

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE MEETING**

**27 May 2020**

**Report of the Assistant Director of Finance (Audit)**

**QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

**1. Purpose of Report**

To inform Members of the review of the Audit Services Unit's Quality Assurance and Improvement Programme (QAIP).

**2. Information & Analysis**

At the meeting of the Audit Committee on 22 November 2017 Members noted the Audit Services Unit's QAIP. The implementation of the Public Sector Internal Audit Standards (PSIAS) from 1 April 2013 requires that the 'chief audit executive (Assistant Director of Finance (Audit)) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's compliance with the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme.'

In addition the QAIP must include both internal and external assessments of internal audit activity. Internal assessments must include ongoing monitoring of performance and periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The Director of Finance & ICT undertakes a review of the effectiveness of the system of internal control. This included a review of the Audit Services self-assessment of performance against the recommended checklist provided by the Chartered Institute of Public Finance and Accountancy (Cipfa) in the Local Government Application Note for the UK PSIAS. The Director of Finance & ICT confirmed that 'I am of the opinion that it is a sound assessment of Audit's and the Council's adherence to PSIAS'.

Members are aware that Cipfa's consultancy service (C.Co) was selected to undertake the external assessment of Audit Services. This assessment was carried out on the basis of a self-assessment with independent external validation.

On 10 December 2019 Mr Ian Kirby, C.Co Programme Director, presented the report arising from this review to the Audit Committee which judged Audit Services as compliant with the PSIAS overall and in each of the four areas of focus assessed. The assessment team's report includes several advisory opportunities to enhance the internal audit service which are the subject of a separate report to this meeting.

Attached to this Report at Appendix 1 is the Unit's QAIP which sets out the procedures for the ongoing monitoring, supervision, review and measurement of Audit Services' activity. It also includes arrangements for both internal and external assessments of Audit Services activity.

The QAIP will also be incorporated into the Unit's Audit Manual which will be reviewed during the current year.

### **3. Considerations**

In preparing this report the relevance of the following factors has been considered: financial, legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health, property and transport considerations.

### **4. Background Papers**

A file held by the Assistant Director of Finance (Audit).

### **5. Officer's Recommendation**

That the Audit Committee notes the Audit Services Unit's QAIP.

**Carl Hardman**  
**Assistant Director of Finance (Audit)**

**DERBYSHIRE COUNTY COUNCIL**  
**AUDIT SERVICES**  
**QUALITY ASSURANCE AND IMPROVEMENT**  
**PROGRAMME**



**CARL HARDMAN**  
Assistant Director of Finance (Audit)



## **Background**

The International Standards for the Professional Practice of Internal Auditing require that the:-

- chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity;
- quality assurance and improvement program must include both internal and external assessments;
- chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:
  - the scope and frequency of both the internal and external assessments;
  - the qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest;
  - conclusions of assessors;
  - corrective action plans.

The Public Sector Internal Auditing Standards (PSIAS) define the requirements for a Quality Assurance and Improvement Programme and outline the scope of the programme

*The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.*

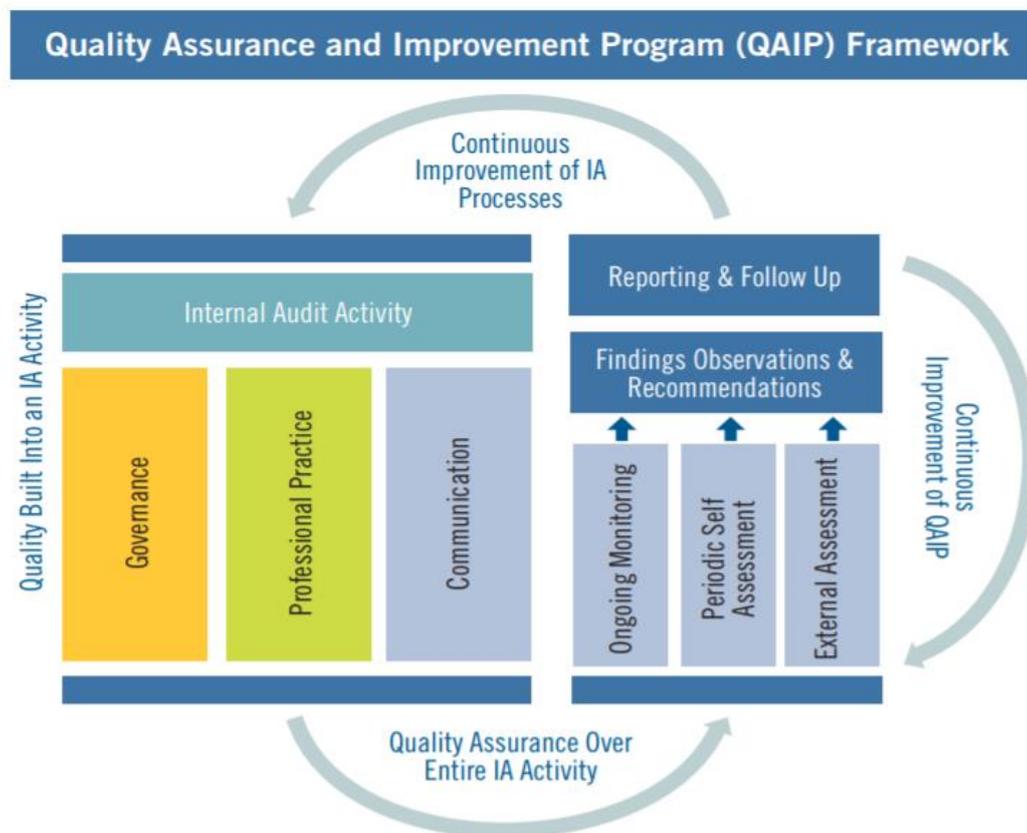
*A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The chief audit executive should encourage board oversight in the quality assurance and improvement programme*

## **Purpose**

Audit Services' Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to its key stakeholders that the Unit:

- Performs its work in accordance with its Charter and is consistent with the PSIAS;
- Operates in an effective and efficient manner;
- Is adding value and continually improving the service that it provides.

The Assistant Director of Finance (Audit) is responsible for maintaining this QAIP which covers all aspects of Audit Services' activity and is based upon the IIA's framework as shown below.



### **Internal Quality Assurance Assessments**

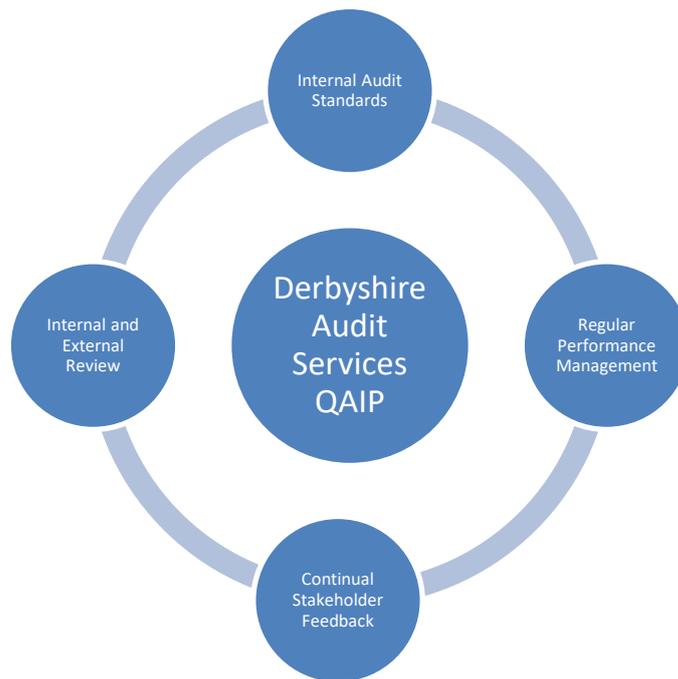
Internal assessment includes both ongoing and periodic reviews of Audit work.

### ***Ongoing Quality Assurance Arrangements***

Ongoing assessments are conducted through:

- Applying relevant Audit policies and procedures, including those set out in the Derbyshire Audit Services Audit Manual, to ensure applicable Audit planning, fieldwork and reporting quality standards are met;
- Requirement for all Audit staff to conform to the Code of Ethics and the Council's code of Conduct for Employees;
- Supervision of individual Audit assignments;
- Documented review of working papers by appropriate Audit staff;
- Review of all Reports/Memoranda by appropriate Audit staff prior to issue;
- Induction programmes;
- Regular MyPlan appraisals;
- Maintenance of training records;
- Performance monitoring by the Audit Services Management Team;
- Feedback from Client Satisfaction Questionnaires (CSQ) on Audit assignments;

- Key Performance Indicators (KPIs) reported to the Audit Committee and Senior Management.



The Assistant Director of Finance (Audit) is responsible for assigning Audit staff to projects included in the approved Audit Plan. In assigning work to an individual Auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision will be provided.

Reviews of working papers, Audit Memoranda/Reports and feedback from CSQs will be discussed with Audit staff and inform formal MyPlan appraisals. KPIs for Audit Services are agreed with the Audit Committee and Senior Management. The priorities for Audit Services are reviewed and refreshed each year as part of the Council's annual planning cycle, and included in the Commissioning, Communities and Policy Department and Corporate Finance and ICT Division's Service Plans.

### ***Periodic Reviews***

Periodic assessments are conducted to evaluate conformance with the Audit Charter, the PSIAS, Definition of Internal Auditing and the Code of Ethics. These will be conducted through:-

- Annual self-assessment of conformance with the PSIAS and Code of Ethics by the Assistant Director of Finance (Audit);
- Review of self-assessment by the Director of Finance & ICT as part of the annual review of the effectiveness of the system of internal control;
- Review of KPIs and CSQs by the Assistant Director of Finance (Audit);
- Activity and performance reporting to the Audit Committee including actual and planned audit days, assurance levels and recommendations made, agreed and implemented.

## **External Quality Assurance Assessments**

An external assessment will be conducted at least once every five years as required by the PSIAS. This assessment will appraise and express an opinion regarding Audit Services' compliance with the PSIAS and include any recommendations for improvement.

The Assistant Director of Finance (Audit) will consider what form of external assessment is most appropriate eg full external assessment or a self-assessment with independent validation. The scope of any external assessment will be agreed with the Chair of the Audit Committee, Director of Finance & ICT and the appointed external assessor.

Before appointing an external assessor the Assistant Director of Finance (Audit) will have confirmed with the Chair of the Audit Committee that the assessor is competent in the area of professional internal auditing practices and the external assessment process. In determining competence the Assistant Director of Finance (Audit) will consider the level of experience gained in organisations of similar size, and if in doubt will seek advice from the Chartered Institute of Public Finance and Accountancy.

For an external assessment to provide a truly independent view, it is important that the appointed assessor has no real or apparent conflict of interest with the Council in general or the Audit Services Unit in particular. The Assistant Director of Finance (Audit) will be alert to this risk when appointing the external assessor.

## **Reporting**

The outcome of any external assessment or periodic internal assessment (notably the annual review of the effectiveness of the system of internal control) will be reported to the Audit Committee and Director of Finance & ICT on completion.

The Assistant Director of Finance (Audit) will take appropriate action to ensure that recommendations for improvement identified as a result of periodic internal or external assessments are implemented as appropriate.

Progress in implementing agreed improvement plans will be included as part of the Assistant Director of Finance (Audit)'s regular reporting to the Audit Committee.