

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Mersey Internal Audit Agency – NHS Internal Audit Agency

Final Report

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1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). Public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments (EQA), or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five-year period.

2. Background

- 2.1 Mersey Internal Audit Agency (MIAA) is an NHS internal audit, local counter fraud, and advisory service provider operating in the North West of England with a large portfolio of clients, predominantly in the NHS. MIAA has extensive knowledge and experience of NHS Trusts and commissioning organisations. Their client base includes Acute Trusts, Mental Health Trusts, Clinical Commissioning Groups, plus several non-NHS clients from the Local Government, Police, Fire and Rescue, Social Housing and Third Sectors. They are however aware that the remodelling of the NHS with the merger of CCGs and Trusts may adversely impact the scale of their operations. To mitigate this, MIAA have been, and continue to, explore new markets for the business, and the range of services it offers to existing clients.
- 2.2 MIAA is hosted by Liverpool University Hospitals NHS Foundation Trust and reports to a management board made up of representatives from its member organisations who provide the strategic direction for the agency. From an operational perspective, MIAA reports directly to the executive teams and Audit Committees at their respective clients. These two bodies fulfil the roles of 'senior management' and 'the board', as defined by the PSIAS.
- 2.3 MIAA operates from four key locations, namely Liverpool, Chester, Manchester and Darwen. They have large experienced and well-qualified team of professionals, with a good mixture of qualified staff (internal auditors, accountants, and accounting technicians); part qualified and trainees (accountants and internal auditors); plus a range of specialists, for example in counter fraud or information technology auditing. In addition to their own employees, MIAA has access to a bank of professional associates that are called upon as and when the need arises.
- 2.4 MIAA employs several specialists across a range of disciplines, such as information technology auditing and data security, consultancy services, clinical coding, healthcare quality auditing, and data analytics. The latter team uses the IDEA Application as its primary data interrogation and analysis tool.
- 2.5 This broad mix of staff and associates enables MIAA to provide a comprehensive range of services to its clients including consulting and business solutions, IT audit and data security, data analytics, clinical coding, and health care quality services in addition to its assurance reviews.
- 2.6 All NHS internal audit services have been operating under PSIAS since its launch in 2013. This review is their second PSIAS EQA, having had their first EQA in 2016. Delivering a quality service to its clients is a major factor for MIAA who also hold ISO 9001 (2015) and Investors in People (IIP) accreditations and are subjected to periodic external assessments to enable them to maintain these accreditations. In addition to the above, MIAA are approved trainer for three accountancy bodies, namely CIPFA, ACCA and CIMA.
- 2.7 MIAA has detailed procedures and a quality manual in place, supplemented by a comprehensive range of other documents, guides and protocols that cover all aspects of the internal audit, counter fraud and advisory services process. These are well written and easy to follow and provide the auditors with a comprehensive

guide to all aspects of MIAA's operations. Standard templates are used for the engagement working papers and testing schedules, engagement terms of references, action plans and audit reports, all of which are held in the engagement files in MIAA's audit management application (TeamMate Plus).

- 2.8 The TeamMate Plus application is also used for managing the engagements with all staff recording time spent on the assignments in the application. Supervision of the engagements takes place at every stage of the process and is either recorded directly in TeamMate Plus, or outside of the application with all versions of any electronic or hard copy documents that have been reviewed being saved to the application.
- 2.9 MIAA has a robust quality assurance process in place that feeds into its Quality Assurance and Improvement Programme (QAIP), and its ISO 9001 (2015) and IIP accreditations.

3. Validation Process

- 3.1 Given the on-going issues with the COVID-19 pandemic, the self-assessment validation was undertaken remotely and comprised a desktop review of key documents, a customer feedback questionnaire, and 'virtual' interviews with MIAA employees and key stakeholders. The desktop part of the review focussed on determining the strengths and weaknesses of MIAA and formed the key lines of enquiry used during the interview stage. The key lines of enquiry assessed MIAA against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3.2 MIAA provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included the: -
 - self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - sample audit charters for clients;
 - sample of annual reports and opinions;
 - sample of audit plans and strategies;
 - audit procedures and quality manual; and
 - progress and other reports to a sample of client Audit Committees.

All the above documents were examined during the EQA.

- 3.3 The validation process was carried out predominately during the week 21st to 27th September 2020, with some interviews falling into the week commencing the 28th September 2020 depending on the availability of key stakeholders. Virtual interviews were carried out with key personnel from MIAA, plus a sample of key stakeholders from MIAA's customer base, made up of Finance Directors and chairs of Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way MIAA delivered services, and how supportive they had been during the 'lockdown' phase of the pandemic. Clients liked the risk-based approach used and felt that actions raised in audit reports were valid and relevant to enhancing their governance and board assurance frameworks. They also valued the briefing sessions and guidance provided by MIAA to its clients.

- 3.4 A questionnaire was also sent to MIAA’s key stakeholders in advance of the EQA commencing and the results analysed during the review. A summary of the survey results is shown at appendix A of the report. The reviewer also carried out an end-to-end review of a sample of audits to confirm his understanding of the audit process used by MIAA.

4. Opinion

It is our opinion that MIAA’s self-assessment is accurate and, as such, we conclude that MIAA FULLY CONFORMS to the requirements of the Public Sector Internal Audit Standards.

The table below shows MIAA’s level of conformance to the individual standards assessed during this external quality assessment: -

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000	Fully Conforms
Attribute standard 1100	Fully Conforms
Attribute standard 1200	Fully Conforms
Attribute standard 1300	Fully Conforms
Performance standard 2000	Fully Conforms
Performance standard 2100	Fully Conforms
Performance standard 2200	Fully Conforms
Performance standard 2300	Fully Conforms
Performance standard 2400	Fully Conforms
Performance standard 2500	Fully Conforms
Performance standard 2600	Fully Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charters for all MIAA’s clients.

5.2 **Core Principles for the Professional Practice of Internal Auditing**

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in the quality assurance manual and protocols, and that MIAA is a highly competent, motivated, and professional internal audit agency that conforms to all ten elements of the Core Principles.

5.3 **Code of Ethics**

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that MIAA conforms to the Code of Ethics and this is embedded in their quality assurance manual and protocols. It is part of their overarching culture and underpins the way MIAA and its employees operate.

5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

We reviewed a sample audit charter for a MIAA client, and the processes used to present the document to the Audit Committee for approval. It is noted that MIAA plans to review and update the audit charter for 2021/22, however we are satisfied that the current format of the audit charter and current processes for presenting them to audit committees conform to attribute standard 1000.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is covered in MIAA's policies and procedures and is an integral part of their culture. The Service reports in its own name and directly to senior management and the Audit Committees at all of its clients. MIAA is an independent internal audit agency that is hosted by Liverpool University Hospitals NHS Foundation Trust and is overseen by a management board made up of representatives from the member organisations.

Neither the Managing Director nor any of the Directors at MIAA have any line management responsibilities other than for MIAA's employees. None of MIAA's employees have operational or managerial functions at any of MIAA's clients. MIAA has a separate Solutions Division that provides consulting and advisory services to MIAA's clients. There is a robust mechanism in place to ensure that the provision of these services does not compromise the independence or objectivity of the Assurance Division (Internal Audit) or any of its employees. All employees sign a declaration of independence each year, which includes a statement to confirm that

they have read and understood the PSIAS and the Standards of Business Conduct for NHS Staff.

We have reviewed MIAA's internal audit and quality assurance manuals, their guidelines, handbooks and other associated documents and protocols, and their quality assurance and improvement plan, together with their reporting lines and positioning in the organisations they work with. We are satisfied that MIAA conforms with attribute standard 1100, although there are some minor enhancements that could be made to documentation for management to consider we have set these out in section 8 of this report.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires MIAA's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that MIAA has a highly professional, experienced, motivated and well qualified workforce. All managers hold relevant qualifications with all of the client engagement managers being CCAB or CIIA qualified. There is a comprehensive staff development programme in place that ensures there are ample opportunities for staff to obtain professional qualifications, maintain their CPD requirements, and keep up to date with developments in the health and wider public sector. MIAA has a substantial pool of staff with a wide range of knowledge and specialisms, including dedicated teams for anti-fraud, business solutions and transformation, ICT audit, data analytics, clinical coding, and healthcare quality assurance.

As mentioned above, MIAA has a small data analytics team who use computer assisted audit techniques to support the general audits as well as undertaking bespoke assignments. Their chosen software for this work is the IDEA application, although they are not currently using any of the add-on tools available for this product.

It is evident from the review that the highly motivated and experienced workforce perform their duties with due professional care. We are satisfied that MIAA complies with attribute standard 1200, although we feel there are some opportunities to strengthen the services they provide to their clients, and perhaps grow their business, that we have set out in section 8 of this report.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Director of MIAA to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

MIAA has developed a robust and effective quality assurance process that ensures engagements are performed to the highest possible standard within the available resources. It is effective and feeds into MIAA's quality assurance and improvement programme. We have examined this process during this EQA and are satisfied that MIAA conforms to attribute standard 1300.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Managing Director of MIAA to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Managing Director must produce an audit plan for each client, and communicate this and MIAA's resource requirements,

including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Managing Director must ensure that MIAA's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Managing Director to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Managing Director to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

As mentioned in section two of this report, MIAA has comprehensive internal audit, anti-fraud and quality assurance manuals, supervision and quality assurance processes in place that meets the requirements of the PSIAS. They have developed comprehensive planning processes that follow best practice by taking into consideration the client's risks, objectives and board assurance frameworks; other relevant and reliable sources of assurance; any key issues identified by their clients and their own horizon scanning; and MIAA's own risk and audit needs assessments. From this information, they produce risk-based audit plans that are designed to enhance the client's board assurance framework and control processes; and objectively provide them with relevant assurance. These audit plans are reviewed and approved by the senior management and the Audit Committees at each client. Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of MIAA, is regularly reported to the respective Audit Committees, with an annual report opinion for each client being issued at the end of the year.

The clear indication from this EQA is that MIAA is effectively managed and conforms to standard 2000.

5.9 Performance Standard 2100 – Nature of Work

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's board assurance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by MIAA and is set out in their internal audit and quality assurance manuals and supporting guidelines, the audit management system, and their working methodologies. During this EQA, we selected a small sample of completed audit engagements from different clients and examined them to see if they conformed to standard 2100 and MIAA's own methodologies. We found that the sample audits complied with both.

Internal audit's credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. MIAA achieves this primarily through its comprehensive programme of briefing sessions that it runs for senior managers and Audit and Governance Committee members, and through the specialist consultancy, advisory, healthcare, and anti-crime engagements that it undertakes. MIAA's proactive approach to dealing with the COVID-19 pandemic which resulted in a large proportion of their workforce being seconded to their clients and help them manage the huge demand on their resources, and the series of risk awareness briefings that they produced for clients

to help them manage the extraordinary risk thrown up by the pandemic have been much appreciated by their clients.

The clear indication from this EQA is that MIAA conforms to performance standard 2100.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations. The plan must consider the organisation’s strategies, objectives, and risks relevant to the engagement.

As mentioned in section two of this report, MIAA has comprehensive internal audit, anti-fraud and quality assurance manuals, supervision and quality assurance processes in place that covers engagement planning in detail and meets the requirements of the PSIAS. During this EQA, we selected a small sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and MIAA’s own procedures, and therefore we conclude that MIAA conforms to performance standard 2200.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

MIAA’s comprehensive internal audit manual and quality procedures, together with their supervision and quality assurance processes, meet the requirements of the standards. We selected a small sample of completed audit engagements from different clients and examined them to see if they conformed to the standards. We found that they all conformed to the standards and MIAA’s own processes, and therefore we conclude that MIAA conforms to performance standard 2300.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing”.

The comprehensive internal audit manual and associated procedures, together with the supervision and quality assurance processes (referred to in section two of this report) cover the communication of results in detail and meet the requirements of the PSIAS. We selected a small sample of completed audit engagements and examined them to see if they conformed to the standards. We found that they all conformed to the standards and MIAA’s own processes. We also reviewed the progress and annual reports to management and the Audit Committees for a small sample of their clients and found these also conformed to the standards and MIAA’s own internal procedures. We therefore conclude that MIAA conforms to performance standard 2400.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place at all of MIAA’s clients, the objective of which is to monitor the client’s progress towards the implementation of

agreed actions. The results of the follow-up reviews are reported to the relevant Audit Committees and senior management teams. From this EQA, it is evident that MIAA conforms to performance standard 2500.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Managing Director has concluded that a client's management has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare, consequently, we did not see any during this EQA although there are processes in place should such a scenario arise. From this EQA, it is evident that MIAA conforms to performance standard 2600.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

8. Issues for management action

8.1 It is our conclusion that MIAA conforms to the PSIAS. We have however identified two low priority minor issues for management to consider which, if implemented, will strengthen this

We have also identified some potential opportunities for MIAA to enhance their procedures and the effectiveness of the services they provide to their clients. We have made some suggestions for management to consider however these are all advisory.

8.2 The current audit report format for all of MIAA's clients includes a brief statement in the 'Acknowledgements and Further Information' section on the use of the audit reports. Consideration should be given to expanding this statement to include a statement on limiting the distribution and use of the report and its content. It is good practice to include such a statement in audit reports as it acts as a warning to readers not to release reports to third parties before they enter the public domain through the agreed distribution channels. Such a statement may also deter readers from extracting parts of the report and using it out of context to satisfy their own agendas.

MIAA's management have accepted this action. *"Audit reports are currently being updated and will incorporate a brief statement on limiting the distribution and use of the report and its content"*. This will be in place from the 1st April 2021.

8.3 As this EQA confirms that MIAA conforms to the PSIAS, the statement 'Conforms with the International Standards for the Professional Practice of Internal Auditing' can be added to the individual audit reports, and we therefore suggest that consideration is given to adding such a statement to them. A similar, although not identical, statement is already included in the annual report.

8.4 MIAA includes a table in section 6.1 of the Head of Internal Audits annual report and opinion to demonstrate to the reader how MIAA conforms to each of the standards. It is good practice to include a specific statement that there have been no impediments to MIAA's independence and objectivity for the year covered by the annual report. We feel management should consider expanding the wording used for standard 1100 'Independence and Objectivity' to include such a statement.

MIAA's management have accepted this action. *"We are happy to include the proposed wording amendment in the annual report"*. This will be in place from the 1st April 2021.

- 8.5 All of MIAA's employees are required to complete and sign an annual declaration of independence that also includes a statement to confirm that the employee has read and understood the requirements placed upon them by the standards. This is common throughout the public sector; however, many public sector internal audit services are now expanding these declarations to include a statement that the employee has read and understood the Seven Principles of Public Life. It is suggested that MIAA's management consider adding this to the declaration at the next revision.

MIAA's management have accepted this action. This will be in place from the 1st April 2021.

- 8.6 MIAA uses the IDEA application as its primary computer assisted audit techniques (CAATs) tool and they have employees that are trained in the use of this application. Whilst CIPFA does not endorse the use of IDEA or any other third-party software applications, we feel there may be opportunities for MIAA to enhance the use of their data analytics offering for clients by considering obtaining the add-on applications that are available for IDEA v10. The first application to consider is 'SmartAnalyser' which is a suite of pre-written test scripts covering the core financial, inventory and HR systems found in most organisations. The second application may be of benefit if any of MIAA's clients are running Unix based applications and this is 'Unix Security Auditor'. This application can be used to test the security rules set within the password, shadow, group and file/directory listing in Unix boxes.

MIAA's management have accepted this action. This will be in place from the 1st April 2021.

- 8.7 MIAA has a comprehensive range of policies, procedures and guides in place for its staff to use, however we noted during this EQA that some of these documents, for example the 'audit Staff Development Programme' and the 'Opportunity Framework' were issued in 2016 and do not include any information relating to version control and date of review. It is suggested that when these (and any other) documents are next reviewed, a section on version control and review dates is included in each one, to bring them into line with MIAA's other documents and ensure that staff are always referring to the latest version.

MIAA's management have accepted this action. This will be in place from the 1st April 2021.

- 8.8 A summary of the agreed actions to address the above issues together with management responses, is included at the end of this report.

9. Action Plan

1. Statement limiting distribution and use of audit reports (Low priority)	
Rationale	Agreed Action
The current audit report format for all of MIAA's clients includes a brief statement in the 'Acknowledgements and Further Information' section on the use of the audit reports. Consideration should be given to expanding this statement to include a statement on limiting the distribution and use of the report and its content. It is good practice to include such a statement in audit reports as it acts as a warning to readers not to release reports to third parties before they enter the public domain through the agreed distribution channels. Such a statement may also deter readers from extracting parts of the report and using it out of context to satisfy their own agendas.	Action accepted. Audit reports are currently being updated and will incorporate a brief statement on limiting the distribution and use of the report and its content.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

2. Conforms to the IPPF statement (Low priority)	
Rationale	Agreed Action
As this EQA confirms that MIAA conforms to the PSIAS, the statement 'Conforms with the International Standards for the Professional Practice of Internal Auditing' can be added to the individual audit reports, and we therefore suggest that consideration is given to adding such a statement to them. A similar, although not identical, statement is already included in the annual report.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

3. Expand the statement on Independence and Objectivity (Advisory)	
Rationale	Agreed Action
MIAA includes a table in section 6.1 of the Head of Internal Audits annual report and opinion to demonstrate to the reader how MIAA conforms to each of the standards. It is good practice to include a specific statement that there have been no impediments to MIAA's independence and objectivity for the year covered by the annual report. We feel management should consider expanding the wording used for standard 1100 'Independence and Objectivity' to include such a statement.	We are happy to include the proposed wording amendment in the annual report.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

4. Enhancement of the annual declaration of independence (Advisory)	
Rationale	Agreed Action
All MIAA's employees are required to complete and sign an annual declaration of independence that also includes a statement to confirm that the employee has read and understood the requirements placed upon them by the standards. This is common throughout the public sector; however, many public sector internal audit services are now expanding these declarations to include a statement that the employee has read and understood the Seven Principles of Public Life. It is suggested that MIAA's management consider adding this to the declaration at the next revision.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

5. Enhance use of IDEA (Advisory)	
Rationale	Agreed Action
MIAA uses the IDEA application as its primary computer assisted audit techniques (CAATs) tool and they have employees that are trained in the use of this application. Whilst CIPFA does not endorse the use of IDEA or any other third-party software applications, we feel there may be opportunities for MIAA to enhance the use of their data analytics offering for clients by considering obtaining the add-on applications that are available for IDEA v10. The first application to consider is 'SmartAnalyser' which is a suite of pre-written test scripts covering the core financial, inventory and HR systems found in most organisations. The second application may be of benefit if any of MIAA's clients are running Unix based applications and this is 'Unix Security Auditor'. This application can be used to test the security rules set within the password, shadow, group and file/directory listing in Unix boxes.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

6. Document revisions and version control (Advisory)	
Rationale	Agreed Action
MIAA has a comprehensive range of policies, procedures and guides in place for its staff to use, however we noted during this EQA that some of these documents, for example the 'audit Staff Development Programme' and the 'Opportunity Framework' were issued in 2016 and do not include any information relating to version control and date of review. It is suggested that when these (and any other) documents are next reviewed, a section on version control and review dates is included in each one, to bring them into line with MIAA's other documents and ensure that staff are always referring to the latest version.	Action accepted.
Action Responsibility	Executive Director of Assurance
Deadline	1st April 2021

10. Definitions

Fully Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Managing Director and Head of Internal Audit, the Deputy Heads of Audit, Audit Managers, and the Business Support Unit at MIAA in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to chairs of Audit Committees and the Finance Directors from MIAA's clients that made themselves available for interview during the EQA process and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

14th November 2020

11. Disclaimer

This report has been prepared by CIPFA at the request of the Management Board of MIAA, and MIAA's Managing Director, the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Management Board of MIAA, and MIAA's Managing Director, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Appendix A

Summary of Survey Results

As part of the EQA process, CIPFA used a questionnaire to obtain the views of the key stakeholders from all of MIAA's clients. The questionnaire was sent to the Heads of Finance and audit committee chairs of each client and forty-three completed questionnaires were returned.

As can be seen from the table below, the majority of MIAA's clients have a positive view of MIAA and the service they receive. On the whole clients felt that the staff were knowledgeable and personable, and their organisations treated MIAA as a valued partner. It was clear from the survey responses that clients valued the proactive approach taken by MIAA to support them through the first wave of the COVID-19 pandemic, in particular the flexible use of their staff resources and the range of briefings and guidance MIAA produced on managing the key risks during the pandemic.

Whilst the overall response to the survey is positive, there are a few responses where the organisation felt the question did not fully apply to them, and this has led to them recording a 'partially agree' or 'do not agree' response. However, where they appear to require a deeper understanding of the client's response, MIAA are liaising with the respective clients to obtain a better understanding of their issues.

No.	Question	Percentage %			
		Agree	Partially Agree	Do Not Agree	N/A
1	The internal audit service is seen as a key strategic partner throughout the organisation.	81.40	18.60	0.00	0.00
2	Senior managers understand and fully support the work of internal audit.	83.72	16.28	0.00	0.00
3	Internal audit is valued throughout the organisation.	72.09	27.01	0.00	0.00
4	The internal audit service is delivered with professionalism at all times.	97.67	2.33	0.00	0.00
5	The internal audit service responds quickly to changes within the organisation.	86.05	13.95	0.00	0.00
6	The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.	93.02	6.98	0.00	0.00
7	The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	76.74	23.26	0.00	0.00

No.	Question	Percentage %			
		Agree	Partially Agree	Do Not Agree	N/A
8	The internal audit service's recommendations consider the wider impact on the organisation	81.40	18.60	0.00	0.00
9	The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified.	88.37	11.63	0.00	0.00
10	There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service	97.67	2.03	0.00	0.00
11	The internal audit service includes consideration of all risk areas in its work programme.	88.37	11.63	0.00	0.00
12	Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation.	95.35	4.65	0.00	0.00
13	Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control.	72.09	27.91	0.00	0.00
14	The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas.	62.79	34.88	0.00	2.33
15	The internal audit service raises significant control issues at an appropriate level and time in the organisation.	95.35	2.33	0.00	2.33
16	The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.	74.72	23.26	2.33	0.00

No.	Question	Percentage %			
		Agree	Partially Agree	Do Not Agree	N/A
17	Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	74.72	23.26	2.33	0.00
18	Internal audit activity promotes appropriate ethics and values within the organisation	79.07	18.60	0.00	2.33