

Internal Audit Quality Improvement and Assurance Programme – Action Plan

Actions from Self-Assessment – January 2023

Standard	Summary from self-assessment reported to Audit Committee in January 2023	Update as at March 2024	Target Date for Implementation
Attribute Standard 1000 – Purpose, Authority and Responsibility	20 questions, relating to purpose, authority and responsibility, and the contents of the internal audit charter. 19 questions self-assessed as ‘Conforms’. 1 question self-assessed as ‘Partial’ with an action identified to make details of assurance services provided to external parties explicit within the Internal Audit Charter when next revised.	Revised Audit Charter drafted, incorporating required wording in addition to necessary amendments following restructure, pending conclusion of EQA. Updated Audit Charter agreed with EMT and presented to Audit Committee, March 2024.	Not Applicable - Implemented
Attribute Standard 1200 – Proficiency and Due Professional Care	21 questions, relating to proficiency, due professional care, skills, qualifications, and capability. All 21 questions self-assessed as ‘Conforms’. However, an action has been identified relating to plans to formalise the use of computer-assisted audit techniques and automating audit processes where possible.	We are finalising a pilot of utilising a different approach using data analytical tools as part of our work. We also have a team member undertaking training as part of the Council’s Data Academy. Following conclusion of pilot work and the training programme, we will look to implement this where possible during 2024/25.	31 March 2025
Attribute Standard 1300 – Quality Assurance and Improvement Programme (QAIP)	33 questions, relating to the Quality Assurance and Improvement Programme, internal assessments, external assessments, reporting on the QAIP, stating that the service conforms with PSIAS requirements, and disclosure of non-conformance. 23 questions self-assessed as ‘Conforms’. 3 questions not applicable. 7 questions self-assessed as ‘Partial’ with actions	A comprehensive set of service targets has been drafted to add to those targets already in use. Targets have been built into formalised monitoring within the service and incorporated into the requirements of the QAIP agreed in January 2023.	Not Applicable - Implemented

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	identified relating to developing and agreeing a comprehensive set of service targets in addition to those used, using performance monitoring against targets to contribute to quality improvement more comprehensively, and ensuring that the results of the QAIP (and particularly internal assessments) and progress against improvement plans are reported to senior management and Audit Committee in accordance with the requirements of the QAIP developed.	Required reporting commenced with the 2022/23 Annual Opinion Report, reported to Audi Committee in July 2023. All required reporting implemented, including providing Executive Management Team with suitable updates as part of regular Internal Audit updates.	
Performance Standard 2100 – Nature of Work	29 questions, relating to governance, risk management, and control. 28 questions self-assessed as ‘Conforms’. 1 question self-assessed as ‘Partial’ with actions identified to codify internal audit’s activity relating to evaluation of ‘the design, implementation and effectiveness of the organisation’s ethics-related objectives, programmes and activities’.	Initial work on ‘ethical governance’, reflecting the initial impact of the Independent Governance Review, completed. Ongoing review of ethics-related objectives, programmes and activities now built into Internal Audit’s planning processes.	Not Applicable - Implemented
Performance Standard 2200 – Engagement Planning	51 questions, relating to engagement planning, engagement objectives, engagement scope, engagement resource allocation and engagement work programme. 44 questions self-assessed as ‘Conforms’. 4 questions self-assessed as not applicable. 3 questions self-assessed as ‘Partial’ with actions identified to formalise arrangements within audit assignments to ‘evaluate and report on whether management have established adequate criteria	Corporate Performance Management was scheduled to be reviewed during 2022/23, however following actions agreed in response to the Independent Governance Review in June 2022 and the intention to update the Council’s Corporate Plan, this work was included within Internal Audit’s plan of work for 2023/24 and is currently in progress. Whilst performance management is considered within individual audit assignments, we are	30 June 2024

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	to evaluate and determine whether organisational objectives and goals have been accomplished’.	continually exploring how we make this aspect of our work and reporting more formalised and explicit as appropriate.	
Performance Standard 2400 – Communicating Results	47 questions, relating to criteria for communicating, quality of communications, errors and omissions, use of ‘kite mark’ statements by the service, engagement disclosure of non-conformance, disseminating results, and overall opinion. 41 questions self-assessed as ‘Conforms’. 5 questions not applicable. 1 question self-assessed as ‘Not conforming’, with an action identified relating to including details of progress against improvement plans resulting from the QAIP within the annual overall opinion report.	This was implemented as part of the 2022/23 Annual Opinion Report reported to Audit Committee in July 2023. All future reporting to Audit Committee now adapted accordingly.	Not Applicable - Implemented
Performance Standard 2500 – Monitoring Progress	4 questions. 3 questions self-assessed as ‘Conforms’. 1 question self-assessed as ‘Partial’ with actions identified relating to seeking client feedback from consulting engagements. Action has already been taken but is not yet embedded within the service.	Implemented.	Not Applicable - Implemented

External Quality Assessment – December 2023

Issues for management action	Priority	Original Management Response	Update as at March 2024	Target Date for Implementation
<p>We are aware the HIA&RM has started to review the service’s audit universe to ensure that it is comprehensive and takes into consideration the local, national and emerging issues facing local authorities, however, we recommend that this exercise is accelerated to ensure the service has a comprehensive audit universe in place, that is linked to the relevant strategic and operational risks in time for the 2024/25 audit planning cycle. Such an audit universe could also then be used to underpin the draft assurance map.</p>	<p>Medium</p>	<p>Agreed. This work was in progress and we aim to have this in place as part of audit planning, from February 2024.</p>	<p>‘Audit Universe’ in place and utilised as part of audit planning and engagement for 2024/25.</p>	<p>Not Applicable - Implemented</p>
<p>Although Advance Northumberland is a separate legal entity, it does not have its own audit charter but instead relies on one for the Council. To conform with the requirements of the standards which require all of the service’s clients to have their own audit charter, we recommend that a separate audit charter is put in place for Advance Northumberland.</p>	<p>Medium</p>	<p>Agreed. An Internal Audit Charter specifically for Advance Northumberland is being drafted.</p>	<p>The Internal Audit Charter for the County Council has been updated and presented to Audit Committee for approval in March 2024. Following agreement, the Internal Audit Charter specifically for Advance Northumberland will be finalised for agreement.</p>	<p>30 June 2024</p>

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<p>The service provides internal audit services to Advance Northumberland, a separate external legal entity, albeit wholly owned by the Council, however, the service does not have any form of contract or service level agreement in place with Advance Northumberland, unlike the other Council functions that provide services to Advance Northumberland. To enhance the transparency around the relationship between internal audit and Advance Northumberland, we recommend that a separate service level agreement is put in place.</p>	Medium	<p>Agreed. A separate service level agreement for services provided to Advance Northumberland will be drafted for consideration and approval by Advance Northumberland.</p>	<p>A draft Service Level Agreement for services provided to Advance Northumberland has been shared with Advance Northumberland for consideration and agreement.</p>	30 April 2024
<p>The Head of Internal Audit and Risk Management has responsibility for the Council’s risk management function, and this is set out clearly in the audit charter, along with the mechanism that will be followed when this function is being audited, to ensure the independence and objectivity of the Head of Internal Audit and Risk Management, and the internal audit service as a whole, are maintained. To enhance transparency and ensure these arrangements remain fit for purpose we recommend that the Audit Committee regularly reviews and challenges the effectiveness of these arrangements.</p>	Low	<p>Agreed. Audit Committee regularly review the Internal Audit Charter. Following the EQA, an updated Internal Audit Charter is being drafted and will be presented to Audit Committee for approval. The Internal Audit Charter will continue to be subject to regular review by Audit Committee.</p>	<p>Updated Internal Audit Charter now drafted and presented to Audit Committee for approval in March 2024. The Charter will continue to regularly be updated for review by Audit Committee.</p>	Not Applicable - Implemented
<p>We have also observed from the draft assurance map, that the HIA&RM does not appear to be intending to place much reliance on other potential sources of assurance. Whilst the standards only recommend that</p>	Low	<p>Agreed. This has been considered further during 2023/24.</p>	<p>This has been considered during 2023/24, with some work undertaken</p>	31 May 2024

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<p>the HIA&RM needs to consider other potential sources of assurance, we feel there is a risk that the service may be missing an opportunity here as there are many external and internal sources of assurance that could provide a degree of assurance, albeit limited, and feed into the HIA&RM's annual report and opinion.</p>			<p>and planned to help enable additional assurance to be obtained. This will be reflected in the annual opinion report.</p>	
<p>The Head of Internal Audit and Risk Management should explore all options for raising the profile of internal audit to demonstrate to all officers and members that they are an independent, objective, insightful and proactive assurance and consulting service that adds value to its clients.</p>	Advisory	<p>Agreed. This will be undertaken, in conjunction with the following two actions, during 2024.</p>	<p>This will be implemented as intended, in conjunction with the following two actions, during 2024.</p>	31 December 2024
<p>The Council should undertake a self-assessment of the Head of Internal Audit and Risk Management's compliance with the five principles from the CIPFA guidance on the "Role of the Head of Internal Audit". We recommend undertaking such a self-assessment as this will not only help with raising the profile of the Head of Internal Audit and Risk Management but may identify aspects of the principles that need enhancing. These should be included in the service's quality assurance and improvement programme (QAIP). The self-assessment should be overseen by the Executive Director for Transformation and Resources.</p>	Advisory	<p>Agreed. A self-assessment will be undertaken during 2024.</p>	<p>This will be implemented as intended during 2024.</p>	31 December 2024

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<p>The Head of Internal Audit and Risk Management, together with the Executive Director for Transformation and Resources, should consider the contents of the CIPFA publication “Internal Audit: Untapped Potential” as this not only provides a wealth of useful information, but also makes recommendations around how local authorities can make best use of their internal audit services. Appendix B, entitled “Maximising the Impact of Internal Audit” is particularly significant to raising the service’s profile and can be developed into a self-assessment of the service.</p>	Advisory	Agreed. An evaluation of the publication will be undertaken during 2024.	This will be implemented as intended during 2024.	31 December 2024
<p>While we acknowledge that there is a cost attached to obtaining an up-to-date version of IDEA, we believe the HIA&RM should consider this as the functionality within the latest version of IDEA is significantly greater than the previous versions. This would enable the service to enhance their data analytics capabilities, such as undertaking data matching and data mining exercises, developing the continuous auditing / monitoring of key systems such as the fundamental financial systems, and providing enhanced assurance by testing the whole data population when carrying out audits rather than sample testing and extrapolating the results to the whole population.</p>	Advisory	Agreed. This will be considered.	Work to consider the costs and benefits of this action has commenced and will be concluded by September 2024.	30 September 2024
<p>Internal audit should consider using the local authority data held in the CIPFA statistics and ‘Nearest Neighbour Model’ applications, which the Council should already be able to access, and/or the data held by the Local Government Association in their LG Inform</p>	Advisory	Agreed.	Initial review of available data undertaken. This will be considered when preparing the	31 March 2025

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<p>application. These are adaptable tools that should not be overlooked, particularly when preparing audit terms of reference as they can highlight areas where there may be scope to add value to the Council.</p>			<p>scope of audit assignments during 2024/25.</p>	
<p>The HIA&RM has developed a comprehensive quality assurance and improvement programme that is designed to ensure engagements are performed to a high standard. This was reported to and agreed by the Audit Committee in January 2023. However, we have observed that this document does not follow best practice and include an action plan setting out the improvements that the service needs to make and a time frame for achieving them. We suggest that the quality assurance and improvement plan include an action plan and progress on delivering this is reported regularly to the Audit Committee.</p>	Advisory	<p>Agreed. Progress on improvement actions has been reported to Executive Management Team and Audit Committee. This will be formalised into an action plan format and used in future reporting to Executive Management Team and Audit Committee.</p>	<p>Identified actions from self-assessment exercise and our external quality assessment have been combined into this action plan format. This format will be utilised for all reporting in future.</p>	Not Applicable - Implemented
<p>In addition, there are opportunities to enhance the way the Council obtains assurance by the service considering working with the service directorates to undertake some joint reviews of specific functions. For example, it is common for both adults and children's social care functions to have comprehensive quality assurance and improvement processes in place that focus on the assessment and delivery of the individual care packages. Whilst internal audit is not qualified or skilled to undertake this type of review, they are able to review the processes that feed into and support the care assessments. Undertaking joint reviews with the social</p>	Advisory	<p>Agreed. This has been considered further and implemented during 2023/24.</p>	<p>This has been considered during 2023/24, with some work undertaken and planned. This will form part of Internal Audit's planning process in future.</p>	Not Applicable - Implemented

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<p>care functions can provide a more holistic view of those services and has the potential to add greater value to their operations and the Council as a whole. We have included actions relating to these observations in section 9 of the report.</p>				
<p>To ensure that the Audit Committee are kept abreast of progress and any issues affecting delivery of the plan or changed priorities in a timely manner, most internal audit services tend to update committees more frequently with the norm being three or four times a year. We therefore suggested consideration is given to increasing the number of times progress is reported to the Audit Committee.</p>	Advisory	Agreed. This will be considered as part of formulating the Audit Committee Work Programme for 2024/25.	Updated reporting proposed as part of Audit Committee's programme of work for 2024/25, for agreement by Audit Committee in March 2024.	Not Applicable - Implemented
<p>To enhance the flow and readability of the current audit charter, we suggest that the HIA&RM compares it to those produced by other local authorities to identify a style and format that is easier for a lay person to read and understand.</p>	Advisory	Agreed. Revised Internal Audit Charter is being drafted.	Updated Audit Charter agreed with EMT and presented to Audit Committee, March 2024.	Not Applicable - Implemented
<p>Management should be mindful of the fact that a consultation on revising the Institute of Internal Auditors Global IPPF which is incorporated into the PSIAS, has recently taken place and any changes to the standards arising from the consultation may affect the service's future conformance to the standards. It is, therefore, suggested that the Audit Manager keeps a watching brief on the developments to the standards and how this may impact the service in the medium term.</p>	Advisory	Noted.	We are aware of the consultation and will ensure any changes to standards are reported and met by the service in the usual way.	Not Applicable