities. Under the QAIP, quality should be assessed at both an individual audit assignment level as well as at a broader level covering the entire internal audit department.
- 1.7 All staff within Internal Audit have responsibility for maintaining quality. The activities outlined in this QAIP involve all staff.
- 1.8 Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of RMBC that it:
 - Performs its work in accordance with its Charter, which is consistent with the PSIAS
 - Operates in an efficient and effective manner
 - Is adding value and continually improving its operations

2 Internal Assessment

Internal Assessment is made up of both ongoing and periodic reviews

2.1 Ongoing quality assurance arrangements

2.1.1 RMBC Internal Audit maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with PSIAS.

2.1.2 At assignment level the arrangements include:

- The maintenance of a detailed audit procedures manual and quality management system to ensure compliance with applicable planning, fieldwork and reporting standards
- The objectives, scope and expected timescales for each audit assignment are subject to agreement with the client before detailed work commences
- The results of all audit testing are documented using standard working papers
- The documented review of file and working papers by a Principal Auditor to ensure that:
 - All work undertaken complies with the requirements of professional best practice and appropriate audit techniques have been used;
 - Audit files are complete and properly structured;
 - The objectives of the audit have been achieved;
 - Appropriate levels of testing have been carried out;
 - The findings and conclusions are sound and are demonstrably supported by relevant, reliable and sufficient audit evidence
 - The audit report is complete, accurate, objective, clear, concise, constructive and timely
- The supervision of audit assignments
- The regular monitoring of progress of audit assignments
- The review and approval of draft reports and recommendations by the Head of Internal Audit.
- The issue of Client View Questionnaires with each draft report to obtain feedback on the performance of the auditor and on how the audit was received.

2.1.3 At Internal Audit department level the arrangements include:

- The Internal Audit annual plan is produced using a risk-based approach
- The audit procedures manual provides a detailed description of the work of the department and the way in which the work should be carried out. This is a point of reference for staff and guides them through the relevant procedures followed within the department
- The Internal Audit Charter provides stakeholders with a formally defined purpose, authority and responsibility for Internal Audit
- Continuous development of the internal audit team to ensure it possesses the necessary capacity, skills and knowledge to successfully deliver the annual audit plan including

- Job descriptions for each post
- Annual performance appraisals, to include assessment against audit competencies
- Individual development plans based on the results of the appraisals
- Training plans and qualifications for individuals within the team
- Performance against agreed quality targets reported to the Audit Committee at each meeting

2.1.4 Integrated Audit Software

The department uses integrated audit software supplied by Pentana (previously Morgan Kai). This enhances and enforces quality assurance at both assignment and departmental level.

2.1.5 Reporting to the Audit Committee

At each meeting Internal Audit provides the Audit Committee with a Progress Report summarising the audit activity undertaken since the previous meeting. This includes the following:

- Progress against the annual plan
- A list of reports issued during the period including details of the assurance opinion provided and an outline of the major findings
- Details of investigations completed
- Outstanding audit recommendations
- Performance Indicators for the department

2.2 Periodic Reviews

2.2.1 Periodic reviews are completed by an annual self-assessment of conformance with PSIAS by the Head of Internal Audit, the results of which are reported to senior management and the Audit Committee. The results of the self-assessment are also used to identify any areas requiring development or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan.

2.2.2 A self-assessment was completed in early 2020, using a checklist developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The use of this checklist was agreed to provide consistency in external peer reviews.

2.2.3 The results are shown below. Where an action has been identified against a standard the whole of that standard and the current actions are shown to give context, even if the new suggested action only relates to part of the standard. The table also shows the progress made during 2020 to implement the actions.

3 External Assessment

3.1 At least once every five years, internal audit working practices are subject to external assessment to ensure the continued application of professional standards. This process appraises and expresses an opinion about conformance with PSIAS and includes recommendations for improvement, as appropriate. The assessment

is conducted by an independent and suitably qualified person or organisation and the results are reported to the Head of Internal Audit.

- 3.2 Results of external assessments are reported to the Audit Committee at the earliest opportunity following receipt of the report. The report must be accompanied by an action plan in response to significant findings and recommendations contained in the report. Any specific areas identified as requiring further development and/or improvement must be included in an action plan.
- 3.3 The Audit Committee agreed in November 2019 that an external assessment should take place in 2020 to take the form of an external validation of the internal assessment. The external validation was planned for April/May 2020 but was delayed because of Covid-19. It was completed at the end of 2020.
- 3.4 The results are given in a separate report, confirming general conformance with PSIAS. Some suggested service improvements were identified, which will form the QAIP for 2021.

Quality Assurance and Improvement Plan – 2020

Actions from assessment February 2020 – questions not scored as conforming. Current Position.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1210	<p>Having regard to the answers to the other questions in this section and other matters, does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?</p> <p>Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?</p>	Shortfall in IT and the use of Computer-Assisted Audit Techniques (CAATs). Currently obtaining advice and assistance with IT Audit.	Partial Conformance	<p>The need for IT Audit being assessed by Salford IA.</p> <p>CAATs to be introduced.</p>	<p>April 2020</p> <p>2020</p>	<p>Assessment delayed because of Covid-19. Completed in November, findings included in 2021/22 planning.</p> <p>Delayed because of Covid-19. To be introduced in 2021.</p>
1210	Do internal auditors have sufficient knowledge of key information technology risks and controls?	No specialist IT auditor in the team, but managed as far as possible, e.g. auditor attended seminar on Cyber Security before auditing it; networking with SWYAG IT group. Audit Needs Assessment being completed by Salford IA.	Partial Conformance	The need for IT Audit being assessed by Salford IA	April 2020	Assessment delayed because of Covid-19. Completed in November, findings included in 2021/22 planning.
1210	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	CAAT's not used.	Not Conforming	CAATs to be introduced	2020	Delayed because of Covid-19. To be introduced in 2021.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
1310	<p>Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?</p> <ul style="list-style-type: none"> • Is there a set of comprehensive targets which between them encompass all significant internal audit activities? • Are the performance targets developed in consultation with appropriate parties and included in any service level agreement? • Does the CAE measure, monitor and report on progress against these targets? • Does ongoing performance monitoring include obtaining stakeholder feedback? 	<p>Targets in place for time taken to produce reports, productive time, client satisfaction surveys, time taken to complete audits. Agreed with AC and SD and included in Service Plan. Monitored and reported to AC.</p>	General Conformance	Stakeholder feedback on performance to be obtained.	2020	Electronic system introduced, more feedback received.

Ref	Standard	Key Conformance Criteria	Conformance	Planned Action	Timescale	Current Position
2110	<p>Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for:</p> <ul style="list-style-type: none"> • Making strategic and operational decisions? • Overseeing risk management and control? • Promoting appropriate ethics and values within the organisation? • Ensuring effective organisational performance management and accountability? • Communicating risk and control information to appropriate areas of the organisation? • Coordinating the activities of and communicating information among the board, external and internal auditors and management? 	<p>Governance processes included in all audits. Review of sub-scheme of delegation completed in the year. Risk Management included in all audits, and specific review in 2019. IA produces and administers the Anti-Fraud and Corruption Strategy and Policy. The HIA is one of the whistleblowing officers, Performance management included in audits, specific review in 2019. Communication not reviewed.</p>	Partial Conformance	Audit plan to include review of Risk Management	2020	Included in 2020/21 plan, about to start.
2410	<p>When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?</p>	Academies only, for use within the Academy.	General Conformance	Report to include standard paragraph	2020	Paragraph now ready for use.