



Internal Audit

Quality Assurance and Improvement Programme (QAIP) 2020/21

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1. Introduction

One of the core principles of the International Standards for the Professional Practice of Internal Auditing ('the Standards') is quality assurance and continuous improvement. Public Sector Internal Audit Standards ('PSIAS') require the Head of Internal Audit to develop and maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity.

A QAIP is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Head of Internal Audit should encourage board oversight in the quality assurance and improvement programme.

In January 2020 the Institute of Internal Auditors (IIA) published the Internal Audit Code of Practice which provides a number of recommendations aimed at enhancing the overall effectiveness of Internal Audit and its impact within organisations operating within the UK and Ireland. The recommendations are intended to be a benchmark of good practice against which organisations can assess their internal audit function. Section G of the Code, "Quality Assurance and Improvement Programme", contains six recommendations relating to how the quality of the internal audit function is measured and periodically assessed. Whilst not specifically aimed at the public sector, alongside PSIAS GMCA will take into account the recommendations of the Code.

2. Requirements of the QAIP

2.1. Scope

PSIAS are clear in defining two types of quality assurance assessments: internal and external assessments.

Internal Assessments must include:

- Ongoing monitoring of the performance of the internal audit activity
- Periodic self-assessment or assessments by other persons within the organisation with sufficient knowledge of internal audit practices

External Assessments

- Must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation
- The Head of Audit and Assurance must agree with the Audit Committee the form of the assessment and the qualification and independence of the external assessors.

2.2. Reporting

The results of the QAIP and progress against any improvement plans must be reported in the Internal Audit Annual Report.

Non-conformances with the Code of Ethics or the Standards must be disclosed by the Head of Audit and Assurance to senior management and the Audit Committee.

Non-conformances should be considered for inclusion in the annual governance statement (AGS).

3. Application of the Standards at GMCA

The Internal Audit team at GMCA undertake a number of activities in order to fulfil the requirements of the Standards in relation to quality assurance and improvement. These activities, along with their associated monitoring and reporting mechanisms are referred to as the QAIP. This document sets out those activities and how they are monitored and reported.

The QAIP is designed to provide reasonable assurance to GMCA's stakeholders that Internal Audit:

- Performs its work in line with the Internal Audit Charter (approved annually by the Audit Committee). The charter incorporates (and is consistent with) the definition of internal auditing as set out in PSIAS.
- Operates in an effective and efficient manner
- Is perceived by stakeholders as adding value to GMCA

The Head of Audit and Assurance is responsible for the development, annual review and implementation of the QAIP. The QAIP covers all types of internal activities.

In addition to the requirements of PSIAS, as mentioned above the Internal Audit Code of Practice also provides some good practice recommendations for the QAIP. These are included in Appendix 1 along with how they are built into GMCA's QAIP.

4. Internal Assessments

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

4.1. On-going Reviews

Continual assessments of quality are conducted through:

- Management supervision of all engagements;
- Structured, documented reviews of working papers and draft reports by Internal Audit management;
- Internal Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
- Internal Quality Control Checklist used on a risk assessed basis to ensure consistency of reporting and reduce administrative error (Appendix 2);
- Feedback from audit clients obtained through Audit Questionnaires at the closure of each engagement (Appendix 3);
- Review and approval of all Final Reports, recommendations and levels of assurance by the Head of Audit and Assurance; and
- Regular team meetings attended by all members of the Internal Audit team for which action plans are retained.

4.2. Periodic Reviews

Periodic assessments are conducted through:

- Annual review of Internal Audit KPIs and approval of targets by the Audit Committee (Appendix 4)
- Peer reviews of a selection of internal audit working papers and reports, selection of audits being reviewed is risk-based;
- Quarterly reports, presented to Senior Leadership Team (SLT) and the Audit Committee reporting on progress of the Internal Audit Plan, level of assurance for each audit, forward plan and performance against KPIs;
- Annual performance evaluation form to SLT;
- Annual risk assessments for the purposes of annual audit planning;
- Annual review of the Effectiveness of Internal Audit, undertaken by the Head of Audit and Assurance;
- Annual review of skills of the team, with appropriate development plans put in place through personal development plans;
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme, the results of which are reported to the Treasurer and Audit Committee;
- Feedback from the Treasurer and Chair of Audit Committee to inform the annual appraisal of the Head of Audit and Assurance;
- The Head of Audit and Assurance will implement appropriate follow-up to any identified actions from the various sources of feedback to ensure continual improvement of the service, through an Internal Audit Effectiveness Action Plan; and
- Any significant areas of non-compliance with the PSIAS that are identified through internal assessment will be reported in the Head of Audit Assurance's Annual Report and used to inform the Annual Governance Statement (AGS).

5. External Assessments

External assessments appraise and express an opinion about internal audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

5.1. Frequency of External Assessments

An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be approved by the Audit Committee.

5.2. Scope of External Assessments

An external assessment will consist of broad scope of coverage in which the external assessor will:

- Review and assess the conformity of GMCA's Internal Audit function with the Institute of Internal Auditors' Code of Ethics and International Standards for the Professional Practice of Internal Auditing (IIA Standards);
- Review conformity with the IIA Internal Audit Code of Practice. The Code is not specifically designed for public sector organisations, but can be used as good practice guidance.
- Evaluate the role, reputation and impact of internal audit in the organisation, and its independence and objectivity;
- Provide an independent opinion on the current quality and value provided by the internal audit function in supporting key business strategy and objectives; and
- Benchmark the internal audit function against IIA standards and industry best practice / other internal audit teams, highlighting areas for improvement.

6. Review of the QAIP

The QAIP will be subject to periodic review and will be updated accordingly following any changes to PSIAS or Internal Audit's operating environment and will be reviewed at least on an annual basis.

Appendix 1 – IIA Code of Practice recommendations relating to QAIPs

The IIA Audit Code of Practice (January 2020) principles for Quality Assurance and Improvement Programmes makes six recommendations within Section G “Quality Assurance and Improvement Programme”. These recommendations are detailed below along with how at the GMCA Internal Audit Service will meet those recommendations.

Internal Audit Code of Practice recommendation	TfGM implementation of the recommendation
<p>31. The board or the audit committee is responsible for evaluating the performance of the internal audit function on a regular basis. In doing so it will need to identify appropriate criteria for defining the success of internal audit. Delivery of the audit plan should not be the sole criterion in this evaluation.</p>	<p>The Audit Committee receives quarterly reports from the Head of Audit and Assurance which contain:</p> <ul style="list-style-type: none"> - Progress against the internal audit plan - Performance against KPI targets - Implementation rates for internal recommendations <p>Internal Audit KPIs and associated targets are reviewed at least annually and approved by the Audit Committee</p>
<p>32. Internal audit should maintain an up-to-date set of policies and procedures, and performance and effectiveness measures for the internal audit function. Internal audit should continuously improve these in light of industry developments.</p>	<p>Internal Audit has an up to date set of policies and procedures that is reviewed annually by Internal Audit management.</p>
<p>33. Internal audit functions of sufficient size should develop a quality assurance and improvement programme, with the work performed by individuals who are independent of the delivery of the audit. The individuals performing the assessments should have the standing and experience to meaningfully challenge internal audit performance and to ensure that internal audit judgements and opinions are adequately evidenced.</p>	<p>QAIP in place consisting of a variety of ongoing and periodic internal assessments as well as an external assessment which is undertaken at least once every five years.</p>

<p>The scope of the QAIP review should include internal audit's understanding and identification of risk and control issues, in addition to the adherence to audit methodology and procedures. This may require the use of resource from external parties. The quality assurance work should be risk-based to cover the higher risks of the organisation and of the audit process. The results of these assessments should be presented directly to the audit committee at least annually.</p>	
<p>34. Where the internal audit function is outsourced to, or co-sourced with, an external provider, internal audit's work should be subject to the same QAIP work as an in-house function. The results of this QAIP work should be presented to the audit committee at least annually for review. Chief internal auditors should report regularly to the audit committee on the actions or progress implementing the outcomes of the review.</p>	<p>Annual report of Head of Audit and Assurance to the Audit Committee which reports performance against the QAIP. Quarterly reporting to the Audit Committee of progress against actions within the Internal Audit Effectiveness Improvement Plan</p>
<p>35. In addition, the audit committee should obtain an independent and objective external quality assessment at appropriate intervals, irrespective of the size of the organisation. This could take the form of periodic reviews of elements of the function, or a single review of the overall function. In any event, the internal audit function as a whole should as a minimum be subject to a review at least every five years, as set out in the International Professional Practices Framework (IPPF) for internal audit. The conformity of internal audit with this guidance should be explicitly included in this evaluation. The chair of the audit committee should oversee and approve the appointment process for the independent assessor.</p>	<p>An external assessment of the effectiveness of the GMCA Internal Audit Service will be undertaken no later than 2024/25, which will be five years since the establishment of an in-house Internal Audit Service at GMCA.</p>
<p>36. The external quality assessment should consider and report on compliance with this Code as well as with the International Professional Practices Framework (IPPF) and the International Standards for the Professional Practice of Internal Auditing ('the IIA Standards').</p>	<p>Whilst the code is not designed for public sector organisations, future assessments will take this into consideration, along with PSIAS.</p>

Appendix 2 – Internal Quality Control Checklist

Key Task	PSIAS ref	QC Checklist
Engagement Planning (2200 - Engagement Planning)		
Preliminary Background Research	2201 Planning considerations	<p>A completed planning document for the engagement is saved within the working papers</p> <p>The scoping document includes the rationale for the work, evidence of preliminary background research and has appended to it within the working papers any relevant documentation (eg Committee reports)</p>
Assignment Planning	2210 Engagement objectives 2220 Engagement scope	Scoping meeting notes are retained within the working papers?
<i>Assignment Delivery Plan</i>	2230 Engagement resource allocation	Resource(s) assigned to the engagement possess the appropriate skills, knowledge and experience to undertake the audit.
Terms of Reference	2210 Engagement objectives 2220 Engagement scope	<p>The draft terms of reference include type of audit, scope, approach and limitations</p> <p>Retain evidence of the IA Manager / Head of IA review of the draft terms of reference</p> <p>The Audit Sponsor was provided with draft terms of reference and given the opportunity to review and comment prior to the commencement of the fieldwork.</p>
<i>Outline Risk and Control Matrix (RCM)</i>	2240 Engagement Work Programme	<p>Prior to the commencement of the fieldwork the auditor prepared the RCM with the known risks and expected controls to be considered within each area of scope.</p> <p>The RCM was reviewed prior to commencement of the fieldwork.</p>

Key Task	PSIAS ref	QC Checklist
Fieldwork and testing (2300 - Performing the engagement)		
<i>Gather information</i>	2310 Identifying information	Process notes and/or meeting notes are included within the working papers
<i>Develop testing plan</i>	2320 Analysis of information	Controls are identified and their design evaluated. Operating effectiveness of controls is tested in line with sample size guidance. The rationale for sample sizes is documented.
<i>Testing</i>	2330 Documenting information	A full and true record of all work undertaken and results of testing is documented within the working papers.
Review and Feedback	2340 Engagement Supervision	RCM was reviewed by the IA Manager/ Head of Audit and Assurance. Evidence of review has been retained.
Closing and reporting (2400 - Communicating Results)		
<i>Closure Meeting with Client</i>		A closure meeting was held with the key audit contact(s) to confirm accuracy of findings and agree proposed actions.
Draft Report	2410 Criteria for Communicating 2420 Quality of communications	The draft report includes the engagement's objectives, scope and results. The draft report opinion is in line with the agreed rating methodology. Where auditor judgement is applied outwith the defined scoring mechanism, a clear explanation is provided. The draft report acknowledges satisfactory results as well as exceptions.
<i>Management comments to draft Report</i>		Confirmation of the content of the report and agreement of audit actions and implementation dates was received from the Audit Sponsor/Key Contact
Final Report	2440 Disseminating results	The final report is approved for issue by the Head of Audit.
<i>Post Audit Questionnaire</i>	2421 Errors and omissions	

Key Task	PSIAS ref	QC Checklist
<i>Errors and omissions</i>		<p>Were any errors or omissions identified after release of the final report?</p> <p>If Yes, they were communicated to the recipients of the original final report.</p>
File Closure and Administration		All working papers are complete and stored centrally.

Appendix 3 – Post Audit Questionnaire

Internal Audit - Post Audit Questionnaire

Your feedback is essential to us to allow us to continuously improve our service. Please complete this short survey, to help us understand from your perspective how well we met our standards in regards to the planning, fieldwork, and reporting for the recent audit of **<insert name of audit>**.

Please rate each of the following statements in line with the scoring mechanism provided.

	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
Audit scope					
The auditor clearly communicated the purpose and scope of the audit.					
The agreed audit scope addressed key areas of risk within the function.					
The auditor took into account my (and my team's) commitments and schedule when developing the audit schedule.					
Audit process					
The auditor sufficiently engaged with me / my team throughout the process.					
The auditor demonstrated adequate knowledge of my service area and its risks and controls.					
The agreed actions in the audit report were relevant, practical and will effectively mitigate risks identified in the audit findings.					
Audit outcomes					
The audit report was clear, concise, accurate, relevant, and timely.					
The audit report met my assurance needs.					

	Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
Overall satisfaction					
Overall, I am satisfied with the audit, the way it was conducted and the outcome.					

Our aim is that the work of Internal Audit adds value and has a positive impact on governance, risk, and systems of internal control.

Was there anything more we could have done to support you/your service in this regard?

Appendix 4 – Internal Audit Key Performance Indicators

The following Key Performance Indicators have been defined to measure the performance of the Internal Audit Service.

Name	Description	Target
Completion of audits	Audit fieldwork completed in the scheduled quarter/ in line with Terms of Reference	90%
Issue of Draft Report	Draft reports issued within 14 days of closing meeting	90%
Management comments	Management comments received within 14 days of draft report issue	90%
Final report	Final report issued within 14 days of management comments	90%
Audit actions	Implemented on time	85%
Audit days	Deliver audits within the allocated number of days.	90%
Customer satisfaction	Ensure customer satisfaction is at a high level for each audit completed	85%