

Appendix D

Internal Audit Performance Management and Quality Assurance

The Public Sector Internal Audit Standards (PSIAS) state that the Audit Manager must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and to demonstrate that the internal audit service is:

- (a) meeting its aims and objectives;
- (b) compliant with the PSIAS;
- (c) meeting internal quality standards;
- (d) effective, efficient, continuously improving; and
- (e) adding value and assisting the organisation in achieving its objectives

The results of the programme must be reported at least annually to the Audit and Governance Committee.

Performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the internal audit service as a whole.

This performance management and quality assurance framework must include, but is not limited to:

- A comprehensive set of targets to measure performance. The Audit Manager should measure, monitor and report appropriately on the progress against these targets;
- Seeking user feedback for each individual audit and periodically for the whole service;
- Periodic self-assessments to evaluate conformance with the Code of Ethics and the Standards
- An external assessment every 5 years with the scope agreed by an appropriate sponsor; and
- An action plan to implement improvements.

Performance Indicators

There are no national performance indicators in existence for Internal Audit, but we do monitor the following Local Performance Indicators (LPI's):

Local Performance Indicator	Target	Actual
Percentage of Audit plan completed	95%	102%
Percentage of 'high' risk systems reviewed annually	100%	100%
Customer satisfaction - % Good or Excellent as per feedback forms	90%	100%
Draft reports produced within 10 days	90%	100%
Final reports produced within 10 days	90%	100%

Overall, performance against the indicators is good.

User Feedback

The customer satisfaction results are derived from the customer satisfaction surveys issued following each individual audit. Out of 11 issued, 7 were returned.

Some of the feedback comments received include:

- The recommendations were sensible and will contribute to improving our service
- Plenty of opportunity to discuss at draft stage
- The ability to tailor the audit to align with our restructure added value rather than conflicting with it, the audit outcomes have targeted key areas of issue which will form the foundation in developing new working methods
- The 1-2-1 approach to reviewing the draft report is extremely beneficial- it helps with focusing on the matter at hand and provides immediate opportunity for discussion/resolution of items
- Whilst some of the processes are obviously going to be unfamiliar to the auditor it was great to see their willingness to understand these processes no matter how complex they were. The result is an accurate and informative report that enables improvement rather than criticising failure.
- The opportunity to discuss the audit plan ahead of time and feed service priorities into the process helps to make it more valid and increases the relevance and usefulness of the work.

Public Sector Internal Audit Standards (PSIAS)

Independent Assessment

The PSIAS requires that an independent assessment of compliance with the standard is undertaken once every 5 years. The results of the last external assessment which was undertaken in July 2014 were reported to this committee in December 2014. The next assessment is due to be undertaken by July 2019.

Self Assessment

The standard also requires that the Audit Manager undertakes a periodic self - assessment of compliance. This last self-assessment was undertaken in May 2014 when it was found that the service was 84.4% compliant. A further self-assessment has been recently undertaken with the results as follows:

Overall summary of compliance as at 01 April 2016 as per the CIPFA Local Government Checklist

There are a total of 326 questions in the checklist

286 are answered yes

5 are partially met (2 partial controls are considered justified because of the small size of the audit team)

3 questions are answered no

32 questions are not applicable as Exeter City Council does not engage in consulting activities

This means there is an overall compliance of 97.5%

The 3 controls answered no are as detailed below with 1 action being progressed

1110	Organisational Independence	
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?	Note: all growth and development reviews at the Council are undertaken by the relevant line manager
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	
1200	Proficiency and Due Professional Care	Action to be taken
	Does the CAE hold a professional qualification, such as CMIIA / CCAB or equivalent?	Audit Manager (HP) currently undertaking IIA qualification