

9th June 2016

**Report of the Head of Internal Audit Services****QUALITY ASSURANCE & IMPROVEMENT PROGRAMME****EXEMPT INFORMATION**

None

**PURPOSE**

To report on the Quality Assurance & Improvement Programme in compliance with the Public Sector Internal Audit Standards.

**RECOMMENDATION**

That the Committee endorses the Quality Assurance & Improvement Programme.

**EXECUTIVE SUMMARY**

The Public Sector Internal Audit Standards (PSIAS) came into force on the 1<sup>st</sup> April 2013. The PSIAS replace the CIPFA Code of Practice for Internal Audit which had been in place since 2006. Both the standards/codes require that Internal Audit comply with professional best practice and assess themselves against the requirements.

As part of the requirement, the Head of Internal Audit Services is required to develop a Quality Assurance & Improvement Programme (QAIP) that includes both internal and external assessments. The requirement is that the external assessment should be completed at least every five years. The Staffordshire Chief Auditors Group is collaborating on this issue along with a couple of neighbouring authorities to tender for the provision of this external assessment against the self-assessment during the financial year 2016/17. This will be in year four of the new standards. The combined tender will hopefully bring about cost efficiencies and completing the exercise a year early than the latest date should ensure that assessors will be available.

Under the QAIP, quality should be assessed at both an individual audit engagement level as well as at the broader internal audit activity level. A well developed QAIP will ensure that quality is built in to, rather than on to, the way the internal audit activity operates. In essence, Internal Audit should not need to assess whether each individual engagement conforms to the Standards, but that engagements should be undertaken in accordance with an established methodology that promotes quality and, by default, conforms with the Standards.

The QAIP should conclude on the quality of the internal audit activity and lead to recommendations for appropriate improvements. It enables an evaluation of:

- Conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. (ref PSIAS0, PSIAS1, PSIAS2, PSIAS3, PSIAS4)

- The adequacy of the internal audit activity's charter, goals, objectives, policies and procedures. (ref PSIAS1000, PSIAS2040)
- The contribution to the organisation's governance, risk management, and control processes. (ref PSIAS2000, PSIAS2100, PSIAS2110, PSIAS2120, PSIAS2130)
- Completeness of coverage of the entire audit universe. (ref PSIAS2010)
- Compliance with applicable laws, regulations, and government or industry standards to which the internal audit activity may be subject. (ref PSIAS1000, PSIAS2040)
- The risks affecting the operation of the internal audit activity itself. (ref PSIAS2010)
- The effectiveness of continuous improvement activities and adoption of best practices. (ref PSIAS1300, PSIAS1311)
- Whether the internal audit activity adds value, improves the organisation's operations, and contributes to the attainment of objectives. (ref PSIAS2410)

The references relate to the specific area within the PSIAS assessment.

To achieve comprehensive coverage of all aspects of the internal audit activity, a QAIP must effectively be applied at three fundamental levels:

- Internal Audit Engagement Level – self assessment at the audit engagement or operational level.
- Internal Audit Activity Level – self assessment at the internal audit activity or organisational level.
- External Perspective – independent external assessment of the entire internal audit activity including individual engagements.

Attached as **Appendix 1** is the Quality Assurance & Improvement Programme for the Authority's Internal Audit Service. This gives an overview of the QAIP in place.

## **RESOURCE IMPLICATIONS**

None

## **LEGAL/RISK IMPLICATIONS**

There is a risk that non-compliance with the PSIAS will mean that an effective system of internal control is not in place and therefore we are not complying with the Accounts and Audit (England) Regulations 2015.

## **SUSTAINABILITY IMPLICATIONS**

None

## **BACKGROUND INFORMATION**

None

## **REPORT AUTHOR**

Angela Struthers, Head of Internal Audit Services

## **LIST OF BACKGROUND PAPERS**

None

## **APPENDICES**

**Appendix 1 Quality Assurance & Improvement Programme (QAIP)**

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