



<u>Committee and Date</u>	<u>Item</u>
Audit Committee	
16th September 2021	
10:00 am	<u>Public</u>

INTERNAL AUDIT: QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

**Responsible
Officer**

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1 Synopsis

- 1.1 This report confirms, following a self-assessment quality assurance review (QAIP), that Internal Audit complies with the Public Sector Internal Audit Standards (PSIAS) and where there is some limited partial conformance, this is normal in local government environments and not significant enough for escalation in the Annual Governance Statement. An external assessment is planned for the current year, in compliance with the PSIAS, details of which have been confirmed with the Chairman and Section 151 Officer.

2 Executive Summary

- 2.1 Shropshire Council Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS). As part of this process the service must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspect of the internal audit activity.
- 2.2 This programme is designed to enable an evaluation of the service's conformance with the definition of internal auditing, the standards and whether auditors apply the code of ethics (PSIAS). The programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. This quality assurance and improvement programme includes both internal and external assessments. This report provides members with an update on the External Assessment review planned in November.

3 Recommendations

The Committee is asked to consider and endorse, with appropriate comment,

- 3.1 The approach agreed by the Section 151 Officer and Head of Audit in consultation with the Chairman of the Audit Committee for delivery of the external assessment.

REPORT

4 Risk Assessment and Opportunities Appraisal

- 4.1 It is a requirement of the PSIAS to have an external assessment, the results of which can be used to demonstrate the Service's quality to both its main customer, Shropshire Council, and other clients.
- 4.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015. There are no direct environmental or equalities consequences of this proposal.

5 Financial Implications

- 5.1 The review will be met from within an approved corporate budget, plus officer time spent in preparation and support of the process.

6 Climate Change Appraisal

- 6.1 Energy and Fuel Consumption; Renewable Energy Generation; Carbon offsetting or mitigation; Climate Change Adaption – This report does not directly make decisions on climate change adaption. Therefore, no effect. The work will be conducted remotely which will benefit the environment.

7 Background

QAIP

- 7.1 This quality assurance and improvement programme (QAIP) demonstrates that Internal Audit:
- Has an adequate Internal Audit charter, goals, objectives, policies and procedures;
 - Contributes to the organisation's governance, risk management and control processes;
 - Has complete coverage of the audit universe;
 - Complies with applicable laws, regulations and other standards that the Internal Audit activity may be subject to;
 - Has identified the risks affecting the operation of the Internal Audit activity itself;
 - Has an effective continuous improvement activity in place and adopts best practice; and
 - Adds value to improve the organisations operations and contributes to the attainment of the organisation's objectives.
- 7.2 The Head of Audit is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consultancy. The QAIP includes both internal and external assessments. Internal assessments are both

ongoing and periodical and external assessments will be undertaken at least once every five years, in order to meet statutory requirements. The QAIP is reviewed on an annual basis.

Internal Assessment

7.3 The internal assessment involves ongoing monitoring of the performance of internal audit activity against the PSIAS, which have been incorporated into the routine policies and practices used to manage the service. These arrangements are as follows:

- Engagement planning and supervision.
- Standard working practices (including quality audit manual, working paper procedures, sign off, report review, checklists to ensure the audit process is followed).
- Ongoing supervision and review of audit work.
- Performance management information.
- Feedback from auditees following specific audit work/ reports.
- Results of quality assurance reviews, internal and external.
- A self-assessment against the requirements of the PSIAS.
- Any feedback from External Audit on the effectiveness of the function.
- Completion of the actions within the Quality Assurance Improvement Programme Action Plan.

7.4 The following processes also help to inform and assess the performance of Internal Audit throughout the year:

- Monthly meetings of the Head of Audit with the Section 151 Officer.
- Weekly Resources Management Team meetings which provide updates direct from Executive Directors and Members meetings through the Section 151 Officer. The interim Monitoring Officer attends these meetings.
- Monthly meetings with the Risk and Insurance Manager.
- Audit plan performance is reported on and any changes are signed off by the Section 151 Officer and reported to the Audit Committee.
- At least annually the Head of Audit meets with the CEO, Executive Directors and Senior Managers to consider and discuss the key risks facing the Council and impact on the internal control environment. The annual plan is drafted as a result of these meetings. More frequent meetings are held in areas of high risk.
- The Audit Charter is revisited annually and signed off by Audit Committee as is the Audit Plan.
- The self-assessment against the PSIAS is shared with the Section 151 Officer and Audit Committee annually.
- Virtual meetings are held with the External Auditor and the Chair of Audit Committee between formal meetings.

7.5 A full review against the PSIAS is conducted by the Head of Audit annually. The review is shared and commented upon by Senior Auditors and discussed at team meetings, along with the associated action plan for improvement. The Head of Audit then presents the assessment to the Council's Section 151 Officer who understands the PSIAS requirements and provides a challenge to the assessment. Following this, the results of the self-

assessment are reported to the Summer¹ Audit Committee along with details of any areas of non-conformance with the PSIAS. External clients are sign posted to the Audit Committee report on the Shropshire Council website for their assurances. All clients can provide challenge on the process at any time.

- 7.6 This self-assessment review is provided in conjunction with the Annual Internal Audit report, also found on Shropshire Council's Audit Committee Summer agenda. When read together, the two reports demonstrate the effectiveness of the Internal Audit service and compliance with the PSIAS.
- 7.7 The internal assessment concludes that there are no areas where the Internal Audit function is not complying with the Code and, whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code. Improvements are set out in an action plan which the Head of Audit is responsible for implementing.

External QAIP

- 7.8 The last external assessment report was conducted by CIPFA² and reported to the February 2017 Audit Committee, it is now time for a repeat review.
- 7.9 An external assessment of the team's compliance with the PSIAS must be completed every five years by a qualified, independent assessor or assessment team. The Head of Audit has discussed this assessment with the Audit Committee and the Section 151 Officer and agreed that the self-assessment conducted annually will be validated by external assessors. The alternative option is for a full external assessment.
- 7.10 Following compliance with Contract Rules quotations were requested from two Internal Audit specialist bodies and the contract to conduct the fieldwork for assessment in November 2021, has been awarded to the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA set the internal audit standard within local government and have a deep knowledge of the impact of the PSIAS on the wider public sector. They are well placed to conduct such a review. CIPFA also have responsibility for setting accounting standards for a significant part of the economy and can therefore use this experience to provide pertinent feedback to the service and its clients. CIPFA is independent of the Council and Ray Gard, FCCA, CFIIA, CPFA, DMS, who will be conducting the review, has no conflict of interest with Shropshire Council. CIPFA ensures that all consultancy, including PSIAS External Quality Assurance reviews, is delivered completely independently of any other organisation being the professional accountancy body for public sector finance.

8 Conclusions

¹ July in 2021 and 2020, previously June

² Chartered Institute of Public Finance Accountancy

- 8.1 Following an updated external assessment, the results will be reported publicly to Shropshire Council's Audit Committee and shared with external clients.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

- Accounts and Audit Regulations 2015
- Public Sector Internal Audit Standards 2017
- Local government application notes for the UK Public Sector Internal Audit Standards CIPFA 2019
- Completed Conformance Checklist 2021/22 and supporting evidence
- Annual review of Internal Audit Quality Assurance Improvement Programme QAIP 2021/22 30th July 2021, Audit Committee

Cabinet Member (Portfolio Holder)

Lezley Picton, Leader of the Council and Brian Williams, Chairman of Audit Committee

Local Member

N/A

Appendices

None