

**City and County of Swansea**

**Internal Audit Section**

**Quality Assurance and Improvement  
Programme**

**2016/17**

## **1. Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory for all providers of public sector internal audit services in the UK.
- 1.2 It is a requirement of the PSIAS that internal audit providers must maintain a Quality Assurance and Improvement Programme (QAIP) which covers all aspects of the internal audit activity and is intended to assist in raising standards across the public sector and ensuring consistency in improvement.
- 1.3 The establishment of a QAIP will allow the evaluation of the operations of Internal Audit and identify any areas for improvement. The QAIP should allow for quality to be assessed at both individual member of staff level and at the team level.
- 1.4 The QAIP allows internal audit providers to be assessed, both internally and externally, to show that the provider is fully complying with the PSIAS. Internal assessments are both ongoing and periodic and an external assessment must be undertaken at least once every 5 years.
- 1.5 The results of the QAIP will provide evidence to all relevant stakeholders that the City and County of Swansea's Internal Audit Section is
  - Performing its work in accordance with its Internal Audit Charter which is consistent with all aspects of the PSIAS i.e. the Mission of Internal Audit, Definition of Internal Audit, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Attribute and Performance Standards.
  - Operating in an efficient and effective manner
  - Is adding value and continually improving internal audit operations.
- 1.6 The QAIP should be based on the following key elements to ensure compliance with the Standards
  - Supervision of the work undertaken by internal auditors as an ongoing process throughout the year.
  - Internal reviews or self-assessments to appraise the quality of the audit work and compliance with the PSIAS which is usually undertaken on an annual basis.
  - External reviews carried out by a qualified independent person to appraise the quality of the audit work and compliance with the PSIAS which must be completed at least once every 5 years.

## **2. Internal Assessment – Ongoing Review**

2.1 The following systems and procedures have been established to form the internal assessment ongoing review element of the QAIP.

- Policies and procedures have been established to guide staff in the performance of their internal audit duties. The policies and procedures have been included in the Internal Audit Manual but the Manual needs to be reviewed to ensure consistency with the PSIAS. In the meantime, guidance in policies and procedures is provided to internal audit staff by the Chief Auditor, Principal Auditor and Senior Auditors. The Team also has access to a set of guidance notes and templates that are stored on a shared drive for staff to refer to when necessary.
- Audit work is allocated to staff based on their level of skills, experience and competence. A quarterly Audit Plan is prepared by the Principal Auditor which allocates audit assignments to staff and is reviewed by the Chief Auditor before being issued.
- A Lead Auditor is assigned to each audit and will be either the Principal Auditor or a Senior Auditor. The role of the Lead Auditor is to supervise and monitor progress in completion of the audit and to complete a quality assurance review to ensure that the work has been completed to the required level and complies with the PSIAS. The level of supervision required will depend upon the competence and experience of the auditor.
- The Lead Auditor will also review the draft and final report to ensure it fully reflects the findings of the audit and includes appropriate recommendations and level of assurance.
- All draft and final reports are subject to review by the Principal Auditor prior to being issued.
- A Quality Control Questionnaire is issued with the final report to the client to obtain their feedback on the audit. Any issues identified in the completed QCQ are discussed with the auditor and action taken where required.
- A comprehensive set of Performance Indicators are maintained as shown in Appendix 1. The PI's are measured at team and individual level with targets being set at the start of each year. The PI's measured at individual auditor level are monitored on a quarterly basis by the Principal Auditor and Chief Auditor and any issues identified are discussed with the auditor and action taken where necessary. The team PI's are monitored annually and are reported to the Head of Financial Services & Service Centre and the Audit Committee in the Internal Audit Annual Report.
- An action plan has also been produced as part of this report as shown in Appendix 2 to provide some justification in relation to those PI's that have not been achieved, together with proposed action that will be taken in 2017/18 to try and rectify this going forward.

- The Welsh Chief Auditors Group collects performance indicator information from across Wales which is used to compare performance against other similarly sized internal audit teams.
- Performance indicator information is also used as part of the annual appraisal process under the Employee Performance Management Policy. All employees receive an annual appraisal which is a competency based process that reviews performance and training and development needs.
- Use is made of available training programmes to keep staff up to date with professional practice and to meet any skill shortages identified. Particular use is made of the annual training programme put together by the South Wales Chief Auditors Group.

### **3. Internal Assessment – Periodic Review**

3.1 The following systems and procedures have been established for the periodic internal assessment

- A quarterly review of progress made against the Annual Audit Plan is made by the Chief Auditor to ensure the Section is meeting its aims and objectives. The results of the review are reported to the Head of Financial Services & Service Centre and the Audit Committee in the quarterly Internal Audit Monitoring Report.
- The Chief Auditor completes an annual self-assessment of compliance with the PSIAS using the detailed checklist included in CIPFA's Local Government Application Note. The results of the self-assessment are reported to the Audit Committee.
- The annual self-assessment also fulfils the requirement established in the Accounts and Audit (Wales) Regulations 2014 for an annual assessment of the effectiveness of the Internal Audit service.

### **4. External Assessments**

4.1 An external assessment of compliance with the PSIAS must be completed at least once every 5 years and may either be a full external assessment or a self-assessment which is subject to independent external validation.

4.2 The format of the external assessment must be considered fully by the Chief Auditor and discussed with the Audit Committee. If an independent validation is to be used, the person or team appointed must be appropriately qualified, have sufficient knowledge of the PSIAS and there must be no conflicts of interest or impairment to objectivity.

4.3 The external assessment in Swansea will be undertaken during quarter 3 2017/18 and the preferred method is a self-assessment subject to an external validation using the peer review group established by the Welsh Chief Auditors

Group. This approach has been agreed with the Head of Financial Services & Service Centre but needs to be agreed by the Audit Committee.

- 4.4 The Welsh Chief Auditors peer group will see Chief Auditors acting as independent assessors of other Internal Audit Sections arranged on a random basis. The external review of the City and County of Swansea will be undertaken by the Chief Auditor of the City and County of Cardiff while the Chief Auditor of Swansea completed the review of Blaenau Gwent.
- 4.5 A report will be produced detailing the findings and any recommendations arising from the external assessment which will also be made available to the Head of Financial Services and to the Audit Committee.

## **5 Reporting**

- 5.1 The Chief Auditor will report the outcome of the periodic internal assessment to the Head of Financial Services & Service Centre and the Audit Committee on an annual basis.
- 5.2 The results of the external assessment will also be reported to the Head of Financial Services & Service Centre and the Audit Committee when received along with an Action Plan to address any issues raised in the report. The Action Plan will be subject to regular monitoring with progress being reported to the Head of Financial Services & Service Centre and the Audit Committee.
- 5.3 The Chief Auditor will only use the phrase 'Conforms with International Standards for the Professional Practice of Internal Auditing' in reports where the results of the QAIP support the statement.

## INTERNAL AUDIT – PERFORMANCE INDICATORS

No.	Performance Indicator		Target 2016/17	Actual 2016/17	Achieved/ Not Achieved
1	Audit assignments achieved against planned	%	75	50	Not Achieved
2	Clients at least satisfied with quality of audit service	%	98	99	Achieved
3	Audit recommendations accepted against made	%	95	98	Achieved
4	Audits completed within planned time	%	70	58	Not Achieved
5	Directly productive time against time available	%	65	62	Not Achieved
6	Average period from client response to issue of final report	Days	3	2	Achieved
7	Average period from closing meeting to issue of draft report	Days	10	6	Achieved
8	Directly productive time achieved against planned time	%	90	90	Achieved
9	Average cost per directly chargeable day	£	278	280	Not Achieved
10	Staff turnover rate	%	15	10	Achieved
11	Staff cost per 1,000 population	£	2,093	1,906	Achieved
12	Staff cost per £m gross revenue expenditure (incl HRA)	£	651	626	Achieved

## INTERNAL AUDIT – SUMMARY OF ACTIONS 2017/18

PI	Target / Result	Justification	Action to be taken 2017/18
1 - Audit assignments achieved against planned	75% / 50%	<p>The original Internal Audit Annual Plan 2016/17 contained 167 audit jobs, of which 83 (50%) were completed to at least draft report stage during the year while a further 38 audits were in progress as at 31/03/17. Taking into account those audits that were in progress at the end of the year, 72% of the audit jobs in the Annual Plan 2016/17 had been completed or were in progress as at 31/03/17.</p> <p>Increased sickness (+156 days) and an extended vacancy (+25 days) resulted in an unexpected loss of 170 productive days in 2016/17. In addition, 85 days were spend on investigations against a budget of 40 days in the original plan.</p> <p>The Team also recruited two new members of staff in year, and one member of the team returned to work following a period of long term sickness. Due to lack of experience Audits took longer to complete (as reflected in PI 4) hence resulting in fewer audits being completed.</p> <p>Given the points noted above, I feel it is positive to note that 72% of the plan had been completed or was in progress at year end.</p>	<p>Sickness absence will continue to be monitored.</p> <p>Quarterly monitoring of progress against the annual plan will continue and this will be reported to the Head of Financial Services and Audit Committee on a quarterly basis.</p> <p>Training of new staff will continue and it is envisaged that with greater experience, new staff will be able to complete audits more promptly, helping to complete more of the Annual Plan in year.</p>
4 - Audits completed within	70% / 58%	As noted above, two new members of staff were recruited in year and one member of the team	Team have been reminded to ensure they monitor their individual

PI	Target / Result	Justification	Action to be taken 2017/18
planned time		returned to work following a long period of sickness. Due to lack of experience audits therefore took longer than expected to complete.	budgets more closely.  Principal Auditor will continue to monitor this on a periodic basis and will take the required action with the staff concerned throughout the year.
5 - Directly productive time against time available	65% / 62%	Due primarily to an increase in budgeted sickness absence (+156 days) and vacancy (+25 days) we experienced a significant reduction in the number of productive days.	Sickness will continue to be monitored throughout 2017/18.
9 - Average cost per directly chargeable day	£278 / £280	PI almost achieved. No significant reason for failure.	Costs will continue to be monitored throughout 2017/18.