

**INTERNAL AUDIT - ESTABLISHMENT OF A QUALITY PROCESS**

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**1. SUMMARY**

Report to the Audit Committee about the position with regard to the quality improvement process adopted by internal audit

**2. RECOMMENDATIONS**

2.1 Note and approve.

**3. DETAILS**

3.1 The study of the internal audit function in Scottish Local Authorities “A job worth doing” and the subsequent follow-up review undertaken by Audit Scotland measured performance against a number of criteria. One of these concerned the establishment of a quality process within the section. The duty of Best Value on Scottish Local Authorities also has a dimension whereby Councils should embed a continuous improvement process.

3.2 As a response to these pressures, KPMG and the Internal Audit section had begun the process of examining the quality development needs of the section using the EFQM framework as a guide. At a meeting of the Audit Committee on 27<sup>th</sup> August 2004 the view was expressed that the use of EFQM was not appropriate in the context of a relatively small part of a large organisation and requested that the approach adopted should be re-examined.

3.3 Internal Audit and KPMG have considered the approach and consulted with Audit Scotland. It has been agreed that the objective of implementing a continuous improvement process within the internal audit section remains valid. The approach to be adopted will follow developments in the rest of the Council with regard to a balanced scorecard and Best Value.

3.4 Implementing continuous improvement in internal audit will involve the following:

- Documentation of the processes involved in delivering the internal audit service;
- Defining performance indicators relating both to outputs and processes;
- Development of a process for the monitoring and review of quality performance; and
- Defining the process whereby outcomes are adopted into working practice.

**5. IMPLICATIONS**

5.1	Policy:	None
5.2	Financial:	None
5.3	Personnel:	None
5.4	Legal:	None
5.5	Equal Opportunities:	None

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