

Internal Audit Quality Assurance Improvement Programme (QAIP) 2024-25

Internal Audit Quality Assurance Improvement Programme 2024-25

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1. Introduction

1.1 The standards that internal audit work towards are laid out in the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out the ethical attributes and performance standards for an effective Internal Audit service. Compliance with the standards should be assessed internally and is subject to an External Assessment to be conducted at least once every five years by a qualified, independent assessor from outside the Council. The PSIAS require that Internal Audit sets out its quality assurance arrangements in the form of a Quality Assurance Improvement Plan (QAIP).

1.2 The PSIAS set out the requirement for a QAIP:

“The Chief Internal Auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit activity which must include both internal and external assessments.”

1.3 The QAIP is designed to provide reasonable assurance to the stakeholders of the Council 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.

1.4 Internal Audit’s QAIP covers all aspects of Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

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- 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 Audit Committee at least once every five years, the results of which are communicated to the Audit Committee (1312 and 1320).

1.5 The Chief Internal Auditor is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.

2. Internal Assessment

2.1 The Accounts and Audit Regulations (Wales) 2014 places a statutory obligation on the Council to conduct a review of effectiveness of internal audit at least once a year. 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:

- Effective planning, allocation of audit resources and reporting of activities;
- Management supervision of all reviews undertaken;
- Appropriate template paperwork for scoping paper, working papers and a standard report template;

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- Structured process in place for reviewing working papers and draft report by the Principal Auditor, and an effective quality assurance review completed by the Chief Internal Auditor;
- A Post-Audit Questionnaire is sent out with the Final Report to gather feedback;
- Monitoring of key performance targets and annual reporting to the Corporate Executive Team, Cabinet and Governance and Audit Committee;
- Regular training for the team;
- Use of data analytics and audit management software; and
- Chief Internal Auditor will review and agree all reports and all low and no assurance reports will be taken to Governance and Audit Committee for scrutiny.

Periodic Reviews

- 2.3 The Internal Audit Service operates to a Charter that is regularly reviewed, and which mandates compliance with relevant professional standards and specifically the definition of Internal Auditing, the Code of Ethics and the PSIAS.
- 2.4 Periodic assessments are designed to evaluate conformance with these standards and are conducted via:
- Quarterly Internal Audit updates to the Governance and Audit Committee, which includes progress against the annual plan, list of reports issued in the period and the individual audit opinion for each report issued;
 - Annual self-assessment of conformance with PSIAS;
 - Annual review of compliance against the requirements of the QAIP, the results of which are reported to senior management and the Governance and Audit Committee;
 - Regular 1-2-1 meetings with each member of Internal Audit to support development; and
 - Regular review of individual auditors' compliance with their continuous professional development requirements.

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- 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 Governance and Audit Committee at least annually. The Chief Internal Auditor will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.
- 2.7 The Chief Internal Auditor 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 Consistent with the PSIAS, an external assessment occurs at least once every five years to ensure continued application of professional standards. An external assessment was carried out in 2023-24 by Ceredigion County Council on a peer review basis organised through the Welsh Chief Auditors Group. The results of the review have been scheduled to appear on the next Governance and Audit Committee on the 12 June 2024. The report states that:

“The evaluator has concluded that the Internal Audit service for Denbighshire County Council currently conforms with 45 of the Public Sector Internal Audit Standards (PSIAS) and partly conforms with six. There are five areas of non-conformance identified”.

- 3.2 During the next 24 months the Chief Internal Auditor will work towards completing the action plan agreed to ensure full compliance and progress will

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be report to the Governance and Audit Committee in the quarterly internal audit updates.

4. Review of the QAIP

- 4.1 The QAIP is reviewed at least annually. Appendix 1 provides an update on the improvement actions identified in 2023/24 following the external assessment by Ceredigion County Council in 2023/24.

5. Appendix 1 – Quality Assurance and Improvement

Programme Action Plan

| Ref No | PSIAS Self-Assessment / PSIAS Standards | Conforms | Recommendation | Responsible |
|--------|--|------------------|--|---------------|
| 1 | 1000 Purpose, Authority and Responsibility | Partial | <p>The Internal Audit Charter does not currently outline the specific responsibilities of the Governance and Audit Committee, or the role of statutory officers (CEO / CFO / Monitoring Officer) with regards to Internal Audit. It is therefore advisable to update the Internal Audit Charter to include this information.</p> <p>The IA Charter also states that the CIA reports functionally to the Head of Finance and Audit and should be updated to correctly state that the CIA reports functionally to the board and administratively to the Head of Finance & Audit.</p> | Chief Auditor |
| 2 | 1210 Proficiency and Due Professional Care | Partial | The Council should significantly support the Internal Audit function in achieving the required qualifications for proficiency, as soon as possible. | Chief Auditor |
| 3 | 1300 Quality Assurance and Improvement Programme (QAIP) | Does Not Conform | The CIA should develop and maintain a QAIP to assess the efficiency and effectiveness of the IA function that covers all aspects of the internal audit activity and enables conformance with the PSIAS and continuous improvement. | Chief Auditor |
| 4 | 1310 Requirements of the Quality Assurance and Improvement Programme | Does Not Conform | The CIA should develop and maintain a QAIP that includes both internal and external assessments. | Chief Auditor |

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| 5 | 1320 Reporting on the Quality Assurance and Improvement Programme | Partial | The QAIP of the results of the previous External Quality Assessment (2017/18) is reported to GAC as part of the Annual Report. In addition, to conform with the PSIAS, Internal Self-Assessments should be undertaken by the CIA and the results included in the QAIP and reported to GAC. | Chief Auditor |
| 6 | 1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing' | Does Not Conform | As no formal QAIP in place, the statement 'Conforms with the International Standards for the Professional Practice of Internal Auditing' should be removed from reports until the required QAIP process is in place to confirm this. | Chief Auditor |
| 7 | 1322 Disclosure of Non-conformance | Does Not Conform | The CIA should disclose any instances of non-conformance to the board. This would include that periodic self-assessments were not undertaken and a formal QAIP was not in place. | Chief Auditor |
| 8 | 2010 Planning | Partial | <p>The internal audit plan was determined by considering the Corporate Risk Register, Assurance Framework and discussions with Management, there is no documented risk assessment in place.</p> <p>Two audit engagements in the 2023/24 IA Plan align to 'critical' corporate risks, however, it is not clear how the prioritisation of the remainder of the audit work included in the IA plan aligns to the organisation's goals and corporate risks.</p> | Chief Auditor |

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| | | | It may be an ideal opportunity to revise and develop the annual risk assessment process to ensure the annual audit plan is fully aligned with the Council's risk management framework and focused on the key risks to its strategic objectives. The IA Plan should also set out the estimated resources required for the work and include consulting engagements. | |
| 9 | 2120 Risk Management | Partial | <p>The internal audit activity should evaluate the effectiveness of the organisation's risk management processes to determine whether:</p> <ul style="list-style-type: none"> a) Organisational objectives support and align with the organisation's mission. b) Significant risks are identified and assessed. c) Appropriate risk responses are selected that align risks with the organisation's risk appetite. d) Relevant risk information is captured and communicated in a timely manner across the organisation to enable staff, management, and the board to carry out their responsibilities. <p>Internal Audit should also evaluate the potential for fraud and how the organisation manages fraud risk.</p> | Chief Auditor |
| 10 | 2421 Errors and Omissions | Partial | The Audit Manual should be updated to include provision that in the event of a final audit report containing a significant error or omission, the relevant auditor / CMIA etc. will re-issue the corrected information to all parties who received the original communication. | Chief Auditor |

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| 11 | 2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing' | Does Not Conform | The statement 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing' should be removed from reports until the results of the QAIP support such a statement. | Chief Auditor |
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