

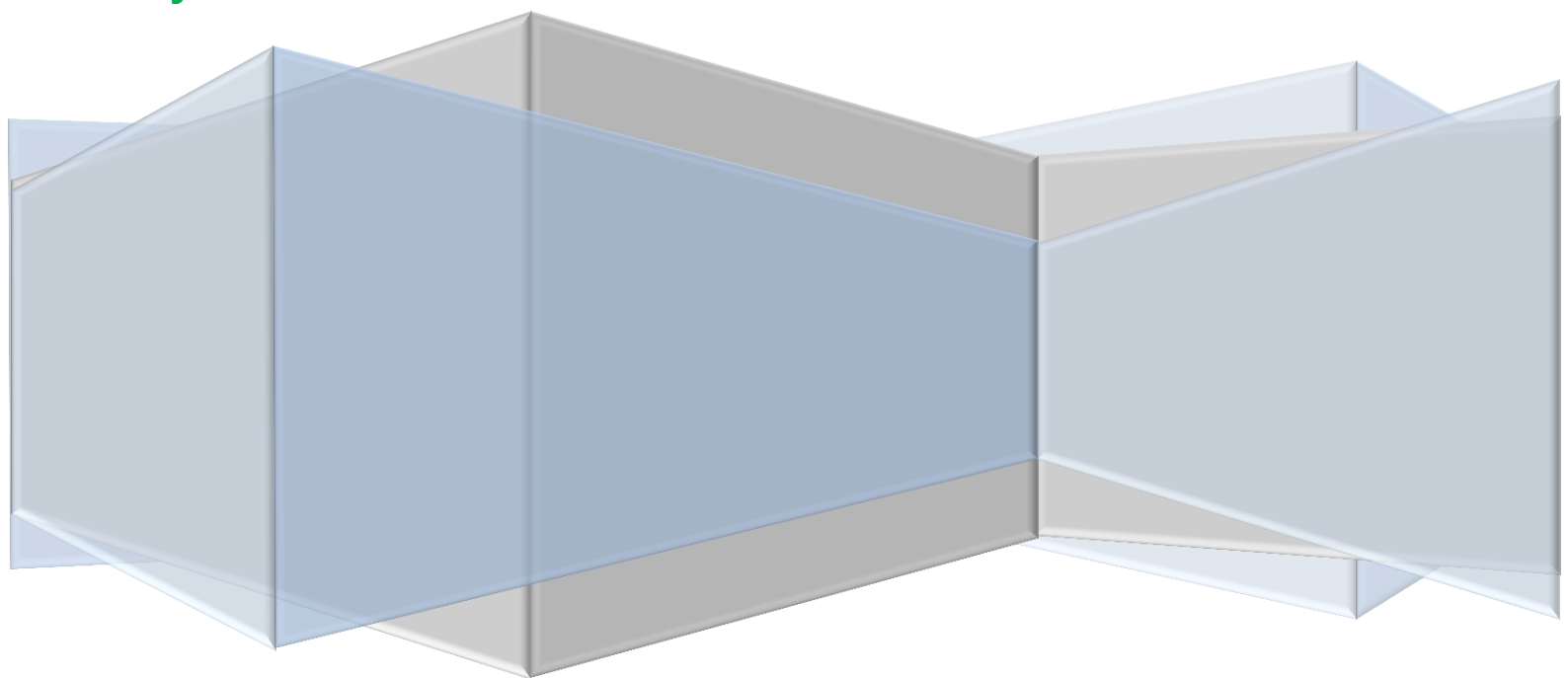
# Halton Borough Council



## Internal Audit

Quality Assurance & Improvement Programme

May 2017



# 1. Purpose

- 1.1 A Quality Assurance and Improvement Programme (QAIP) is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Public Sector Internal Audit Standards (PSIAS) and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.2 It is a requirement of the PSIAS that a QAIP includes both internal and external assessments.

# 2. Responsibility

- 2.1. The Divisional Manager – Audit, Procurement & Operational Finance as the Head of Internal Audit (HOIA) is responsible for the QAIP. The results of the QAIP will be reported to the Business Efficiency Board as part of the Internal Audit Annual Report.

# 3. Internal Assessment

## Ongoing monitoring procedures

- 3.1 The following ongoing quality assurance and monitoring procedures are applied in regard to the planning, delivery and quality control of internal audit work:

### Ethics and Independence

- The Council has developed a Code of Ethics for internal auditors, which is designed to promote an ethical, professional culture. Internal auditors are required to sign an annual Code of Ethics and Declaration of Interests statement.
- The HOIA and Principal Auditor monitor the conduct of internal auditors against the Code of Ethics on an ongoing basis.
- The HOIA and Principal Auditor review any interests that are declared and consider any potential impact on the independence and objectivity of audit work.

### Planning

- The annual internal audit planning process involves consultation with the Operational Director – Finance and each of the Strategic Directors to discuss and agree internal audit coverage for the year ahead.
- The Annual Internal Audit Plan is approved by the Business Efficiency Board. The plan includes a summary of the risk context for each planned audit and the rationale for its inclusion.
- The Principal Auditor allocates assignments to individual auditors taking account of considerations such as the complexity of the audit, the experience of the auditor and the potential for any conflicts of interests.
- A pre-audit meeting is held for each planned audit assignment to agree its scope and to provide for input from the client manager.



## Review procedures

- Terms of Reference (TOR) are issued to the client for each audit specifying the scope of the audit and the target timescales for the audit's completion. Each TOR is reviewed by the Principal Auditor and HOIA.
- The Principal Auditor undertakes quality assurance reviews in regard to internal audit working papers to ensure that:
  - A thorough risk assessment has been undertaken to identify and evaluate risks relevant to the area under review.
  - The system(s) under review is understood and documented.
  - The control environment has been assessed and that an appropriate testing strategy has been devised.
  - The testing programme has been completed and that the conclusions from the work undertaken are supported by evidence.
- The Principal Auditor undertakes a preliminary review of each draft audit report. This will ensure that all significant issues identified during the assignment are recorded and that any outstanding risks that need to be addressed are brought to the attention of management.
- A further review of each draft report is undertaken by the HOIA. This ensures that:
  - The appropriate overall 'assurance level' has been applied;
  - The priority of any outstanding risks that need to be addressed is appropriate;
  - The content, style and wording of each report is of a suitable standard.

## Post-audit questionnaire

- A post-audit questionnaire is issued for each audit assignment to obtain feedback from the client.
- The post-audit questionnaires that are returned are reviewed by the Principal Auditor and HOIA.
- A commentary summarising the results from the post-audit questionnaires is included in the Internal Audit Annual Report to the Business Efficiency Board.

## Supervision

- The Operational Director – Finance meets with the HOIA every six weeks and receives an update on the work of internal audit and any key issues arising.
- The HOIA meets every month with the Principal Auditor to discuss progress against the Internal Audit plan and the workload and status of each assignment allocated to individual auditors.
- The Principal Auditor meets at least fortnightly with each auditor to discuss the progress and status of each audit assignment.

## Learning and development

- The learning and development needs of each auditor are identified through the audit review process and supervision procedures.
- Identified learning and development needs are addressed by a range of means, which include team meetings, on the job training, work shadowing, e-learning and attendance at seminars and training courses.



- The internal audit team attends various regional audit group meetings to keep up to date with key developments and to share best practice.

### **Performance Reporting**

- Key performance indicators and milestones relating to internal audit activity are agreed with the Operational Director – Finance and reported to the Corporate Policy & Performance Board through the Finance Department quarterly monitoring reports.
- Quarterly progress reports against the Internal Audit Plan are reported to the Business Efficiency Board. These reports include details of all audit work completed and the key issues arising.
- An Annual Internal Audit Report is presented to the Business Efficiency Board. This provides an overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The report also includes a summary of the work that supports the opinion, a statement on conformance with the PSIAS and the results of the QAIP.

### **Periodic assessment procedures**

3.2 Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics and the PSIAS. The following arrangements are in place regarding periodic assessment:

- An annual self-assessment is undertaken against the PSIAS and CIPFA's Local Government Application Note. An action plan is drawn up to address any areas where it is possible for compliance with the Standards to be strengthened.
- The Council's external auditor completes an annual high level review of internal audit's overall arrangements and work on the Council's key financial systems. The findings from this review are reported to the Business Efficiency Board through the External Audit update reports.

## **4. External Assessment**

4.1 An external assessment will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

4.2 The Business Efficiency Board will agree:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

## **5. Improvement Programme**

5.1. Timely and appropriate action will be taken and recorded by the HOIA to address any areas of non-conformance with PSIAS and to implement any performance improvement opportunities identified through the internal and external assessment processes.

5.2. The HOIA will report the results of the QAIP to the Business Efficiency Board annually through the Internal Audit annual report.

