JOINT AUDIT COMMITTEE
29 June 2023

Internal Audit
Quality Assurance and Improvement Programme

1. Purpose of the Report

1.1 The purpose of this report is to present, in compliance with Public Sector Internal Audit Standards (PSIAS), the latest version of the Quality Assurance and Improvement Programme for the Joint Internal Audit Service.

2. Background

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) adopted a common set of Public Sector Internal Audit Standards (PSIAS) from April 2013 (updated April 2017). These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

2.2 The objectives of the PSIAS are to:
- define the nature of Internal Auditing within the UK public sector;
- set basic principles for carrying out internal audit in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

2.3 An annual self-assessment against the requirements of the PSIAS is undertaken, with the results of the latest assessment completed during April and May 2023 summarised at Appendix A. This latest self-assessment reflects full compliance with the Standards and the supporting Local Government Application Note. Despite the self-assessment showing full compliance, we strive to improve or build upon the minimum requirements of the Standards and on our own working practices. An update on improvement actions is provided at Appendix B.

2.4 The PSIAS also sets out the requirement for a Quality Assurance and Improvement Programme (QAIP). Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of the service that internal audit:
- Performs its work in accordance with its Charter, which is consistent with the PSIAS;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and continually improving its operations.

2.5   An assessment of compliance with the 2022/23 QAIP agreed by Committee in June 2022 is attached at Appendix C. This continues to show a high level of conformance.

2.6   A review has been undertaken of the QAIP and no changes are proposed at this time. The proposed QAIP for 2023/24 is provided at Appendix D.

3   **RECOMMENDATIONS**

3.1   The Committee is asked to note the report; including, compliance against PSIAS (Appendix A), the internal audit improvement plan (Appendix B) and compliance with the requirements of the agreed QAIP for 2022/23 (Appendix C).

3.2   The Committee is also asked to approve the latest Quality Assurance and Improvement Programme (Appendix D).

CONTACT OFFICER Name: Gemma Brookes Title: Acting Head of Internal Audit	**BACKGROUND DOCUMENTS** Public Sector Internal Audit Standards

PSIAS Self-Assessment (completed April/May 2023)

Attribute Standards:

Ref	Standard	Ref	Description	Assessment
1000	Purpose, Authority and Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	Compliant
1100	Independence and Objectivity	1110	Organisational Independence	Compliant
		1111	Direct Interaction with the Board	Compliant
		1120	Individual Objectivity	Compliant
		1130	Impairment to Independence or Objectivity	Compliant
1200	Proficiency and Professional Care	1210	Proficiency	Compliant
		1220	Due Professional Care	Compliant
		1230	Continuing Professional Development	Compliant
1300	Quality Assurance and Improvement Programme	1310	Requirements of the Q.A. and Improvement Programme	Compliant
		1311	Internal Assessments	Compliant
		1312	External Assessments	Compliant
		1320	Reporting on the Q.A. and Improvement Programme	Compliant
		1321	Conforms with International Standards	Compliant
		1322	Disclosure of Non-Conformance	Compliant

Performance Standards:

Ref	Standard	Ref	Description	Assessment
2000	Managing the Internal Audit Activity	2010	Planning	Compliant
		2020	Communication and Approval	Compliant
		2030	Resource Management	Compliant
		2040	Policies And Procedures	Compliant
		2050	Co-ordination	Compliant
		2060	Reporting to Senior Management and the Board	Compliant
2100	Nature of Work	2110	Governance	Compliant
		2120	Risk Management	Compliant
		2130	Control	Compliant
2200	Engagement Planning	2201	Planning Considerations	Compliant
		2210	Engagement Objectives	Compliant
		2220	Engagement Scope	Compliant
		2230	Engagement Resource Allocation	Compliant
		2240	Engagement Work Programme	Compliant
2300	Performing the Engagement	2310	Identifying Information	Compliant
		2320	Analysis and Evaluation	Compliant
		2330	Documenting Information	Compliant
		2340	Engagement Supervision	Compliant
2400	Communicating Results	2410	Criteria for Communicating	Compliant
		2420	Quality of Communications	Compliant
		2421	Errors and Omissions	Compliant
		2430	Compliance with International Standards	Compliant
		2431	Engagement Disclosure of Non-Conformance	Compliant
		2440	Disseminating Results	Compliant
		2450	Overall Opinions	Compliant
2500	Monitoring Progress			Compliant
2600	Resolution of Senior Management's Acceptance of Risks			Compliant

Internal Audit Improvement Plan

Status of Improvement actions

No	Section of PSIAS	Recommendation/Suggestion for Improvement	Status	Progress Update as at June 2023
1	2040	**Working Paper Software** Galileo software is used for documenting audit working papers. The system has been in place for a number of years and newer versions are now available. It is likely that sometime in the future the current version may no longer be supported. Investigate the benefits of the new system and determine whether upgrade would be beneficial.	In Progress	The existing system (Galileo) is still supported and is compliant with PSIAS. The Team are experiencing difficulties with some aspects of the system and we are working with the supplier to resolve this in the short term. Now Office 365 has been fully introduced and the functionality is expanding, other solutions and benefits will be explored.
2	Code of Ethics Section 4	**Competency Framework** The Institute of Internal Audit issued a revised competency framework in 2020/21 focusing on various knowledge areas aligned to professional standards. The existing competency framework will be revised to take account of the IIAs revised framework.	Complete	New Competency Framework was launched in July 2022 and is being utilised in Personal Development Reviews.
3	N/A	**JAC against new guidance** CIPFA is currently updating its guidance publication - Audit committees: Practical guidance for local authorities and police. The new edition will be published in June 2022. A review will be undertaken of how the Committee meet the expectations of the guidance and ensure its terms of reference remains relevant.	Complete	New Guidance was launched October 2022. Initial review of guidance has been undertaken and no major gaps in expectations identified. Full review of JAC TOR has been undertaken and changes were discussed with Joint Audit Committee Members in March 2023 and senior officers have been consulted on the changes. The final version is being reported to the Committee in June 2023. A facilitated self-assessment exercise was also undertaken with Joint Audit Committee Members against the themes from the guidance issued by CIPFA. Learning will be addressed during 2023/24.
4	2400/2410	**Review audit methodologies from learning over last few years** Due to the success of implementing more agile approaches the internal audit team will explore further opportunities for streamlining audit reports and working practices making communications more concise and timelier.	In Progress	Due to resource issues throughout 2022/23 some initial scoping for leaner audit reports to a 'one page' report was undertaken and tested against some reports retrospectively. Research continues to explore the format of reports used by other organisations.
5	1100 (From EQA)	**Enhance the statement on impairments to independence in the annual report (Advisory)** Enhance the statement in the annual report relating to independence to state that there have not been any impairments to the independence and objectivity of the Head of Internal Audit or to the Joint Internal Audit Service. If there have been any impairments, these should be set out in the statement along with the action that was taken to remedy the situation.	Complete	This has been incorporated into the June 2023 annual report.
6	1200 (From EQA)	**Consider recording research undertaken for audits on the Auditor's training and development records (Advisory)** Internal Audit team members need to demonstrate that they have undertaken sufficient and relevant learning and development during the year, and in the	Complete	This practice has been adopted and staff are now including learning through research on training and development logs.

No	Section of PSIAS	Recommendation/Suggestion for Improvement	Status	Progress Update as at June 2023
		current climate of economic pressure on public sector organisations it can be difficult for staff to fulfil this requirement. An area of learning and development that is often overlooked by staff and not recorded on their development logs is the research that they have undertaken prior to carrying out an audit or to enable them to provide advice to a client. Although time spent on research should be allocated to the respective individual assignments, it is also good practice for auditors to record the activities on their learning and development logs.		
7	2400 (From EQA)	**Add a disclaimer and limitations statement to the audit reports (Advisory)** Include the disclaimer and limitations of use statement from the audit manual in all audit reports, not just the ones that will be released to external bodies.	Complete	A disclaimer is now included on all audit reports.
8	2000/2010	**Improving agile audit planning approach** Due to the risk landscape for the OPCC and Force changing with new risks emerging or business objectives / priorities changing, developing an agile audit planning approach will enable the internal audit team to respond to any changes in a timely manner, adding more value to both organisations.	New Action (on-going)	Due to the Force operating model being implemented in April 2023 an initial 6-month plan has been developed as part of the internal audit strategy for 2023/24 considering the existing risks and strategies in place. Further engagement is due to commence with senior leaders to ensure the plan adapts considering any new or emerging risks.
9	1100/1110 1300/1311 2000/2060	**Review key performance indicators** The key performance indicators in place have not been reviewed for a substantial period and, in line with developing a more agile approach to audit planning and exploring opportunities to review audit methodologies, the KPI's in place should also be reviewed to ensure they effectively demonstrate the value of internal audit.	New Action (complete review by end of December 2023)	

Quality Assurance and Improvement Programme - Compliance Assessment 2022/23

No.	QAIP requirement	Frequency	Timing	Result	Comment
1	**Quality Assurance and Improvement Plan (QAIP)**				
1.1	QAIP Maintained for Internal Audit (As required by International Standards for Professional Practice of Internal Audit)	Annual review	June	Achieved	Updated annually. 2022/23 QAIP reported to JAC in June 2022. 2023/24 QAIP will be reported to JAC in June 2023.
1.2	QAIP aligns with IIA and PSIAS (1300)	Annual review	June	Achieved	Compliance checks undertaken to standard 1300. Confirmed during external assessment in 2022/23.
1.3	QAIP comprises: Internal assessments – ongoing Internal assessments – periodic External assessments – Once every 5 years	Annual review	June	Achieved	QAIP incorporates internal and external assessments. All internal audit activities are subject to ongoing assessment. Self-assessment against PSIAS is undertaken annually by the Head of Internal Audit with summary results reported to JAC. External Assessment undertaken 2022/23. Next external inspection due to take place in 2027.
2	**Internal Assessments – Ongoing**				
2.1	The maintenance of an integrated audit management, documentation and reporting system to ensure consistency	Ongoing	Continual maintenance	Achieved	Galileo audit system is used to promote consistency.
2.2	Management supervision of all engagements	Ongoing	Continual throughout each audit	Achieved	All engagement planning documents, terms of reference and working papers are reviewed by Head of Internal Audit or delegated Principal Auditor. All reports are subject to review by the Head of Internal Audit before issuing to client.
2.3	Structured, documented review of working papers and draft reports by internal audit management	Ongoing	Upon conclusion of fieldwork for each audit	Achieved	As above. The review process is evidenced in the Galileo audit system.
2.4	Feedback from audit clients obtained through post audit questionnaires at the closure of each engagement	Ongoing	After each audit	Achieved	Post Audit Questionnaires are issued to the client at the time the final report is issued. Summary of results is included in annual report.
2.5	Monitoring of internal performance targets and quarterly reporting to the Joint Audit Committee	Monthly	Monitored monthly (Reported to JAC each quarter)	Achieved	Internal targets are monitored monthly with updates provided to JAC at quarterly meetings. Monthly activity reports are produced which are used to inform one to one discussions with internal audit staff.
2.6	Review and approval of all final reports, recommendations and levels of assurance by the Head of internal Audit	Ongoing	After each audit	Achieved	All final reports are signed off by Head of Internal Audit prior to issue.
3	**Internal Assessments – Periodic**				

No.	QAIP requirement	Frequency	Timing	Result	Comment
3.1	Quarterly Progress Reports to the Joint Audit Committee which include progress against the annual plan, reports issued during the period including details of the opinion and summaries of key issues and outcomes from the work undertaken in the period	Quarterly	June, September, December and March	Achieved	Internal Audit update report presented at all meetings of JAC during 2022/23. These reports include details of finalised audits with more detail being provided of those audits awarded a Limited or Minimal opinion.
3.3	Annual self-assessment of conformance with PSIAS	Annual	June	Achieved	Reported to JAC as part of PSIAS annual review.
3.4	Annual review of compliance against the requirements of the QAIP, the results of which are reported to senior management and the Joint Audit Committee	Annual	June	Achieved	Annual review completed and reported to JAC in June 2022. For 2022/23 compliance results are reported to JAC in June 2023.
3.5	Feedback from the Chief Finance Officer and Chair of the Joint Audit Committee to inform the annual appraisal of the Head of Internal Audit in accordance with Standard 1100	Annual	November	Achieved	Both Chief Finance Officer and Joint Audit Committee Chair contributed to the Performance Development Review (PDR) of Head of Internal Audit in January/February 2023.
3.6	Periodic Skills and Competency exercise for each Internal Auditor	Annual	November	Achieved	New competency framework used during discussions in staff PDR process in January / February 2022. The framework is used to guide training and development targets.
4	**External Assessment**				
	An external assessment will occur at least once every five years to ensure continued application of professional standards	5-Yearly	Every 5 years	Achieved	External Assessment undertaken June 2022. Next external assessment taking place by June 2027.
5	**Review of QAIP**				
	This document will be reviewed at least on an annual basis	Annual	June	Achieved	Reported in June 2022 and reviewed June 2023.

Internal Audit
Quality Assurance and
Improvement Programme
(QAIP)
2023/24

1   Introduction

1.1   Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS);
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and continually improving its operations.

1.2   Internal Audit's QAIP covers all aspects of 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
- Commissioning an external assessment to the Joint Audit Committee at least once every five years, the results of which are communicated to the Joint Audit Committee (1312 & 1320).

1.3   The Head of Internal Audit is ultimately responsible for the QAIP, which covers all Internal Audit activities.

2   Internal Assessments

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

On-going Reviews

2.2   Continual assessments of quality are undertaken via:

- The maintenance of an integrated audit management, documentation and reporting system to ensure consistency;
- Management supervision of all engagements;
- Structured, documented review of working papers and draft reports by Internal Audit management;
- Feedback from audit clients obtained through post audit questionnaires at the closure of each engagement;
- Monitoring of internal performance targets (Appendix 1) and quarterly reporting to the Joint Audit Committee; and
- Review and approval of all final reports, recommendations and levels of assurance by the Head of Internal Audit.

Periodic Reviews

2.3   The Internal Audit service operates to a Charter that mandates compliance with relevant professional standards and specifically the definition of Internal Auditing, the Code of Ethics and the PSIAS which is regularly reviewed.

2.4   Periodic assessments are designed to evaluate conformance with these standards and are conducted via:
- Quarterly Progress Reports to the Joint Audit Committee which includes progress against the annual plan, reports issued during the period including details of the opinion and summaries of key issues and outcomes from the work undertaken in the period;
- Annual review of compliance against the requirements of the QAIP, the results of which are reported to senior management and the Joint Audit Committee;
- Feedback from the Chief Finance Officer and Chair of the Joint Audit Committee to inform the annual appraisal of the Head of Internal Audit in accordance with Standard 1100; and
- Periodic Skills and Competency exercise for each Internal Auditor.

2.5   Significant areas of non-compliance with PSIAS identified through internal assessment will be reported in the Internal Audit Annual Report and used to inform the Annual Governance Statement.

2.6   Results of internal assessments will be reported to the Joint Audit Committee at least annually. The Head of Internal Audit will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.

2.7   The Head of Internal Audit will also periodically identify improvement requirements, for example in respect of audit planning, assurance mapping, audit processes, counter fraud, skills development for the team, audit profile and performance.

3   External Assessments

3.1   An external assessment will occur at least once every five years to ensure continued application of professional standards. This process will express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Audit and Code of Ethics and include recommendations for improvement, as appropriate.

3.2   The appointment of the External Assessor and scope of the External Assessment will be approved by the Joint Audit Committee.

3.3   The external assessment will consist of a broad scope of coverage that should include 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 and practices;
- Expectations of Internal Audit as expressed by senior management and operational management;
- Tools and techniques used by Internal Audit;
- The mix of knowledge, experiences and disciplines within the team; and
- Whether Internal Audit adds value and improves the organisation's operations.

3.4   Results of external assessments will be reported to the Joint Audit Committee at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas identified of non-conformance will be reported in the Annual Internal Audit Report.

4   Review of the QAIP

4.1   This document will be reviewed at least on an annual basis.

<div align="right">**Appendix 1**</div>

Performance Targets 2023/24*

Type	Description	Narrative	Target
Outputs	Audit Coverage	% of Audit Plan Delivered.	90%
	Report Production	Completion of Draft Audit Report within 10 working days.	95%
	Report Production	Completion of Final Report within 5 days of agreement of the draft.	95%
	Audit Recommendations	Recommendations accepted v made.	100%
Quality	Client Satisfaction	% of Post Audit Questionnaires in which management have responded as "Very Good" or "Good".	95%
Compliance	Public Sector Internal Audit Standards (PSIAS) Compliance	Level of Compliance with PSIAS.	100%

* Subject to review by Joint Audit Committee June 2023