AUDIT & GOVERNANCE COMMITTEE   25 June 2014
REVIEW OF INTERNAL AUDIT EFFECTIVENESS

LEAD OFFICER: **Angela George,**

                        Interim S.151 Officer

AUTHOR: **Peter Usher, Audit Manager**

1.0   EXECUTIVE SUMMARY

1.1   Internal audit provides independent assurance on the Council's arrangements for governance, risk management and internal control in support of delivery of the Council's strategic priorities.

1.2   The Council is required under the Accounts and Audit Regulations 2011 to undertake an annual review of the effectiveness of its internal audit arrangements and report the outcomes for consideration by Audit and Governance Committee as part of the system of internal control.

1.3   From 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) replaced the CIPFA Code of Practice as 'proper practices' in relation to internal control. It is therefore against the PSIAS and associated Local Government Application Note (LGAN) that the internal audit arrangements have been assessed.

1.4   Having conducted a comprehensive review of internal audit against the PSIAS and LGAN checklist, I have concluded that with the exception of a small number of minor areas for development, Copeland Borough Council's internal audit arrangements are in conformance with the Public Sector Internal Audit Standards and are adequate and effective to deliver the annual opinion of the Head of Internal Audit.

2.0   RECOMMENDATION

2.1   Members are asked to note the report and agree the QAIP and performance measures at Appendix C.

3.0   BACKGROUND

3.1   The Council is required under the Accounts and Audit Regulations 2011 'to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'. Proper practices are now those documented within the Public Sector Internal Audit Standards (PSIAS) and associated Local Government Application Note (LGAN).

3.2   The Audit Manager is required under the PSIAS to include within his annual report, a statement of conformance with the Standards. Any instances of non-conformance must be reported to Audit and Governance Committee. Furthermore, any significant non-conformance should be considered for inclusion within the Council's Annual Governance Statement.

3.3   The Local Government Application Note produced by CIPFA contains a checklist for periodic self-assessment of conformance with the standards. The checklist which runs to over 50 pages incorporates the requirements of the PSIAS as well as those from the LGAN to ensure comprehensive coverage of both documents. The checklist is not attached to this report but

it is summarised in Appendix A and has been discussed with the Chair of the Audit and Governance Committee. It will also be available for inspection by the external auditor.

3.4   Internal audit has undertaken a significant programme of development work over 2013/14 in order to modernise the service and ensure its work is undertaken in conformance with the Standards. Projects have been undertaken in the following areas:

- A review of the approach to audit planning to ensure a fully risk based approach is taken across the Shared Internal Audit Service

- A review of the approach to scoping and closing out audit reviews to increase senior management input and buy-in to internal audit work

- A review of the approach to undertaking internal audit reviews to ensure a fully risk-based approach is adopted

- A review of the performance management framework to identify a suite of performance measures to allow more effective management of the service

3.5   The service is also nearing completion of a staffing restructure designed to reduce costs and ensure that the staffing structure is appropriate to deliver the new risk based audit plans across the shared service. At the same time, the team (except for Copeland-based staff) will move to a new core office location which will allow the audit team to work more closely together, thereby increasing knowledge sharing and further enhancing the delivery of the shared internal audit service.

3.6   These development areas have impacted to a degree on the delivery of the audit plan for 2013/14 as these were not built into audit planning for 13/14. Where planned audit reviews were not delivered in 2013/14, these were considered as part of the risk based approach to audit planning for 2014/15 to ensure that areas still considered high risk are covered by internal audit.

3.7   Internal audit was also subject to a review by Grant Thornton during 2013/14 designed to provide recommendations to assist with conformance with the Standards. Good progress has been made with the implementation of the actions arising from the report and an update is attached to this report at Appendix B.

4.0   Summary and Conclusion

4.1   Having undertaken a comprehensive self-assessment against the PSIAS and LGAN checklist, as Section 151 Officer for the Council, I conclude that the work of internal audit has been delivered in conformance with the required standards.

4.2   A small number of areas have been identified where conformance has not been fully achieved and actions are in place to address these during 2014/15. These items are not considered to have impacted on the reliance that can be placed on the work of internal audit or on the quality of the overall opinion provided. The specific areas are set out below:

- The core elements of a Quality Assurance and Improvement Programme were in place during the year but this had not been documented and shared with Audit and Governance Committee during 2013/14. A draft QAIP is attached as an appendix (appendix C) to this paper.

- There is a requirement for a comprehensive set of performance measures to be in place for the service. A small number of measures of internal audit

performance were in place during 2013/14, these have been further developed for 2014/15 and are attached at Appendix C Annex 1.1

- There is currently no documented policy for the retention of internal audit documentation. Whilst no issues have arisen in relation to information governance within the service, it is acknowledged that a policy needs to be developed during 2014/15.

4.3   None of the above items are considered significant for inclusion in the Council's Annual Governance Statement for 2013/14.

4.4   A summary of the outcomes of the completed self-assessment is attached at Appendix A.

4.5   An update on the Grant Thornton Review of Internal Audit Effectiveness is attached at Appendix B.

Angela George
Acting S151 Officer
June 2014

APPENDICES

Appendix A - Review of Internal Audit Effectiveness (Summary)
Appendix B – Update on agreed actions from Grant Thornton review of Internal Audit Effectiveness
Appendix C – Draft Quality Assurance and Improvement Programme
Appendix C Annex 1.1 – Draft performance measures for Internal Audit
Appendix C Annex 1.2 – Internal Audit Customer Feedback form

Appendix A – Review of Internal Audit Effectiveness (Summary)

1.   Definition of Internal Auditing

1.1.   Internal audit work is carried out in line with the definition of internal auditing so as to provide independent assurance on the Council's systems of risk management, governance and internal control.

1.2.   All internal audit reviews result in an audit report detailing the level of assurance that can be given. Standard definitions are in place to ensure consistency in the assurance levels across the service.

1.3.   Internal audit does not have any operational responsibilities, thereby ensuring its ability to independently review all of the Council's systems, processes and operations.

2.   Code of Ethics

2.1.   The internal audit team have been made aware of the mandatory code of ethics within the PSIAS and had the opportunity to discuss this at a team meeting during 2013/14.

2.2.   All internal audit work is performed with independence and objectivity and all staff are aware of the need for them to declare any relevant business interests in order that any potential conflict of interest or compromise to audit objectivity is effectively managed.

2.3.   Staff are aware of their responsibilities in relation to confidentiality and information governance.

2.4.   Arrangements are in place to ensure that work is performed by staff with the appropriate skills, knowledge and experience and that training and development needs are identified through annual appraisals and six month reviews.

3.   Purpose, Authority and Responsibility

3.1.   An internal audit charter is in place which defines the purpose, authority and responsibility of internal audit as well as its rights of access to all information, premises and personnel for the purpose of completing internal audit reviews.

3.2.   The charter sets out the functional reporting line of the Audit Manager to the Audit and Governance Committee to ensure internal audit independence.

3.3.   The Audit Manager attends all meetings of the Audit and Governance Committee and contributes to the agenda for all meetings through agenda setting meetings with the Chair.

3.4.   The Audit Manager has direct access as required to the Corporate Leadership Team, the Chief Executive and the Audit Committee Chair.

3.5.   The reporting lines for the Audit Manager ensure that internal audit independence is maintained and in line with the Standards. The Audit Manager is line managed by the Group Audit Manager within the Shared Internal Audit Service. He also reports directly to the S151 Officer at Copeland who is a member of the Corporate Leadership Team.

3.6.   There have been no identified threats to internal audit independence or objectivity during the year.

4.   Proficiency and Due Professional Care

4.1.   The Group Audit Manager and all Audit Managers within the service are professionally qualified and experienced to deliver an effective internal audit service.

4.2.   The staffing structure was being revised during 2013/14 and will be implemented in 2014/15. All job descriptions and person specifications have been revised to reflect the duties required to deliver the risk-based approach to internal auditing and the skills needed to undertake the roles.

4.3.   The team has a wide range of skills and experience brought about in part by the creation of the Shared Internal Audit Service which brought together a number of existing internal audit teams into a single service. One member of the team has completed a computer audit qualification during the year and is now developing his portfolio through delivery of computer audit work across the shared service in order to obtain professional accreditation.

4.4.   All audit work is undertaken with due professional care and reviewed by an Audit Manager to ensure that the work undertaken supports conclusions reached.

4.5.   A Quality Assurance and Improvement Programme (QAIP) has been developed during 2013/14 and is to be reported to Audit and Governance Committee at its meeting in June 2014 – see Appendix C. Whilst the programme had not been formally documented and reported during 2013/14, it is considered that the core elements of such a programme were in place and demonstrate conformance with the Standards.   In particular:

- measures of internal audit's performance were reported to Audit and Governance Committee on a regular basis through the quarterly progress report

- a customer feedback mechanism was in place to capture service improvements from the customer point of view

- a programme of service improvement was delivered during 2013/14

- an external assessment was undertaken by Grant Thornton and an action plan agreed to address the recommendations arising, the outcomes of the review were reported to the Audit and Governance Committee

- an internal self-assessment against the PSIAS & LGAN was undertaken early in 2013/14 and again in March 2014 following completion of service development projects

4.6.   It is recognised that there has been scope for further development of the QAIP, in particular around the development of more comprehensive measures of internal audit performance and the work to identify these has now concluded.

5.   Performance Standards

5.1.   Internal audit work is undertaken to support the purpose of internal audit as defined within the audit charter. Management arrangements are in place to ensure that all work is delivered in accordance with the charter and to deliver relevant assurance to management and Audit and Governance Committee.

5.2.   Risk based audit plans have been developed across the shared internal audit service. The plans have been developed to enable an overall annual opinion to be provided on the arrangements for governance, risk management and internal control.

5.3.   In developing the plans, account has been taken of the organisation's risk management frameworks, the expectations of senior management and emerging national and local issues. Consideration has also been given to the risk of fraud.

5.4.   Audit plans have been developed based on a documented risk assessment and include some contingency to allow internal audit to respond to emerging risks. Arrangements are in place to report required amendments to audit plans to Audit and Governance Committee should this become necessary.

5.5.   The plans identify the audit resources required to deliver them and arrangements are in place to allocate the workload across the audit team in advance to ensure all plans can be delivered.

5.6.   It is acknowledged that the audit manual in place during 2013/14 had not been maintained and this was a recommendation made by Grant Thornton in their review of internal audit. The manual is now being updated to reflect the new working practices as the various projects conclude. The updating of the audit manual will continue through 2014/15 as working practices continue to be reviewed.

5.7.   Internal audit contributes to improving the Council's operations through delivery of approved audit plans. Internal audit recommendations are aimed at strengthening performance and risk management, governance and ethical policies and values and internal controls.

6.   Engagement Planning

6.1.   All internal audit reviews are scoped and a brief prepared setting out the scope and objectives of the audit work together. This process has been fundamentally reviewed during 2013/14 to ensure that management input to the scope of each audit is obtained. A standard client notification document has been designed and will be used for all audit reviews undertaken from the 2014/15 audit plans. Audit scopes include consideration of systems, records, personnel and premises.

6.2.   The audit planning process includes a preliminary assessment of risk for each audit included in the plan. Auditors then undertake research as part of planning individual audit reviews to identify specific risks within the area under review. Within the risk based approach, once the scope of an audit is agreed, a full risk identification exercise is undertaken as part of the audit fieldwork. This ensures that risk is considered throughout the audit process.

6.3.   The Internal Audit management review process ensures that workplans are prepared for each audit that document how the audit objectives will be met and that sufficient audit work is undertaken to support conclusions reached.

6.4.   Internal audit has not yet established a document retention policy. The Standards require that a policy is in place and arrangements ensure that it is complied with.   The opportunity has been taken in preparing for the office move to shred files that are no longer required.   However it is acknowledged that a document retention policy is required in order to demonstrate full conformance with the standards.

6.5.   All internal audit work is subject to management review, however during 2013/14, there has not been a consistent approach in place to documenting and retaining evidence of this review. This has now been addressed through the review of the internal audit process and identification of key stages for manager review of audit files and reports.

6.6.   All internal audit reports are issued in draft for management comments and agreement of the factual accuracy and completion of the action plan. It was identified during

2013/14 that clients would appreciate the opportunity to discuss the draft reports with the auditor and this has now been implemented for 2014/15.

6.7.   Audit final reports issued in relation to 2013/14 audit plans were accurate, comprehensive and complete. All contained an assurance statement and agreed action plan (where recommendations had been made). During 2013/14, it was identified that there was an opportunity to revise the report to make it more concise. This has now been completed and a new report format has been approved by the Section 151 Officers of the Internal Audit Shared Service participants for implementation from 1st April 2014.

6.8.   The Audit Manager produces an annual report to Audit and Governance Committee which includes the overall opinion on the arrangements for governance, risk management and internal control. The report includes a summary of the work undertaken in support of the opinion.

7.   Monitoring Progress

7.1.   Arrangements are in place for follow up of agreed actions arising from internal audit reports and the outcome of these is reported to Audit and Governance Committee within the quarterly progress reports.

8.   Communication of the Acceptance of Risks

8.1.   Arrangements are in place to ensure that where key risks are accepted by management, this is discussed with senior management. Should the Audit Manager consider that the organisation is accepting a level of risk that may be unacceptable, this would be reported to the Audit and Governance Committee.

AUDIT & GOVERNANCE COMMITTEE   25 June 2014
REVIEW OF INTERNAL AUDIT EFFECTIVENESS

Appendix B – Update on agreed actions from Grant Thornton review of Internal Audit Effectiveness

Recommendation		Progress at 30th April 2014	Status
Planning			
1	The Group Audit Manager should work with the Audit Managers to develop a uniform, risk-based approach to internal audit planning.	The Group Audit Manager and Audit Managers have adopted a risk based audit planning methodology for the 2014/15 internal audit plans. Planning methodology includes: • consultation with senior management to identify priorities for audit plans • review of corporate risk registers • identification of Annual Governance Statement issues • internal audit knowledge and experience A risk assessment methodology is being used to identify respective priorities for internal audit taking into account factors including; • legal and reputational risk • financial risk • any known issues • time since last audit review In line with recommendation 3 below, longer term rolling programmes of financial system audits are being developed in conjunction with each organisation. All audit plans across the Shared service have been approved.	Completed
2	The Group Audit Manager should present to Audit Committees on the coverage of key risks annually and over a longer term.	Audit plans are being developed to include the longer term programmes of financial system reviews to give audit committees an indication of when these reviews will take place within the cycle.	Completed
3	Under the risk-based internal audit	The audit planning process has taken into account the requirements of each	Completed

Recommendation		Progress at 30th April 2014	Status
	approach, the Service should consider the need to audit financial systems annually, potentially releasing days to focus on areas of greater risk.	participating organisation and formulated longer term plans for the financial system audit reviews over a three year period. This has allowed for a higher proportion of the audit plans to focus on more strategic risks and governance arrangements.	
4	The Internal Audit Plan should clearly identify the key risks that each audit review is designed to address. In addition, the rationale for each audit should be clearly articulated including management and / or Audit Committee Members' concerns.	Internal audit plans for 2014/15 incorporate the rationale for inclusion in the audit plan (eg management or internal audit priority, inclusion in corporate risk register, AGS issue etc). Plans are also being developed to include a brief description of the key areas the review is designed to cover in line with the management consultation and risk assessment methodology.	Completed
5	The benchmarking information provided by CIPFA should be reviewed and used to direct internal audit resources more effectively.	CIPFA benchmarking information has been reviewed and where this identified that internal audit resources were not in line with comparator organisations (eg financial systems audits), this has been factored into planning for 2014/15. The resulted in reductions in both computer audit work and financial systems audits and an increase in service department risk-based audit reviews and corporate reviews.	Completed
6	Management should work with the Group Audit Manager to develop Integrated Assurance Framework for each client this facilitating the identification of gaps or duplication in assurance provision.	Internal audit has been collating information as part of the 2014/15 planning process, to identify where other sources of assurance are in place. This information has been used to avoid duplication and ensure the most appropriate use of internal audit resources. Further work will be undertaken during 2014/15 to fully document the various sources of assurance available.	In progress
Performance			

Recommendation		Progress at 30th April 2014	Status
7	An Internal Audit Manual should be developed and introduced following the review of the internal audit approach, standardisation of working papers and reporting format. Training should then be provided to all staff to ensure that they fully understand the requirements within the manual. The Manual should be followed by all staff and used to provide feedback in terms of compliance with agreed standards and practices thus driving improvements in quality.	A number of service development projects have been undertaken and the outputs from these have included documented procedures which will be incorporated into the Audit Manual for the service. Some service development projects are due to commence during 2014/15 and these will also contribute to the updated audit manual. All audit staff will be trained in the new approach, working papers and audit reporting arrangements. A Quality Assurance and Improvement Programme is being developed for the service and this will help us monitor compliance with agreed processes and identify areas for improvement.	In progress
8	Shared Service Internal Audit performance measures should be developed, discussed and agreed with management and the Audit Committees, eg. • Issue of audit scoping within an agreed number of days prior to start on site; • 100% of scoping documents to be agreed; • Draft reports to be issued within an agreed number of days following debrief meeting; and • Draft reports to be finalised within an agreed number of	A set of proposed performance measures has been prepared for the service and discussed with the Shared Service Operations Board. The agreed performance measures will be monitored by the audit management team on a monthly basis and will be used to manage and develop the team. Performance will be reported to the Audit Committees on a quarterly (annual for certain measures) basis.	Review Completed, monitoring and reporting of PIs to be implemented during 2014/15

Recommendation		Progress at 30th April 2014	Status
	days following issue to management. Actual performance should be reported to management and the Audit Committees on a regular basis.		
People			
9	More opportunity should be provided for staff, where appropriate, to work across the various clients using the Shared Service in order to start to realise one of the main benefits perceived from the creation of the Service.	Workplans have now been developed for the shared service as a whole and work allocated across the team for the year. Work allocations have taken into account various factors including the need for greater opportunity for staff to work across all clients of the shared service. The current restructure and impending relocation of the audit team will help us further address this recommendation.	Completed
10	The results of the staff survey should be reviewed by the team to collectively identify appropriate outcomes which address both personal development and improved service delivery opportunities	The results of the staff survey will be fed into the annual performance appraisals to ensure that the issues identified are picked up and addressed as appropriate.	Outstanding
Profile			
11	The Group Audit Manager should agree a plan to raise the profile of the service, agreeing measures of success with key stakeholders.	Work on raising the profile of internal audit has been ongoing during 2013/14. Audit Managers have attended Audit Committees and Senior Management team meetings to discuss audit plans, the approach to audit planning and delivery of audit work.	Ongoing

Recommendation		Progress at 30th April 2014	Status
		A communications plan will be developed in 2014/15.	
Products			
12	The standard format for internal audit reports should be developed for the Shared Service. These should include an Executive Summary which clearly and succinctly articulates: • The conclusion / assurance level; • Audit objectives and scope; • Background to the review; • Areas of good practice, ie what is working well; • Areas for improvement, ie what is not working well; • Summary of recommendations; and • Conclusion from any follow up work.	A new draft report template has been created for the shared service which addresses the recommendations from the Grant Thornton report as well as the Public sector Internal Audit Standards. The report has been approved by the Shared Services Operations Board for implementation from 1st April 2014.	Completed
13	The Group Audit Manager should meet with S151 officers and the Audit Committees to discuss and agree a criteria for determining the rating for audit recommendations.	Gradings for audit recommendations have been considered within the review of the audit report template. A standard approach has been developed for use across the shared service with defined criteria for each grading.	Completed
14	The Shared Service should use the audit recommendation tracking	This is already in place in some areas of the Shared service through the use of the Covalent system.	In progress

Recommendation		Progress at 30th April 2014	Status
	exercise to identify: • Directorates where implementation is particularly slow or not in accordance with the agreed timescales; • Senior managers who do not implement recommendations and provide the Audit Committees with the opportunity to require their attendance before the Committee; and • Recommendations which are not implemented and therefore might identify themes which can be followed up by internal audit.	Consideration is now being given to how this can be developed across the shared service, whilst ensuring that the implementation and monitoring of audit recommendations remains clearly with the management of the organisations.	
15	All audit scoping documents should be agreed with the relevant senior manager responsible for the audit area prior to the commencement of the fieldwork.	A new approach has been developed and rolled out across the team. A scoping meeting is now held at the start of all audit reviews to ensure that the scope takes into account management requirements of the audit and a scope is agreed.	Completed
16	The Shared Service should develop and agree objectives with the respective Service users in relation to their requirement from internal audit. This must have clear regard to the requirements of the PSIAS.	Draft objectives have been prepared and shared with the Shared Services Operations Board. These now need to be formalised and approved as appropriate.	In progress

	Recommendation	Progress at 30th April 2014	Status
17	The Group Audit Manager should ideally attend the Audit Committees of all the Shared Service users at least once a year. As a minimum, we would recommend that attendance coincides with the presentation of the Head of Internal Audit's Annual Internal Audit Report which includes the opinion.	The Group Audit Manager has attended the Audit Committee of each Shared Service participant and continues to do so as appropriate. The Audit Managers have delegated 'Head of Audit' responsibility for the participants of the Shared Service.	Completed

Appendix C – Quality Assurance and Improvement Programme

INTERNAL ASSESSMENTS (PSIAS ref: 1311)

On-going reviews conducted through	Elements
Supervision of engagements	- Work is allocated from the annual risk based plan by the internal audit management team across the shared service - Staff are involved in developing audit scope in conjunction with audit clients prior to commencement - Work is supervised to ensure that it complies with the approved methodology for carrying out an audit - Audit Manager / Principal Auditor attend close out meetings to support the auditor and ensure that key messages are relayed appropriately - Internal Audit reports signed off by Audit Manager
Regular, documented review of working papers during engagements	Audit Manager / Principal Auditor review each audit file to ensure: - The scope and objectives of the audit have been agreed with clients and adequately documented and communicated - Key risks have been identified - The audit testing strategy has been designed to meet the objectives of the audit and testing undertaken to the extent necessary to provide an audit opinion for each piece of work - Audit has been completed in a thorough, accurate and timely manner - The standard of working papers and evidence collected during the audit are in accordance with audit processes and procedures - The draft audit report fully reflects all findings from the audit and these are properly explained and practical recommendations made - The assurance rating is fully supported by the working papers and can be justified by the auditor - The audit has been completed within the time allocation - The audit report has been produced to a good standard in an accurate and timely manner - Training and development needs are identified through the review process. Periodic reviews by the Group Audit Manager to ensure that the

On-going reviews conducted through	Elements
	quality assurance process is being applied consistently.
Audit manual containing all key policies and procedures to be used for each engagement to ensure compliance with applicable planning, fieldwork and reporting standards	Audit manual is being refreshed during 2014/15. At 30th April, the manual contains the risk based audit methodology and key working papers, the code of ethics and performance measures for the shared internal audit service. A training session was held on 8th April 2014 to roll out the new audit methodology. A review of the methodology will be undertaken mid-way through the year and further training will be delivered as appropriate.
Feedback from customer survey on individual assignments	• Customer feedback form reviewed in April 2014 and linked to performance measures for internal audit. • Feedback form issued for all internal audit assignments • Feedback from client satisfaction forms passed on to individual auditors. Any areas identified for learning and development are taken forward • Any common issues are identified and action taken where necessary
Analysis of performance measures established to improve internal audit effectiveness and efficiency	• Monthly monitoring of performance measures by the audit management team in place during 2013/14 • Feedback to individuals / teams as appropriate • Reporting to audit committees on a quarterly basis.
All final reports and recommendations are reviewed and approved by the Audit Manager	Formal sign off and issue of all final reports and recommendations by Audit Manager. New audit report template includes comments from Corporate Director or equivalent.

Periodic reviews conducted through	Elements
Annual risk assessments for the purposes of annual audit planning	• Annual risk assessment of each organisation's audit universe as part of the planning process
Annual assessment of Internal Audit's conformance with its Charter, PSIAS with an	• Review of Charter for conformance • Annual completion of CIPFA checklist for assessing conformance with the PSIAS

improvement plan produced to address any areas of non-conformance identified	• Improvement plan produced to address areas of non-conformance. • Service development plan identifying actions for service improvement.
Benchmarking with other Internal Audit service providers	• CIPFA benchmarking • Networking with North West and County Council Audit Groups
Quarterly reports to audit committees on progress with delivery of the audit plan	• Preparation of progress report for each audit committee and attendance at audit committee by Group Audit Manager and / or Audit Manager.
Annual sign up to Code of Ethics by all internal audit staff	• Signed declaration from all internal audit staff
Annual completion of declaration of business interests from by all internal audit staff	• Signed declaration from all internal audit staff

EXTERNAL ASSESSMENTS (PSIAS ref:1310)

External Assessments will be carried out in accordance with the requirements of the PSIAS and reported to Audit and Assurance Committees as appropriate.

REPORTING ON THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (PSIAS ref: 1320)

The results of the quality assurance programme and progress against any improvement plans must be reported in the annual report.

Internal Assessments – reports of internal assessments will be reported to the Audit Committee on an annual basis;

External Assessments – results of external assessments will be reported to the Audit Committee and S151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written plan in response to significant findings and recommendations contained in the report.

Follow up – The Group Audit Manager will implement appropriate follow up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.

Appendix C Annex 1.1 – Internal Audit Performance Measures

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
Annual Measures to be reported in the Annual Report			
Output Measures			
Compliance with Public Sector Internal Audit Standards	Quality Assurance and Improvement Programme & checklist for assessing conformance with the PSIAS	100%. On-going and annual review to demonstrate conformance with the definition of Internal auditing, code of ethics and standards.	The internal audit service is required to comply with the PSIAS
Preparation of audit plan	Preparation of risk based audit plan to meet client timetables	100%. Measured annually	Annual agreed audit plan is required to enable delivery for the client.
People Measures			
CPD / Training	Average number of days for skills training per auditor	6 days per person.

Reported annually. | CPD is a requirement of the PSIAS. An appropriately skilled workforce will ensure that staff within Internal Audit are continuously improving and adding value to the service provided to clients. |

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
Monthly management measures to be reported to Audit Committees Quarterly			

AUDIT & GOVERNANCE COMMITTEE   25 June 2014
REVIEW OF INTERNAL AUDIT EFFECTIVENESS

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
Output Measures			
Planned audits completed	% of planned audit reviews (or approved amendments to the plan) completed in respect of the financial year.	95% (annual per shared service agreement, 95% target reflects need for audit plans to be dynamic and respond to emerging risks). This indicator will be monitored and reported quarterly to ensure the plan is on track to be delivered.	To enable an annual opinion to be provided on the overall systems of risk management, governance and internal control.
Audit scopes agreed	% of audit scopes agreed with management and issued before commencement of the audit fieldwork	100% Measured monthly Reported quarterly	To ensure the audit is targeted to key risks, has management buy in and adds value. Recommended in the Grant Thornton review of Internal Audit.
Draft reports issued by agreed deadline	% of draft internal audit reports issued by the agreed deadline or formally approved revised deadline agreed by Audit Manager and client.	80% (target is a reflection that this is a new way of working and deadlines may be impacted by several factors including client availability) Measured monthly Reported quarterly	Timely reports add impact & this was a recommendation in the Grant Thornton report.
Timeliness of final reports	% of final internal audit reports issued for Corporate Director comments within 5 working days of management response or closeout.	90% (target recognises that there may on occasion be delays in finalising reports, eg where further work is required to resolve matters identified at closeout meeting) Measured monthly. Reported quarterly	Timely reports add impact & this was a recommendation in the Grant Thornton report.

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
Recommendations agreed	% of recommendations accepted by management	95% quarterly (target reflects that it is management's responsibility to assess their risks and take final decision on whether risk may be accepted)	Measures the quality and effectiveness of internal audit recommendations
Follow up	% of high priority audit recommendations implemented by target date	100% Quarterly	Indicates that Internal Audit are adding value to the organisation.
Assignment completion	% individual reviews completed to required standard within target days or prior approved extension by Audit Manager	75% (target reflects that this is a new way of working for the audit service and systems for monitoring time spent on assignments may need to be further developed)

Measured monthly.

Reported quarterly. | To ensure that all audit plans across the shared service can be delivered. |
| Quality Assurance checks completed | % QA checks completed | 100%.

Measured monthly

Reported quarterly | To ensure compliance with the Public Sector Internal Audit Standards.

Provides on going feedback to the audit team and identifies areas of good practice and areas for improvement |
| Customer Measures | | | |
| Post audit customer satisfaction survey feedback | % of customer satisfaction surveys scoring the service as 'good' | 80% (target reflects the need for internal audit to strive to deliver a customer focused service, but that due to the nature of internal audit roles and responsibilities, may not always elicit | Gauge customer satisfaction and continuously improve the audit service. |

KPI	Measure of Assessment	Target (and frequency of measurement)	Why is this important / rationale
		positive feedback) Measured monthly. Reported quarterly	
People Measures			
Efficiency	% chargeable time	80% (target takes account of non-chargeable activities such as staff holidays, service development projects and team meetings. Measured monthly. Reported quarterly	Measure of productivity.

Appendix C Annex 1.2 – Internal Audit Customer Feedback Form

CUMBRIA SHARED INTERNAL AUDIT SERVICE

CUSTOMER FEEDBACK FORM

[Title of Review – Assignment ref]

The Shared Internal Audit Service seeks continuous improvement in the quality of its service. We are keen to ensure that we meet the needs of our participants, and therefore request your views on how the audit went.

I would be grateful if you would complete the following questionnaire on the audit report you have recently received and return it to the Audit Manager.

For any element rated as 'poor' please provide a brief explanation to support this feedback.

	Very Good	Good	Satisfactory	Poor
Audit Planning and delivery:				
The arrangements made to agree the scope and objectives.				
The auditor's ability to focus on the areas of greatest risk				
The communication of issues found by the auditors during their work				
The quality of feedback at the end of the audit				
Audit Reporting:				
The accuracy, format, length and style of audit reports				
The time taken to issue audit reports				
The relevance of audit opinions and conclusions				
The extent to which recommendations are constructive and practical				
General:				
Overall usefulness of the audit				
The conduct and professionalism of audit staff.				

Other comments:
This may include suggestions for improvement to our service and further details to support you feedback provided above.

Completed by: Date: