

AUDIT COMMITTEE

16 MARCH 2023

INTERNAL AUDIT QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

Report from: James Larkin, Head of Audit & Counter Fraud Shared Service
(Chief Audit Executive)

Summary

This report presents for approval the Internal Audit Quality Assurance & Improvement Programme (QAIP) for 2023-24.

1. Budget and policy framework

- 1.1. Council delegates responsibility for the oversight and monitoring of the effectiveness of the Internal Audit & Counter Fraud Shared Service to the Audit Committee.

2. Background

- 2.1. The Public Sector Internal Audit Standards (Standards) require that: The Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. On 17 March 2022, the Audit Committee approved the Quality Assurance & Improvement Programme (QAIP) prepared to meet this requirement for 2022-23.

3. Review of the Quality Assurance & Improvement Programme (QAIP)

- 3.1. The QAIP for 2022-23 was designed to meet the requirements of the Standards and CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards and also reflect the shared service arrangements with Gravesham Borough Council. Since the creation of the shared service.
- 3.2. There are some minor changes in the main body of the document, which are designed to enhance the document and accurately reflect the way the team is operating. These are all shown as tracked changes in appendix 1 for ease of reference.

- 3.3. There have also been some changes to the Key performance indicators for the coming year, which are also shown as tracked changes, although an explanation for each change is provided below.

Non LA Specific Measures

- 3.3.1. *IA1 - Proportion of staff with professional qualification relevant to internal audit.* The service has little control over how quickly staff can progress through training due to budgetary constraints and also the fact that apprenticeships can last for two to three years. As such, we would have to continually increase the target year on year based on a level that may be achievable or set a desired target that the team may not be able to reach for several years, effectively setting a target that is not achievable. In both scenarios, the target adds little value but continuing to report a % outturn along with an explanation to demonstrate improvements and will continue to comply with PSIAS by showing the competence of the service.
- 3.3.2. *IA2 - Proportion of non-qualified staff undertaking professional qualification training.* The outturn for this measure fluctuates considerably as staff start and finish courses, as this alters the number undertaking training as well as the calculation for non-qualified staff as more gain professional qualifications. As with IA1, the significant fluctuations make a target meaningless as it does not properly demonstrate how things are progressing. Instead, we will continue to report a % outturn along with an explanation for significant variations.
- 3.3.3. *IA4 - Time spent on CPD/non-professional qualification training, learning & development.* This has been amended to reflect that time on corporate training is also included that may have to be undertaken as council employees, as well as training related to their specific role.

LA Specific Measures

- 3.3.4. *IA7 – Proportion of available resources spent on chargeable work.* Our Internal audit Plans are based upon the level of projected resource available, which is calculated using the number of working days available for all staff, then deducting allowances for things like leave, training, administrative duties, sickness etc. We have always calculated the % of chargeable time by measuring the days spent on audit work and those on other duties. This in effect double counts the time we have already made allowance for. Instead we will report the number of days spent on audit work as a % figure of the original projected days available.
- 3.3.5. *IA11 - Proportion of actions agreed by client management to address control weaknesses.* There has always been a target to demonstrate how services were responding to recommendations made by Internal Audit. We have now moved to agreeing actions with management, where managers agree a suitable course of action to address control weaknesses, rather than managers accepting a recommendation. Therefore, we will continually present 100% on the measure with the outturn not providing any real value.

3.4. The performance against the measures outlined in the QAIP will continue to be reported in the periodic update reports and the annual reports presented to the Audit Committee.

3.5. A copy of the proposed Internal Audit QAIP for 2023-24 presented at Appendix 2.

4. Risk management

4.1. The Public Sector Internal Audit Standards require that: The Chief Audit Executive (CAE) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. A Quality Assurance & Improvement Programme (QAIP) has been prepared to meet this requirement. The QAIP is intended to ensure that the service is developed in line with the aspirations of those charged with governance at Medway Council and Gravesham Borough Council.

5. Financial implications

5.1. An adequate and effective Internal Audit function provides the council with assurance on the proper, economic, efficient, and effective use of council resources in delivery of services.

6. Legal implications

6.1. The Accounts & Audit Regulations 2015 require local authorities to: undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. These Standards are also supported by CIPFA's Local Government Application Note to the Public Sector Internal Audit Standards. The Section 151 Officer of a local authority is responsible for establishing the internal audit service. Gravesham Borough Council has delegated this responsibility to the Section 151 Officer of Medway Council to deliver internal audit services through the Shared Service to both authorities.

7. Recommendation

7.1 The Committee is requested to approve the Internal Audit Quality Assurance & Improvement Programme presented at Appendix 2 for use in 2023-24.

Lead officer contact

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Appendices

Appendix 1 – Internal Audit QAIP – Proposed Amendments

Appendix 2 - Draft Internal Audit Quality Assurance & Improvement Programme
2023-24

Background papers

None