

Appendix One Quality Assurance Improvement Plan

Background

The Public Sector Internal Audit Standards (PSIAS) revised 2017 state that the Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity (1300). For Manchester City Council the CAE role is discharged by the Head of Audit and Risk Management (HARM).

The QAIP is designed to ensure that the Council's internal audit service performs its work in accordance with its Charter in conformance with PSIAS and the Code of Ethics. It is also used to assess the efficiency and effectiveness of the internal audit service.

The key elements of the QAIP are to confirm:

- Audit activities are planned; resourced and delivered.
- Mechanisms ensure compliance with the PSIAS.
- Internal Audit adds value and provide quality outcomes in its work, supporting improvement to the Council's business operations.
- Regular internal assessment of performance and quality is undertaken.
- An external assessment of performance is commissioned at least every five years.
- Reporting arrangements for the QAIP and service improvement plans.
- How non-conformances with requirements should be addressed.

The Internal Audit service has a number of assurance processes in place to enable effective development and delivery of plans and identify areas for continuous improvement. The core principles for service delivery and improvement are also adopted for Counter Fraud activities though some of the specific operational requirements are different.

Quality Assurance Framework

This is the framework under which the Internal Audit Service carries out regular assessment of its conformance with PSIAS standards as required in the Quality Assurance Improvement Plan. Outcomes of assessments are reported to Audit Committee and consolidated in the Annual Review of the Effectiveness of Internal Audit. Details are provided in relevant templates for audit activities, reporting and post audit review.

Activity	Frequency	Role	Purpose
Audit Activities are planned, monitored and delivered – via Annual Audit Plan and monitoring reviews	Annually	Auditors, Leads and Audit Manager with HARM	Risk based audit assignment planning undertaken and agreed for coming year and work assigned accordingly
		SMT, S151 and Audit Committee input and approval	Confirm risk based assurance and consultancy plan has been authorised and is resourced accordingly
	Quarterly Delivery Progress reviews quarterly	Audit leads, Audit Manager and HARM, SMT, S151 and Audit Committee review and challenge	Confirm audit plan is being delivered and reported in line with expectations and priorities set for the coming period.
	Individual Audits monitored against assignment plans	Auditor, Lead Auditor and Audit Manager	Performance management

Activity	Frequency	Role	Purpose
Internal Audit Service Resourcing – via Annual Audit Plan, monitoring reviews, About You process and workforce development plan.	Annually Reviewed quarterly Assessed for each audit	Audit Manager and HARM HARM, S151 and Audit Committee	An analysis of the resources available to the audit service including skills and professional qualifications to enable an assessment of resourcing. Informs learning and development planning to meet any skills gaps and succession planning.
Audit Activities are managed and delivered – via regular management supervisions, quality assurance and sample check via audit checklist	On going for all assignments Monthly sample checks carried out for QA	Audit and Lead Auditor Audit Manager with summary reporting to HARM	Ensures that activities are managed in line with PSIAS and agreed audit processes and procedures. Remedial actions to be determined where necessary to addresses areas of concern Closure and confirmation of GDPR compliance
Post Audit Evaluation – via post audit reviews and use of PAE template	All audits: when reports are finalised and action plans agreed Monthly	Auditor and Lead Auditor Audit Manager to sample review and report in summary to HARM.	What went well; learning Monitoring KPIs for audit specifically against time, quality and cost.

Activity	Frequency	Role	Purpose
Customer Feedback – engagement / satisfaction questionnaires	All audits post audit (issue with Drafts)	Auditor to issue to senior client/s Audit Manager to review and summary report to HARM.	Feedback on value added and audit experience sought from customers to inform improvement plan and capture positive feedback
Audit Impact – via recommendation Monitoring schedule	At least quarterly. At six and nine months past implementation due date	Auditors, Leads and Audit Manager S151, Strategic Directors and Executive Member Audit Committee Strategic Directors, Executive Members and Audit Committee	All high risk critical, major and significant recommendations monitored to evaluate progress and implementation. Follow up activities carried out in line with risk based audit plans. Exceptions reported to SMT and Audit Committee Where recommendation implementation exceeds 6 months Strategic Directors and Executive Members are alerted to the ongoing exposure to risk and at nine months are required to attend Audit Committee to provide an update on actions being taking to address risks.
Annual IA Performance Reviews with key customers - via structured feedback	Annually	HARM and Audit Manager with Audit Committee, Directors and Heads of Service	Feedback on the performance of the audit service and assessment of value added to the control and governance of services and delivery of objectives

Activity	Frequency	Role	Purpose
Complaints and Compliments via corporate complaints process or internal feedback	Throughout the year	Reported to any auditor, lead and Audit Manager. Overseen by HARM. Escalated as required	Positive feedback shared with the relevant auditors and lead auditors. Complaints logged and investigated to ensure appropriate responses are provided. Reported in annual review of IA performance as appropriate.
IA Self-Assessment against PSIAS and Service Improvement Plans – via annual service self-assessment against the PSIAS standards	Annually	Audit Manager and HIA Approved by S151 Review by Audit Committee	To establish areas of strength and for improvement. Reported to the Audit Committee.
External Quality Assessment Against PSIAS – via external review	Five year review	External sourced HIA and S151	To confirm the IA conformance with PSIAS

Internal Assessment

In accordance with PSIAS Standard 1300, internal assessments are undertaken through both ongoing and periodic reviews.

On-going Reviews

Continual assessments will be conducted through:

- Management supervision of all engagements.
- Structured, documented review of working papers and draft reports by Internal Audit management.
- Agreed standard audit methodology used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards.
- Risk based management review and sign off of audit opinions, including by the HARM or Audit Manager based on risk.
- Feedback actively sought from audit clients.
- Monitoring and reporting of KPIs.
- Internal Post Audit Evaluations to assess learning from audit activities.
- About You reviews and team meetings held for review of work and wider contextual issues.
- Regular briefings attended by all members of the Internal Audit team led by HARM and Audit Manager as required.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the PSIAS Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Quarterly performance and assurance updates to SMT and Audit Committee.
- Risk assessment and planning with stakeholders in line with the Audit Strategy to inform development of the annual audit plan.
- Annual review of the Effectiveness of Internal Audit including review of compliance against PISAS and against the QAIP reported to the S151 officer and to Audit Committee.
- Annual appraisal of the HARM in line with 'senior management objectives review'.
- Skills and competency assessment informing service workforce development and learning and development plans

Any significant areas of non-compliance with the PSIAS will be reported in the Annual Review of Effectiveness.

External Assessments

External Quality Assessment (EQA) will appraise and provide an opinion on the function of the internal audit service in conformance with the PSIAS definition of Internal Auditing and the Code of Ethics. This will include recommendations for improvement where appropriate.

The review will be carried out at least every five years and in accordance with PSIAS the scope will be agreed with the S151 officer and Audit Committee and outcomes reported to them. The EQA of the service was last reported to Audit Committee following a review by Liverpool City Council in March 2017.

Any recommendations made will be considered as part of QAIP and the review of effectiveness and actions taken to address them reported back to the S151 officer and Audit Committee along with the opinion so that action can be monitored.

Development Actions

The key service development actions in support of the QAIP and current status were as follows:

Area for Development (source)	Improvement Action	Status
1. Performance measures for the service could be improved (<i>Self-Assessment and EQA</i>)	Core principles for the measurement of performance and meeting quality standards have been identified and specific measures have been agreed. KPIs have been included in the Business Plan and operational measures defined as part of the audit process review. Monitoring of KPIs will be reported as part of quarterly assurance reporting.	Complete
2. Executive Members notified of outstanding high risk audit recommendations (<i>Self-Assessment and EQA</i>)	This is now embedded as part of the audit reporting process to Audit Committee and was operational throughout 2018/19. It will continue as designed in 2019/20.	Complete

Area for Development (source)	Improvement Action	Status
3. Ensure Executive Members are provided with Audit Reports (<i>Audit Committee request</i>)	<p>Original implementation was delayed as part of developing a common audit approach to be applied originally across Manchester as well as Bolton and the GM Combine Authority. GMCA are now developing their own in house service with Transport for Greater Manchester so work has progressed with Manchester and Bolton only</p> <p>A new content, format and distribution process for Audit Assignment and Summary reports has now been developed. This involves a common audit approach for Manchester and Bolton Council including changes to the audit opinion levels; impact assessments and new action plan summaries.</p> <p>The new process will include executive summaries from audit reports to be shared with Executive Members. Feedback on this approach will be sought.</p>	From April 2019
4. Update Internal Audit Charter to reflect new PSIAS Standards (<i>Self-Assessment and EQA</i>)	<p>The refresh of the IA Charter is carried out annually</p> <p>The IA Charter 2019 is at appendix three.</p>	Complete
5. Development of a Quality Assurance Improvement Programme (QAIP) (<i>Self-Assessment and EQA</i>)	This document comprises the QAIP	Complete

Area for Development (source)	Improvement Action	Status
6. Recording of Continuing Professional Development (CPD) for all IA staff (EQA) and Skills Assessments	<p>Business Plan include a Workforce Development Strategy and a learning and development plan in place for the service and is updated regularly, to reflect “About You” discussions and support individual personal development planning. Internal assurance arrangements to be strengthened to ensure consistent application of About You across Service.</p> <p>The requirement to record all CPD is included in “Quality, Ethics and Standards” section of the revised audit approach and all staff are regularly reminded of personal responsibility to comply with relevant professional body requirement for keeping adequate CPD records and this is reviewed at About You sessions in line with Council policy.</p> <p>Process for capturing skills/ competencies across service and plans to address any agreed gaps to be agreed. To be done alongside workplan for new service-wide Workforce Development Group.</p> <p>These actions address partially met assessments against Standards 1210 Proficiency and 1230 Continuing Professional Development</p>	Partially Complete October 2019
7. A formal audit of risk management arrangements has not been completed in the last three years (EQA)	<p>An audit of risk management was included in Annual Audit Plan for 2018/19 and the scope was to provide a corporate view of risk management arrangements within the Council. A draft report was issued to the Deputy Chief Executive and City Treasurer and other stakeholders for comment in March 2019 and will be concluded in line with standard audit processes.</p> <p>To note that to maintain independence of Internal Audit, the Head of Audit and Risk Management did not have any role in oversight of conduct of this audit.</p>	Complete

Area for Development (source)	Improvement Action	Status
8. Documentation of fraud risk, value for money and IT risk at the scoping stage of audits. (EQA)	<p>Auditors have been reminded of the need to consider these risks and issues as part of the audit planning process and to capture this in working papers.</p> <p>This requirement is confirmed in the revised “Assignment Planning” process and has been included in the new audit manual.</p> <p>Consideration of these risks and issues was used as part of the process for developing the 2019/20 audit plan.</p>	Complete March 2019
9. Some inconsistencies were noted in documenting evidence of management review. (EQA)	<p>A standardised management review process is included in refreshed “Fieldwork” process and will be implemented for new audit work from 2019/20.</p> <p>In year action was taken to remind auditors to ensure that review points are retained in audit working papers and audit trails retained.</p>	Complete March 2019
10. Need to refresh the Audit Manual to reflect the Standards. (EQA)	<p>A new agreed audit manual includes reference to the PSIAS standards and will be formally launched in April 2019 for use on the 2019/20 audit programme.</p>	Complete March 2019
11. Engagement results (reports) do not include narrative regarding the limitations on distribution. (EQA)	<p>This action was focuses on confirming that reports were not for broader disclosure. This is not considered a particular risk and rather than add further administrative narrative to reports, the revised templates for reporting do not therefore propose to include any reference to Freedom of Information or other limits on wider disclosure.</p>	Not applicable
12. NEW Service Structure Review	<p>Carry out a review and implementation of new service structure for the Internal Audit Service.</p>	October 2019
13. NEW Implement refreshed Customer Satisfaction Assessment process (self-assessment)	<p>Structured interviews with key stakeholders to seek feedback</p> <p>Develop a google questionnaire for issue to customers as part of the draft reporting process.</p>	To confirm approach by end May 2019

Area for Development (source)	Improvement Action	Status
14. NEW Refresh quarterly assurance update report for senior managers at DMTs. (self-assessment)	Confirm consistent report format for quarterly reporting in line with new Key Performance Indicators and progress reporting	In progress Target June 2019
15. NEW Enhance process to ensure that retention and destruction processes are complied with for hard copy and electronic records (self-assessment)	<p>Confirm policy on retention and destruction with all staff following reissue in audit manual</p> <p>Confirm that there is compliance with new checklist actions, within new audit manual, on audits which include requirement for post audit review and clear-down of documents held.</p> <p>Confirm internal operational reporting mechanism to senior management.</p>	In progress Target June 2019
16. NEW Review, update and implement a streamlined audit approach.	<p>Common audit approach (Manchester and Bolton) 95% complete. Applied in part for audit planning 2019/20</p> <p>For launch for delivery of 2019/20 audit plan</p> <p>New approach and reporting formats includes action to ensure compliance with Standard 2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</p> <p>New approach and planning addresses requirement under Standard 2030 Resource Management: Does the risk-based plan explain how internal audit's resource requirements have been assessed?</p>	Go live from April 2019 and 3 month review by end June 2019

Area for Development (source)	Improvement Action	Status
17. NEW Agree approach and system/s for document recording, retention, time recording and performance reporting - audit management system.	Options appraisal to be completed by Audit Manager to HARM to inform next steps	End April 2019
18. NEW Confirm an internal quality assurance review process supporting new processes and to inform assessment of PSIAS conformance.	Assurance principles and processes set out in audit manual to be applied for 2019/20 audits and assessed as part of three month review.	Go live from April 2019 and 3 month review by end June 2019

Review of the QAIP

The QAIP will be reviewed and updated appropriately as required following any changes to the standards or to the Internal Audit services own procedures. This review will be carried out at least annually and confirmed with the S151 officer and reported to Audit Committee as a result.