

INTERNAL AUDIT IMPROVEMENT PLAN

PART I**UNDERTAKING AND REPORTING OF AUDITS**

The External Quality Assessment recommended that the way in which audits are undertaken should be modified. The key change required is a move away from an “expected controls” approach – where the auditor is directed to confirm the existence and proper operation of specific controls – towards a risk-based approach where the auditor is required to identify and test the controls that management has put in place to mitigate systems’ risks. The EQA also recommended that audit reports should set out clearly the limitations to the audit opinion arising from the nature and breadth of the work undertaken.

OBJECTIVE 1.1

The consistent delivery of risk-based audit assignments of a quality acceptable to the Consortium’s clients and in full conformance with the Public Sector Internal Audit Standards.

	Action	Delivery Date	Evidence of Delivery	Resource Implications
1.1.1	Draft Practice Notes setting out the way in which <ul style="list-style-type: none"> • the planning of audit assignments will identify the system risks about which the clients require assurance; • Auditors will identify and evaluate the controls in place to mitigate specified risks; • Audit Managers will supervise and support the work of the Auditors; • the results of audit assignments will be reported and any limitations of the audit opinion will be recorded. 	20/9/13	DPNs on <ul style="list-style-type: none"> • planning • conduct ; and • reporting of audits delivered to Board 	Production of DPNs and associated work will be a priority for the Head of Consortium. This will have an impact on review and completion of some assignments in progress. This in turn will have a negative impact on Performance Indicators.
1.1.2	Obtain Welland Board’s endorsement of the Practice Notes and make any changes that the Board may require.	27/9/13*	Board notification	
1.1.3	Deliver briefing the Audit Team explaining the new working methodology; new reporting arrangements; and arrangements to support Auditors.	3/10/13*	Meeting minutes	

	Action	Delivery Date	Evidence of Delivery	Resource Implications
1.1.4	Develop scheduling arrangements for the delivery of an initial tranche of audits to be undertaken in line with new Practice Notes such that Audit Managers are in locations allowing for timely: <ul style="list-style-type: none"> • review of Auditors' work in progress; • commission of any necessary remedial work; and • provision of coaching or other necessary support. 	10/10/13	Minutes of Boards	Delivery requires some enhancements to work already commissioned by Welland Board
1.1.5	Agree with Welland Board arrangements to monitor and assess the quality of performance of the initial tranche of audits and to identify of any remedial actions required.	10/10/13	Minutes of Boards	N/A
1.1.6	Carry out monitoring as agreed with Welland Board.	Ongoing to 31/12/13	Quality review to be undertaken by Assistant Director	For a period of 2-3 months, Audit Managers will be providing a high level of support and supervision to Auditors. This will impact upon the delivery of some "high level" assignments which have been allocated to an Audit Manager
1.1.7	Subject to obtaining Welland Board's confirmation that the work undertaken in compliance with Practice Notes meets necessary quality standards, the Audit Manual will be updated so that the Notes define the way in which future audits are to be undertaken.	31/12/13	Updated Manual	No significant additional impact.
1.1.8	Commission modifications to document templates on the Galileo Audit Management System so that Terms of Reference, Audit Reports and other documents are consistent with revised policies and operating practices	31/12/13	New documentation	Its anticipated that changes can be auctioned by the Consortium's System Administrator at no additional financial cost

OBJECTIVE 1.2				
Obtain senior management buy in to, and support for, new working arrangements.				
Action		Delivery Date	Evidence of Delivery	Resource Implications
1.2.1	Deliver presentation to SMT setting out the changes in the way that audit assignments are to be planned, conducted and reported to ensure appropriate quality of work and full conformance with the Standards. The presentation will identify areas in which higher levels of client engagement will be required (particularly in respect of the identification and definition of the system risks about which assurance is sought). The presentation will also identify the benefits likely to accrue to clients.	24/9/13	Minutes of SMT	No significant impact anticipated.
1.2.2	As part of scheduled one-to-one meetings with individual Heads of Service to agree Terms of Reference for 2013/14 audit assignments establish what further guidance and support may be required to allow clients to produce robust statements of their assurance requirements.	4/10/13	N/A	No significant impact anticipated if necessary clarification can be delivered within scheduled meetings
1.2.3	Revise template for the Terms of Reference document used to record the client's agreement to the scope of the assignment. Revisions to the template will provide clients with a further opportunity to clarify or expand upon their requirements for assurance	20/9/13	Terms of Reference documents copied to Assistant Director as part of approval process	See 1.1.8

PART 2**SUPPORTING THE AUDIT & RISK COMMITTEE**

The External Quality Assessment recommended that progress reports provided to the Committee should be redesigned to include outcomes of assignments completed; the actual and planned audit resources taken to deliver assignments; and the impact of assurance opinions, individually and collectively on the Annual Governance Statement. The EQA also suggested that the Consortium's delivery of training to the Committee offered opportunities to improve understanding of internal audit and increase the effectiveness of the Committee

OBJECTIVE 2.1

Ensure that the Consortium's reports provide the Audit & Risk Committee with the information that it wants and needs to discharge its responsibilities under the Public Sector Internal Audit Standards.

	Action	Delivery Date	Evidence of Delivery	Resource Implications
2.1.1	<p>The template for performance update reports will be modified. For each audit completed: the template will capture</p> <ul style="list-style-type: none"> • assurance rating provided • summary of strengths and weaknesses identified • budgeted and actual days required to complete the audit and explanation of significant variances. <p>The template will also provide for the assurances obtained from all completed audits to be mapped and this mapping of assurance will be used – where necessary – to alert the Committee of any issues that may need to be addressed in respect of the Annual Governance Statement.</p>	21/1/14	Report to A&R Committee	N/A
2.1.2	The Committee's views about the suitability of the information provided – and about any unmet information needs – will be canvassed on an ongoing basis	Ongoing from 21/1/14	Report to A&R Committee	N/A
2.1.3	Structure of planned training sessions will be modified so that they include consideration of the use of relevant information to support the Committee in the effective discharge of its responsibilities and on the range and volume of information that Members would wish to receive.	Ongoing from 21/1/14	Records of Training Sessions	No major impact on planned training workload

PART 3**BENCHMARKING & JOINT REVIEWS**

The External Quality Assessment suggested that the Consortium had an opportunity to add value to the service provided to clients by benchmarking audit findings with those of similar audits undertaken for other clients. The EQA also suggested that joint reviews had the potential to add value

OBJECTIVE 3.1

Ensure that opportunities to achieve added value through benchmarking and joint reviews are identified during the process of developing Annual Audit Plans and that the audit planning processes maximise opportunities to achieve added value.

	Action	Delivery Date	Evidence of Delivery	Resource Implications
3.1.1	Draft Practice Note covering the process for coordinating the production of Annual Audit Plans for individual clients. Practice Note will cover: <ul style="list-style-type: none"> • timetabling to allow feedback to each client Authority about assurance sought by other clients; and • role of the Audit Manager in identifying emerging national issues (e.g. Welfare Reform) where there is potential to add value through benchmarking both between the Consortium's clients and with a wider range of potential partners 	20/9/13	DPN delivered to Board	See 1.1.1
3.1.2	Ensure that scheduling of meetings to identify client's assurance requirements for 2014/15 allows for dialogue with relevant managers about the options for and desirability of engaging in benchmarking or joint working.	Ongoing to 21/1/14	Report to A&R Committee on 2014/15 Plan	No significant additional impact anticipated.
3.1.3	Ensure that Draft Practice Note covering planning of individual audit assignments (see 1.1.1) include the requirement that the Audit Manager must discuss opportunities for benchmarking with the client.	20/9/13	DPN delivered to Board	See 1.1.1
3.1.4	Existing arrangements to obtain client feedback on the completion of individual audit assignments will be extended to capture – where appropriate – clients' views of the added value to them, the service and the Council of benchmarking or joint reviews.	1/11/13	Analysed data reported to Board.	No significant additional impact anticipated

PART 4**QUALITY ASSURANCE**

The External Quality Assessment recommended that the Internal Audit Charter be updated to reflect new requirements set out in the Standards and that the Audit Manual be updated, both to reflect the new Standards and to provide better support for Auditors. The EQA also recommended that a process be developed to capture staff development opportunities as part of the process of Quality Assuring individual audit assignments.

OBJECTIVE 4.1

Ensure that the Consortium's Audit Manual contains up to date versions of all policies necessary for compliance with the Attribute and Performance Standards and the Ethical Code which together comprise the Public Sector Internal Audit Standards.

Action		Delivery Date	Evidence of Delivery	Resource Implications
4.1.1	Prepare revised draft Charter using the template provided by the Institute of Internal Auditing to ensure full compliance with the Standards.	4/10/13	Minutes of Welland Board	Production of the revised Audit Charter and associated work required to update the Audit Manual will be a priority for the Head of Consortium. This will have an impact on review and completion of some assignments. This in turn will have a negative impact on Performance Indicators.
4.1.2	Draft report to Welland Boards. Provide Board with the opportunity to challenge the new document.	10/10/13		
4.1.3	Draft report to Audit & Risk Committee requesting that the Committee approve the Charter as specified by the Standards	21/1/14	Minutes of A&R Committee	
4.1.4	Restructure Audit Manual creating three sections covering Attributes Standards; Ethical Code; and Performance Standards	20/9/13	N/A	
4.1.5	Review documentation in the current Audit Manual relating to Attribute Standards (which the EQA determined to "generally conform" to the Standards) and amend as necessary to demonstrate full conformity.	30/11/13	Updated Manual	
4.1.6	Review documentation in the current Audit Manual relating to Ethical Standards and amend as necessary to demonstrate full conformity with CIPFA/IIA guidance.	30/11/13	Updated Manual	
4.1.7	Review the Practice Notes drafted to support new working practices in light of any observations from Welland Board and amend as necessary to create the Performance Standards section of the Manual.	31/12/13*	Updated Manual	
4.1.8	Agree with Welland Board the arrangements to be followed in carrying out the annual Quality Assurance self-assessment and record those arrangements in the Attributes Standards section of the Manual.	31/12/13	Updated Manual	

OBJECTIVE 4.2

Ensure that the process of Quality Assuring individual audit assignments captures any staff development issues so that these can be addressed within the Council's Personal Development Review process.

Action		Delivery Date	Evidence of Delivery	Resource Implications
4.2.1	Establish whether it is practical and cost effective to commission modifications to the Galileo Audit Management System allowing for the generation of reports of staff development issues identified through Quality Assurance reviews of audit assignments.	1/11/13	N/A	If deliverable, this type of system modification would involve significant upgrade costs.
4.2.2	Depending on the outcome of 4.2.1 either: <ul style="list-style-type: none">• commission necessary modifications to Galileo; or• design a stand-alone methodology for capturing staff development issues. Record in the Attribute Standards section of the Audit Manual and brief Audit Managers on this modification to Quality Assurance arrangements.	29/11/13	DPN delivered to Board	Development and maintenance of a stand-alone methodology will increase Audit Manager time required to complete Quality Assurance process for individual audit assignments.