

REPORT TO: SCRUTINY COMMITTEE – 10 DECEMBER 2014

REPORT ON: QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 463-2014

1.0 PURPOSE OF REPORT

To advise Members of the requirements contained within the Public Sector Internal Audit Standards (PSIAS) in respect of the Quality Assurance and Improvement Programme (QA&IP) and provide a summary of the approach and actions that have been taken to date including the identification of potential areas for improvement.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

- 4.1** A report on the Public Sector Internal Audit Standards (PSIAS) was submitted to the Scrutiny Committee in June 2013 (refer Report No. 283-2013). Members were advised in this report that these Standards are mandatory for internal audit within the UK public sector and to ensure conformance with the PSIAS a review of the existing working practices and documentation of the Council's Internal Audit Service would be undertaken to identify potential gaps and areas for improvement. In addition, Members were advised that as part of this review update reports would be submitted to Committee as appropriate. To date in this respect Members have received the Internal Audit Charter which has been updated to reflect the requirements under the PSIAS (refer Report No 75-2014). Appendix A provides, for information, a summary of the elements that underpin the PSIAS namely the definition of internal auditing, the code of ethics and various attribute and performance standards.
- 4.2** Standard 1300 of the PSIAS entitled Quality Assurance and Improvement Programme (QA&IP) states that "the chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity". The key aim of this programme is to assess the efficiency and effectiveness of the internal audit activity within the context of the requirements contained in the PSIAS and identify opportunities for improvement.
- 4.3** One of the requirements under Standard 1300 is that the QA&IP must include both internal and external assessments with the latter being undertaken at least once every five years by a qualified, independent assessor from outside the organisation. In terms of the internal assessments, conformance is evaluated through both ongoing monitoring and periodic self assessment. In terms of the external assessment, whilst this does not require to be undertaken imminently it is currently planned that when it does fall due it will be undertaken as part of the External Quality Assessment Framework being developed by the Scottish Local Authorities Chief Internal Auditors' Group.
- 4.4** The initial self assessment review between the PSIAS and the Council's Internal Audit Service has been undertaken utilising the checklist contained within the CIPFA Local Government Application Note. This Application Note is sector specific and has been drafted to provide supplementary guidance for local government organisations which require to conform with the PSIAS. The checklist, which has been developed to satisfy the internal and external assessment requirements under the PSIAS, includes an extensive list of assessment criteria. These provide detailed coverage of the various requirements included within the PSIAS.

4.5 Under the PSIAS it is now a requirement that the Internal Audit Annual Report prepared by the Chief Internal Auditor includes a statement regarding conformance with the PSIAS. The first such statement was included in the 2013/14 Internal Audit Annual Report reported to the June Scrutiny Committee (Report No 270-2014). This stated “*whilst the Council’s internal audit service generally conforms with the requirements of the PSIAS, some areas of improvement have been identified*” and that “*based on this assessment it is intended that an action plan will be developed of the areas of improvement and that this be formally reported during 2014/15*”. Since the initial assessment was undertaken some of the improvements identified have already been taken forward. One of the key areas in this respect has been the introduction of an electronic survey tool to formally capture client feedback on the internal audit reviews that have been undertaken. The action plan arising from the initial internal assessment, summarising the outstanding areas for improvement, along with the responsible officer for taking these forward and the projected implementation date, is attached at Appendix B.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 25 November 2014

Public Sector Internal Audit Standards - Framework Overview	
Definition of Internal Auditing	
Code of Ethics	
Attribute Standards	
1000	Purpose, Authority and Responsibility
1100	Independence and Objectivity
1200	Proficiency and Due Professional Care
1300	Quality Assurance and Improvement Programme
Performance Standards	
2000	Managing the Internal Audit Activity
2100	Nature of Work
2200	Engagement Planning
2300	Performing the Engagement
2400	Communicating Results
2500	Monitoring Progress
2600	Communicating the Acceptance of Risks

**Dundee City Council
Internal Audit Service**

Quality Assurance and Improvement Programme – Action Plan

Standard	Area	Action	Responsible Officer	Implementation Date
1200	Job Descriptions / Person Specifications	Review and update to ensure that they adequately reflect current roles and responsibilities for the post and define the required qualifications, skill and attributes.	Chief Internal Auditor	31 March 2015
1200	Continuing Professional Development	Further develop training requirements in line with best practice.	Chief Internal Auditor	30 June 2015
1300	External Assessment	Determine when this will be carried and how it will be undertaken.	Chief Internal Auditor	30 September 2015
1300	Performance Monitoring	To assess and refine the current performance framework in place to improve service delivery.	Chief Internal Auditor	30 June 2015
2000	Assurance Mapping	To complete the assurance mapping exercise currently ongoing and thereby formalise the approach to utilising other sources of assurance.	Chief Internal Auditor	30 September 2015
2300	Records Management	Review the record retention schedules for the engagements that have been undertaken and update as appropriate.	Chief Internal Auditor	31 March 2015
2400	Communicating Results	Formally advise clients that engagements have been conducted in conformance with the PSIAS.	Chief Internal Auditor	31 December 2014
2400	Audit Opinions	Review the terminology included in the reporting of engagements and update as appropriate.	Chief Internal Auditor	31 March 2015
2500	Monitoring Progress	Further improve the progress and follow-up review process to ensure the actions agreed have been satisfactorily implemented.	Chief Internal Auditor	30 June 2015