

# Quality Assurance Framework

 Assurance  
LINCOLNSHIRE  
For All Your Assurance Needs

## 2018-2021



### OUR VISION

*“To deliver excellent and innovative services that help support delivery of our clients’ objectives and priorities”*

*“Work together to be the public sector assurance provider of choice for the region”*

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## Excellence and Innovation

We recognise that to effectively support our clients in the delivery their objectives and priorities, we need to provide an internal audit service driven by:

- continuous improvement
- a rigorous approach to quality
- a desire to not only conform with the **Public Sector Internal Audit Standards (PSIAS)**, but to exceed them

At the heart of Assurance Lincolnshire is the core internal audit service – an experienced, competent and innovative provider which strives to maintain and develop its service by embedding quality in all elements of internal audit activity.

Our internal audit service benefits from the diversity of services which sit within the wider Assurance Lincolnshire portfolio – this complements and strengthens the depth of knowledge, skills and experience of our internal auditors.

## Our Purpose

The International Professional Practices Framework (IPPF)<sup>1</sup> provides a combination of mandatory and recommended guidance for internal auditors. The **Public Sector Internal Audit Standards (PSIAS)**, which govern how we carry out internal audit in the UK public sector, incorporate the mandatory elements of the IPPF and include:

- Definition of Internal Auditing
- Code of Ethics
- Core Principles
- Standards

The content within the IPPF is underpinned by a **Mission Statement** which describes what

internal audit aims to achieve within an organisation.

*To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight*

This Mission Statement outlines our primary purpose and overarching goal – we recognise this, together with the mandatory elements of the IPPF, within our **Internal Audit Charter**.

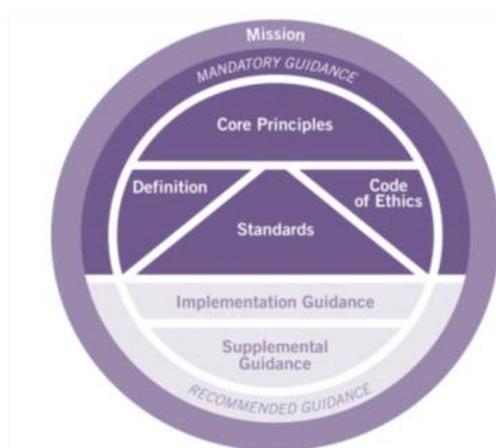
## Our Standards

Ten **Core Principles** set out what we must do to be considered effective – all principles must be present and operating effectively to achieve our mission. The purpose of our Quality Assurance Framework is to:

- provide a system for monitoring and evaluating our effectiveness and conformance with the PSIAS
- ensure continuous improvement within the internal audit service
- meet client expectations / demonstrate our importance to the business
- facilitate the Head of Audit’s statement on conformance with the International Standards for the Professional Practice of Internal Auditing

Diagram 1

International Professional Practices Framework



<sup>1</sup> Developed by the Chartered Institute of Internal Auditors



## Code of Ethics

Our **Code of Ethics** promotes an ethical, professional culture and is specific to the profession and practice of internal auditing. It defines a set of principles and rules governing the conduct of internal auditors. All our internal auditors must comply with this and any other Code relevant to their professional body or employing organisation – we also expect our auditors to apply the **Seven Principles of Public Life**.

## The Principles

**Integrity** – the integrity of internal auditors establishes trust and this provides the basis for reliance on their judgement.

**Objectivity** – internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

**Confidentiality** – internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

**Competency** – internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

## Values

Our values are those promoted by our host client – Lincolnshire County Council:

**Professional** – by being open, honest, accountable and displaying integrity

**Respectful** – listen and adopt an inclusive approach

**Resourceful** – seek to always to achieve the best outcomes

**Reflective** – learn from both our successes and mistakes

## Vision

As an internal audit provider, Assurance Lincolnshire strives to achieve a high performing culture, recruiting the right people with the right skills, knowledge and experience and commitment. These, together with strong processes and procedures, will help ensure a quality internal audit service which is effective, meets our clients' expectations, adds value and conforms to the Public Sector Internal Audit Standards.

We aim to deliver excellent and innovative services that help support delivery of our clients' objectives and priorities – to achieve this we:

- focus on what matters (audit plans)
- have robust processes and procedures
- conform with the PSIAS
- embed quality in all aspects of our internal audit activity
- provide assurance on internal audit efficiency and effectiveness
- deliver value by meeting stakeholder (client) expectations

## Business Planning

Assurance Lincolnshire is a partnership between local government internal audit providers but also draws on the expertise within the wider service area covering **Risk, Health and Safety, Counter Fraud and Insurance**. We have associate partnering arrangements with a range of other partners to deliver more capacity over a wider geographic area. This collaborative approach is the strength of the partnership.

The service is guided by a protocol, providing a framework which optimises the benefits of working together, whilst enabling the partners to deliver their respective responsibilities to their host organisations and clients. It maximises capacity through partnership and focuses on efficiencies, sustainability and resilience.

Our priorities are articulated in a **Business Plan** – a key aim is to be the public sector assurance provider of choice for the region – the Assurance Lincolnshire partnership is principle driven:

- sharing knowledge and experience
- adopting and devising leading audit techniques and methods
- pooling resources to provide cost effective services, improve efficiency and offering greater value for money to clients
- streamlining methodologies, synchronising audit plans, providing wider assurance services and opportunities for research in areas of common interest

The performance of Assurance Lincolnshire is linked to the success of the partnership and delivery of individual client audit plans. We monitor our performance and service quality throughout the year – this is independently

assessed by client Audit Committees and reported in individual client **Annual Reports**. Our internal auditors have individual objectives linked to Assurance Lincolnshire priorities and outcomes associated with the delivery of client audit plans – individual performance is continuously assessed through our Quality Assurance arrangements and appraisal processes.

## Client Internal Audit Plans

We focus our audit activities on risks that matter most to our clients – those that affect the successful delivery of services and strategic objectives – at the heart of this is our **Assurance Map**.

Through our **Internal Audit Strategy**, we look at different ways of leveraging assurance by aligning our work with that of other assurance functions. We maximise the best use of the internal audit resource and use the Assurance Map to establish our annual Internal Audit Plans – the level of assurance and resource allocation is also influenced by client risk appetite<sup>2</sup>.

Our innovative **Combined Assurance** process, not only informs our audit plans but also:

- supports the Audit Committees through annual **Combined Assurance Status Reports** – stimulating the “watchdog” role and effective challenge
- provides information for our clients’ Annual Governance Statements
- feeds into the **Head of Audit’s annual audit opinion**
- streamlines and avoids assurance duplication
- encourages managers to lead and own assurance activity in their areas

<sup>2</sup> Amount of risk clients are prepared to accept, tolerate or be exposed to at any point in time

## Quality – Definition

*“It is not enough to do your best. You must know what to do, and then do your best.”*  
Edwards Deming

We judge the quality of our internal audit service by the degree to which we:

- meet our clients’ expectations
- are fit for purpose
- conform to the UK Public Sector Internal Audit Standards (PSIAS)

The PSIAS define quality by the extent we conform with the:

- Definition of internal auditing
- Standards
- Code of Ethics

We must also be able to demonstrate the **efficiency** and **effectiveness** of our internal audit activities and identify opportunities for improvement.

Our commitment to quality begins with ensuring that we recruit, develop and assign appropriately skilled and experienced people to deliver the audit services to our clients.

We continually focus on delivering high quality audit services to our clients – seeking opportunities to improve where we can.

**Definition of Internal Auditing** – an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**Code of Ethics** – statement of principles and expectations governing the behaviour of

internal auditors under the four key headings of Integrity, Objectivity, Confidentiality and Competency.

**Standards** – the standards are principles-focused and consist of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance. The **core principles**, taken as a whole, must be present and operating effectively for our internal audit service to be considered effective:

- 1 *demonstrates integrity*
- 2 *demonstrates competence and due professional care*
- 3 *is objective and free from undue influence (independent)*
- 4 *aligns with the strategies, objectives and risks of the organisation*
- 5 *is appropriately positioned and adequately resourced*
- 6 *demonstrates quality and continuous improvement*
- 7 *communicates effectively*
- 8 *provides risk based assurance*
- 9 *is insightful, proactive and future focused*
- 10 *promotes organisational improvement*

The principles-based approach requires **conformance** – it is about achieving the spirit of the standard rather than complying with the letter of the standard.

# Quality Assurance – Our Approach

**Quality** is built into the way we operate – we have designed our processes and procedures to conform to the PSIAS.

Internally we assess quality at two levels:

## Engagement Level

- Translating audit plans into properly resourced audit assignments
- Planning, fieldwork and reporting conforms to PSIAS
- Follow up (management actions in response to audit recommendations)
- Completion of client feedback forms, lessons learnt, self-assessments and other mechanisms supporting continuous improvement

## Activity Level

- Policies and procedures which guide our staff on conformance with PSIAS
- Audit work follows our policies and procedures

- Audit work achieves the purpose and responsibility defined in our [Internal Audit Charter](#)
- Audit work conforms to PSIAS
- Our work meets stakeholder expectations
- We add value and improve client operations
- Our resources are used efficiently and effectively

Our internal assessments must be supported by an [external assessment](#) once every five years – the assessor must be independent and hold a suitable internal audit qualification.

Our [Quality Assurance Improvement Programme](#) (QAIP) incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must cover all aspects of internal audit activity – diagram 2 shows how we structure our internal assessments to ensure appropriate coverage:

Diagram 2 – Scope of Quality Assurance Improvement Programme

Internal Audit Activity		
<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>IA Charter</li> <li>PSIAS</li> <li>Legislation</li> <li>Independence &amp; Objectivity</li> <li>Risk Management</li> <li>Resourcing</li> </ul>	<p><b>Professional Practice</b></p> <ul style="list-style-type: none"> <li>Roles and Responsibilities</li> <li>Risk-based Audit Planning</li> <li>Other Assurance Providers</li> <li>Audit Engagement Planning</li> <li>Performing the Engagement</li> <li>Proficiency &amp; Due Professional Care</li> <li>Quality Assurance</li> </ul>	<p><b>Communication</b></p> <ul style="list-style-type: none"> <li>Communicating Results</li> <li>Follow Up</li> <li>Stakeholder Communications</li> </ul>

# Quality Assurance – Our Approach

## Purpose and Structure

Our quality assurance framework is designed to promote continuous improvement – we have adopted Deming’s model to provide structure to our quality process:

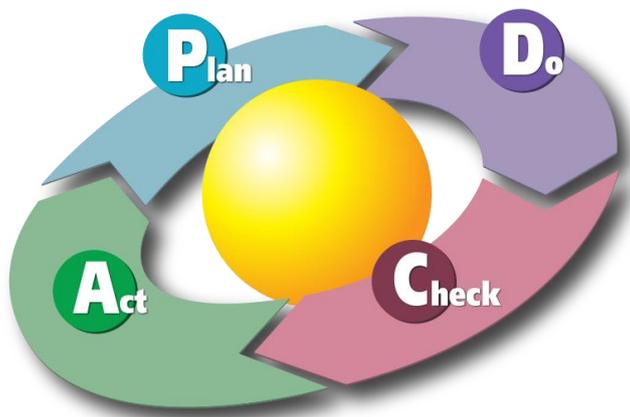


Diagram 3 – Deming’s Model (KG Bulsuk)

### Plan

- Document Audit Practice Notes
- Quality built into our processes
- Develop Quality Assurance Framework

### Do

- Build staff awareness of quality standards & expectations
- Ongoing quality assurance to prevent service failure or non-conformance

### Check

- Periodic self-assessments
- External assessment

### Act

- Record lessons learnt
- Identify improvement opportunities
- Develop / implement Improvement Plan
- Communicate QAIP results

## Ongoing Monitoring

Our *Principal Auditors*, on an audit by audit basis, are responsible for ensuring our audit practice notes are consistently applied and are working effectively.

## Periodic Self Assessments

Our *Audit Team Leaders* will periodically select a sample of audit engagements and assess the level of compliance with our Audit Practice Notes.

The degree to which we conform to the Internal Audit Charter, Definition of Internal Auditing, Code of Ethics and Standards will be assessed annually by the *Head of Internal Audit*. We will report the results to our clients’ Audit Committees, along with ways our internal audit service adds value.



Diagram 4 – Quality Assurance Framework

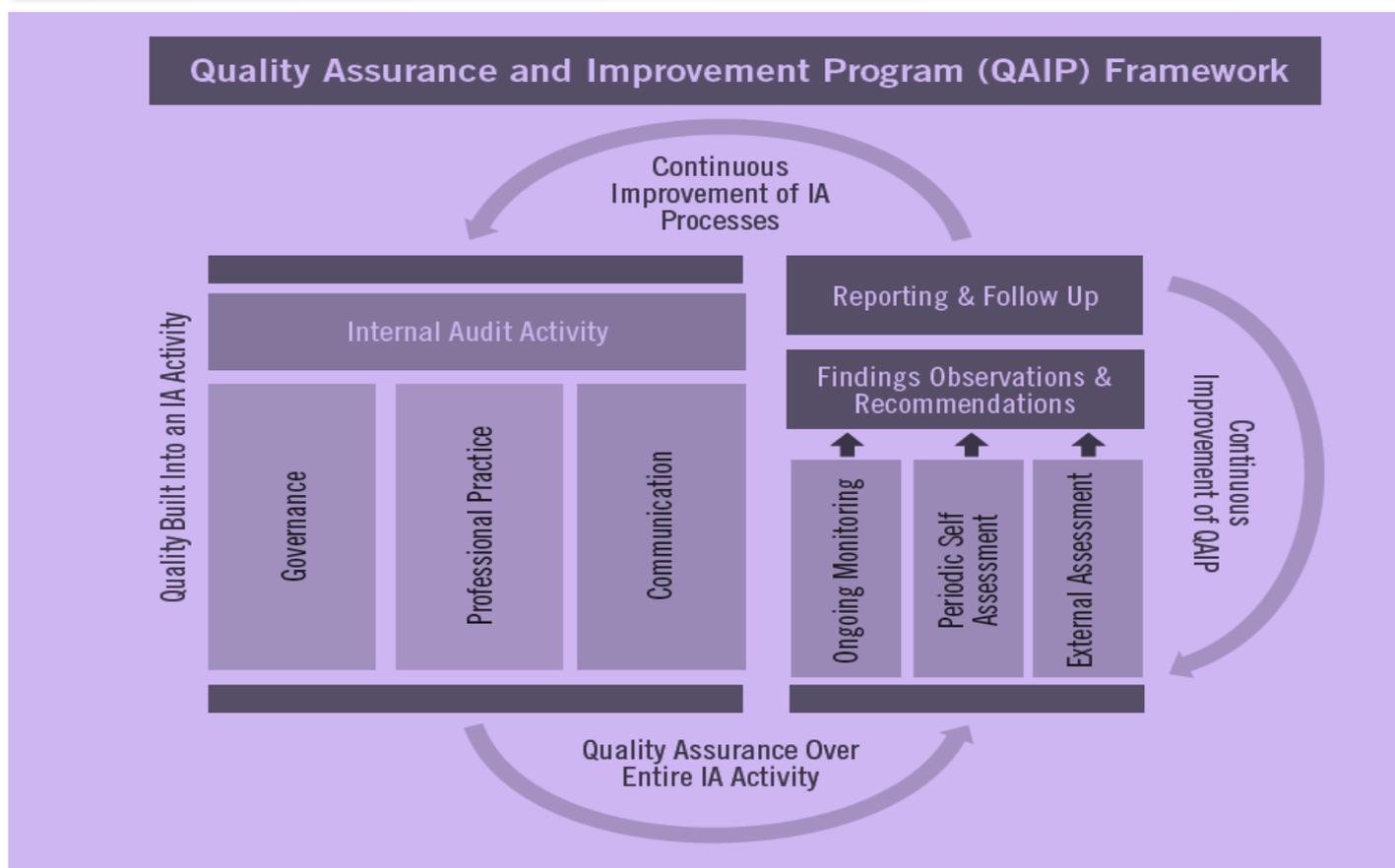


Diagram 5 – Quality Assurance Improvement Programme

Our quality assurance improvement programme (QAIP) will enable us to move away from conformance to focus on new and innovative ways to improve our service – our results should also inform external assessments and provide more opportunity for new ideas to improve quality, efficiency and effectiveness.

We have defined the **roles and responsibilities** of both management and staff within Assurance Lincolnshire (Appendix 1) – this ensures all auditors understand their contribution to the overall quality assurance process.

Throughout the year the results of our ongoing monitoring, periodic self-assessments and external assessments will feed into our QAIP and resulting **Action Plan** of improvements. Our QAIP will provide a structure for continuous assessment and will deliver the

requisite assurance information over our entire internal audit activity (governance, professional practice and communication). The Management Team will monitor the QAIP throughout the year.

## Assessment Scale

Our QAIP incorporates a rating scale (Appendix 4) – to assess the level of conformance with the International Professional Practices Framework (IPPF) and the PSIAS, we have adopted the **Path to Quality Scale (Maturity Model)** which includes three levels of conformance:

- Beyond Conforming (leading and leveraging)
- Conforming
- Non-conforming (emerging and beginning)

### Internal Assessment

Using the CIPFA's PSIAS Application Note we will complete an annual self-assessment, evaluating the degree of conformance with:

- Internal Audit Charter
- Definition of Internal Auditing
- Code of Ethics
- Standards

Responsibility for the annual self-assessment rests with the Head of Audit, who will generally be assisted by Audit Team Leaders.

The self-assessment will also be informed by the results of scheduled reviews of selected audit engagements carried out at least quarterly by Assurance Lincolnshire's Audit Team Leaders. These quality assurance reviews will cover (as a minimum):

- engagement planning
- quality of supervision
- achievement of performance standards
- quality of working papers and evidence
- quality of communicating our audit results and the final report

Over the year the work of each auditor will be assessed under this quality assurance process.

Audit Team Leaders may carry out additional reviews – these may be triggered by concerns raised by Principal Auditors, negative client feedback, consistent failure to achieve performance indicators or common themes arising out of scheduled quarterly reviews.

Lessons learnt, areas for improvement or practice changes will be including in an Action Plan and monitored by the Management Team.

### External Assessment

The IPPF and PSIAS standards require the quality of the internal audit service to be independently assessed once every 5 years. The assessor must be suitably qualified in internal audit practice and must be external to the organisation.

The standards provide two approaches to the external assessment:

- full assessment
- self-assessment with external validation

The external assessor will provide an opinion on the full spectrum of assurance and consulting activity – it will cover:

- conformance with the standards
- a conclusion on efficiency and effectiveness
- how management could be improved
- how the internal audit activity could add value to the organisation

Our preferred approach to external assessment is **full external assessment**.

This approach was approved by our client Audit Committees – after agreeing the scope of the assessment with client S151 Officers and Audit Committee Chairs we appointed an External Assessor.

The assessment was completed September 2016 and the external assessor produced an outcome report verifying our conformance to PSIAS. This was presented to client Audit Committees and the minor recommendations for improvement included in our **Quality Assurance Improvement Plan** – implementation is monitored by the Audit Lincolnshire Management Team and client Audit Committees.

### Performance Indicators

Assurance Lincolnshire has developed a range of performance indicators (Appendix 5) – our achievement is measured regularly and may be reported quarterly to our client Audit Committees through our [Internal Audit Progress Reports](#) and/or the [Internal Audit Annual Report](#).

Our progress reports also include the results of any ongoing monitoring where areas for improvement have been identified.

All team members monitor progress and delivery of their work plans and receive feedback through their monthly 1:1 and the appraisal process. Standard [1:1 and appraisal templates](#) are used.

### Internal and External Assessment

The results of our internal self-assessments (QAIP) will be reported annually, by the Head of Audit, to our host Divisional Management Team (DMT) and our client Audit Committees (as required by [PSIAS 1320](#)).

The report will include the Head of Audit's assessment of the level of conformance with the:

- Definition of internal auditing
- Code of Ethics
- Standards

We, or the appointed External Assessor, will present the outcome report from the External Assessment to our client Audit Committees when available (every 5 years). This report will also include an opinion of the degree of our conformance with the standards.

To provide a positive statement that our internal audit activity “conforms with the *International Standards for the Professional Practice of Internal Auditing*”, we must have a QAIP that fully supports this. Our QAIP will

therefore include the results of both internal and external assessments.

### Non-conformance

When the level of non-conformance impacts on the overall scope or operation of the internal audit activity, the Head of Audit must disclose this (and the impact) to Assurance Lincolnshire's host DMT and our client Audit Committees. Any significant deviation from the standards must be included in client Annual Governance Statements.

### QAIP – Review and Reporting

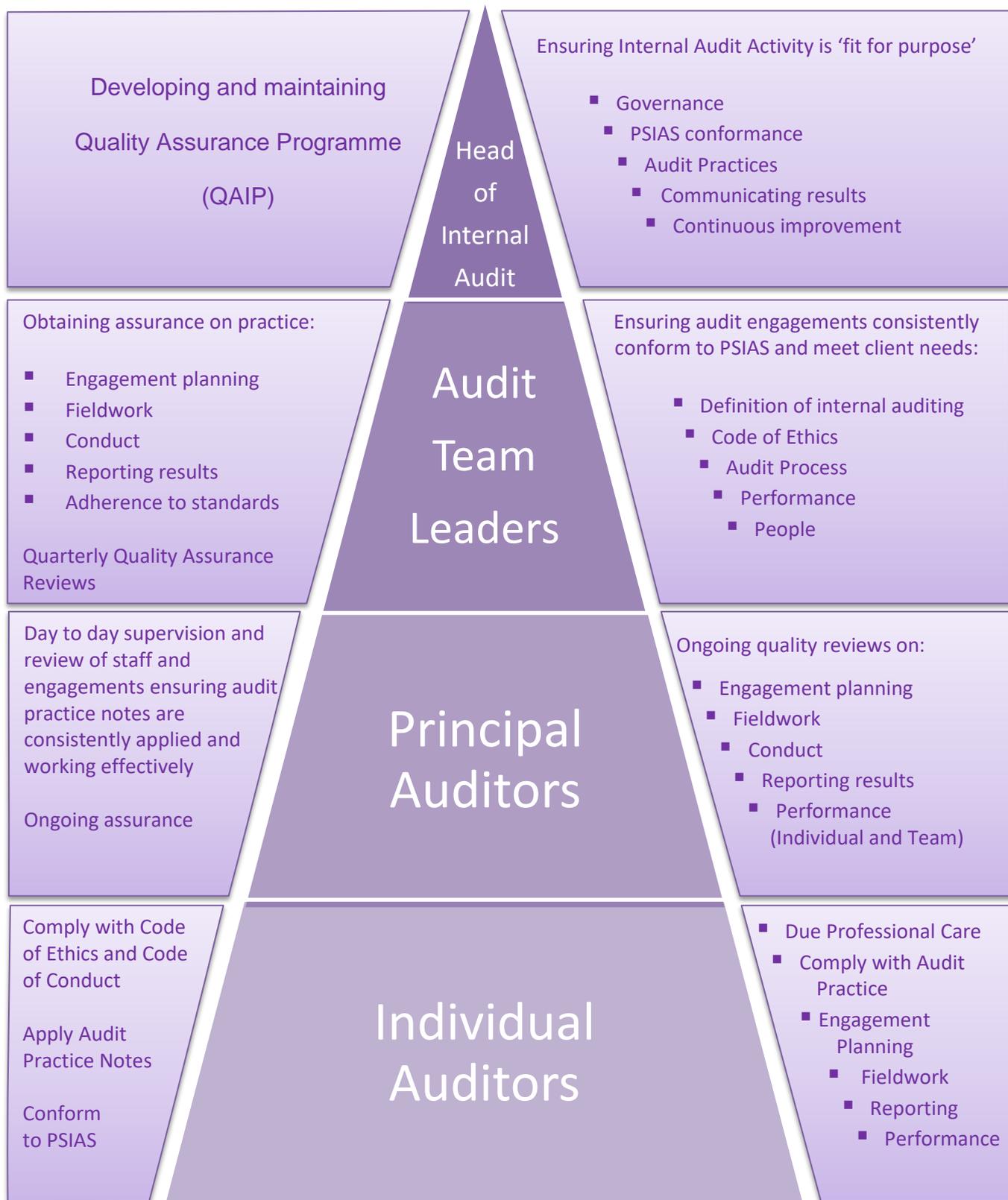
The performance (efficiency and effectiveness) of our internal audit service will be reviewed each year by our client Audit Committees, client S151 officers and the External Auditor. We will be monitoring and updating our QAIP throughout the year but will carry out a formal review annually to facilitate the evaluation of our service.

Our annual QAIP review will include:

- results from our quality assurance
- client feedback
- status of our improvement action plans
- follow up of actions from previous assessments
- changes affecting our quality management system
- recommendations for improvement
- any new and revised standards, policies and procedures

Our QAIP is reported to the Audit Committee and monitored through the Audit Management Team on a quarterly basis,







**Periodic Quality Assurance**

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with highlight report on outcome of reviews



- Obtain on-going assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review



Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS



**Ongoing monitoring – quality built into the audit process**

Quality checks and oversight are undertaken throughout the audit engagement ensuring processes and practice are consistently applied and working well

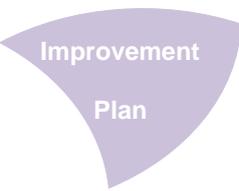


**Annual Self-Assessment**

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee



- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services



Quality Improvement Plan - HIA reports to Audit Committee on the outcome of Quality Assurance – with improvement action plan and any significant non-conformance included in the Annual Report / Annual Governance Statement

Periodic Quality Assurance – DD/MM/YY				
<b>Audit Team Leader</b>		<b>Client</b>		
<b>File Reviewed</b>				
<b>Auditor</b>			<b>Time Spent – Days</b>	
<b>Principal / Supervisor</b>			Budget:	Actual:
<b>Audit On Time / Within Budget</b>	<b>Yes</b>	<b>No</b>	<b>Key dates</b>	
Comment / Reason for variation:  <i>Note: to be effective the audit should aim to be completed from start to draft report within 3 months</i>			<b>Actual</b>	
	Start (Brief)			
	Fieldwork End			
	Draft Report			
	Final Report			
<b>Performance Targets Met</b>			<b>Yes</b>	<b>No</b>
Comment / Reason for variation: <ul style="list-style-type: none"> <li>■</li> <li>■</li> <li>■</li> <li>■</li> </ul>				
<b>Compliance with Audit Process</b>			<b>Yes</b>	<b>No</b>
Engagement Planning				
Engagement Work Programme, incl. testing strategy				
Fieldwork, including working paper standards				
Analysis and Evaluation				
Engagement Supervision				
Reporting				

Periodic Quality Assurance – DD/MM/YY								
<b>Areas of Improvement (Individuals)</b>								
<b>Auditor</b>	<ul style="list-style-type: none"> <li>▪</li> <li>▪</li> <li>▪</li> <li>▪</li> </ul>							
<b>Supervisor</b>	<ul style="list-style-type: none"> <li>▪</li> <li>▪</li> <li>▪</li> <li>▪</li> </ul>							
<b>Quality of Report</b>				<b>Score</b>				
How well did our final report communicate the audit results to the client (1 = very poor / 5 = excellent)				1	2	3	4	5
<b>Client Satisfaction</b>				<b>Score</b>				
How well did the audit meet customer expectations – overall feedback from Customer Satisfaction Survey				1	2	3	4	5
<b>Areas of Improvement (Service)</b>								
<ul style="list-style-type: none"> <li>▪</li> <li>▪</li> <li>▪</li> </ul>								
				<b>Date</b>				
Review								
Feedback to Supervisor								
HIA Quarterly Highlight Report								

**Path to Quality**



Periodic Quality Assurance – DD/MM/YY				
<b>Audit Team Leader</b>		<b>Client</b>		
<b>File Reviewed</b>				
<b>Auditor</b>			<b>Time spent – Days</b>	
<b>Principal / Supervisor</b>			Budget:	Actual:
<b>Audit On Time / Within Budget</b>	<b>Yes</b>	<b>No</b>	<b>Key dates</b>	
Comment / Reason for variation:  <i>Note: to be effective the audit should aim to be completed from start to draft report within 3 months</i>			<b>Actual</b>	
	Start (Brief)			
	Fieldwork End			
	Draft Report			
	Final Report			
<b>Performance Targets Met</b>			<b>Yes</b>	<b>No</b>
Comment / Reason for variation: <ul style="list-style-type: none"> <li>■</li> <li>■</li> <li>■</li> </ul>				
<b>Compliance with Audit Process</b>			<b>Yes</b>	<b>No</b>
Engagement Planning				
Engagement Work Programme, incl. testing strategy				
Fieldwork, including working paper standards				
Analysis and Evaluation				
Engagement Supervision				
Reporting				
<b>Areas of Improvement (Individuals)</b>				

Periodic Quality Assurance – DD/MM/YY								
<b>Auditor</b>	<ul style="list-style-type: none"> <li>▪</li> <li>▪</li> <li>▪</li> <li>▪</li> </ul>							
<b>Supervisor</b>	<ul style="list-style-type: none"> <li>▪</li> <li>▪</li> <li>▪</li> <li>▪</li> </ul>							
<b>Quality of Report</b>				<b>Score</b>				
How well did our final report communicate the audit results to the client (1 = very poor / 5 = excellent)				1	2	3	4	5
<b>Client Satisfaction</b>				<b>Score</b>				
How well did the audit meet customer expectations – overall feedback from Customer Satisfaction Survey				1	2	3	4	5
<b>Areas of Improvement (Service)</b>								
<ul style="list-style-type: none"> <li>▪</li> <li>▪</li> <li>▪</li> </ul>								
				<b>Date</b>				
Review								
Feedback to Supervisor								
HIA Quarterly Highlight Report								

\* Achievement of the performance measures on recommendations agreed and implemented are not within our control.

These are reported so our Audit Committees can see what actions management have taken. The details of any recommendations not agreed are included in Audit Report executive summaries which are reported to Committees.

Note: Some clients may have different Performance Indicators

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