

**DERBYSHIRE COUNTY COUNCIL****AUDIT COMMITTEE MEETING****22 November 2017****Report of the Assistant Director of Finance (Audit)****QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME****1. Purpose of Report**

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

**2. Information & Analysis**

At the meeting of the Audit Committee on 19 March 2013 Members were informed of the implementation of the Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The objectives of the PSIAS are to:-

- define the nature of internal auditing within the UK public sector;
- set basic principles for carrying out internal audit in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

The PSIAS are adopted by the Relevant Internal Audit Standard Setters, one of which is the Chartered Institute of Public Finance and Accountancy in respect of local government across the United Kingdom. The PSIAS were last revised in 2016 and the latest revisions are effective from 1 April 2017.

One of the requirements of the PSIAS is 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 .... The chief audit executive should encourage board oversight in the quality assurance and improvement programme."

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 the external assessment of Audit Services which must be conducted at least once every five years. The last external assessment was undertaken by PwC and reported to the Audit Committee in March 2014. During the current year the Unit will deploy resources to prepare for its next external assessment.

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, social value, 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 Institute of Internal Auditors International Professional Practices Framework (IPPF) defines a quality assurance and improvement program (QAIP) as:

*An ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit activity. These ongoing and periodic assessments are composed of rigorous, comprehensive processes; continuous supervision and testing of internal audit and consulting work; and periodic validations of conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. This also includes ongoing measurements and analyses of performance metrics (e.g. internal audit plan accomplishment, cycle time, recommendations accepted, and customer satisfaction). If the assessments' results indicate areas for improvement by the internal audit activity, the chief audit executive (CAE) will implement the improvements through the QAIP.*

The Public Sector Internal Auditing Standards 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.*

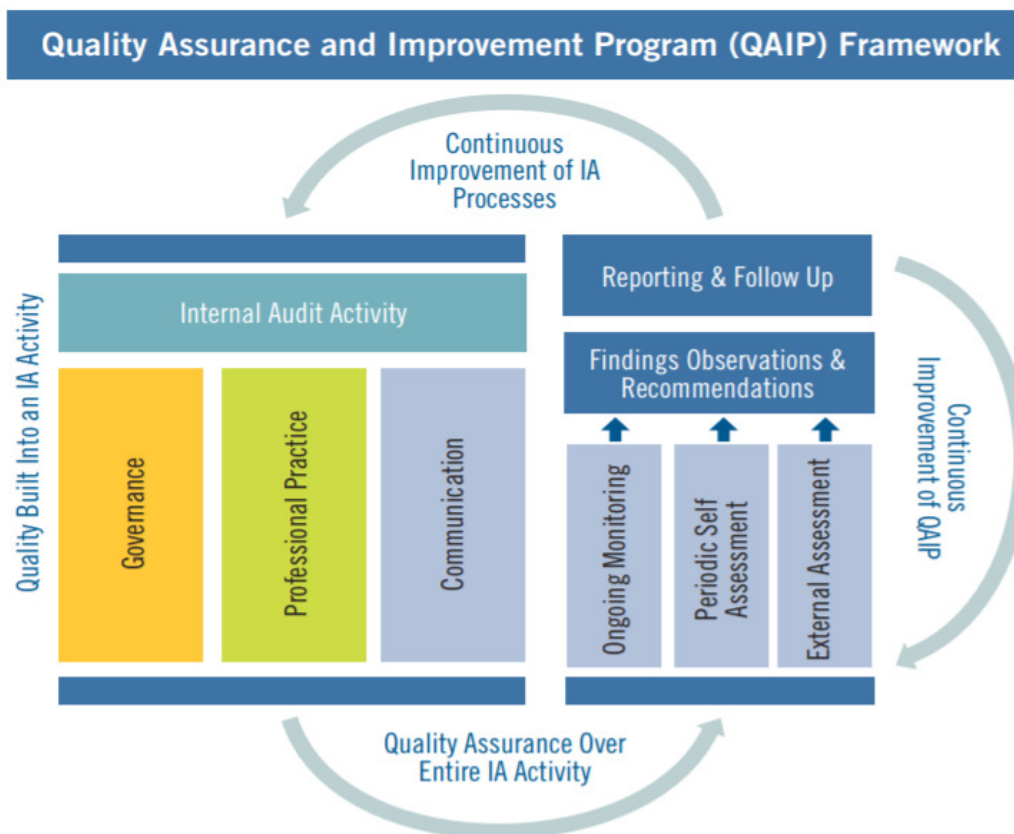
*A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit 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;
- Operates in an effective and efficient manner; and
- 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.



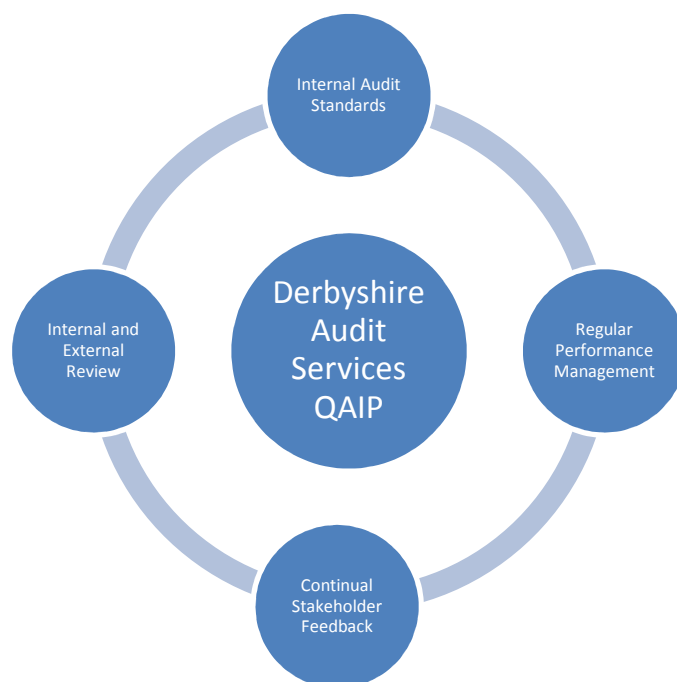
## **Internal Quality Assurance Assessments**

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;
- 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;
- Feedback from Client Satisfaction Questionnaires (CSQ) on Audit assignments;
- Regular MyPlan appraisals;
- Maintenance of training records;
- Performance monitoring by the Audit Services Management Team;
- Key Performance Indicators (KPIs) monitored through the Corporate Finance and ICT Divisional Management Team.



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 Director of Finance and ICT. The priorities for Audit Services are reviewed and refreshed each year as part of the Council's annual planning cycle, and included in the Corporate Resources Department and Corporate Finance and ICT Division's Service Plans.

KPIs are a mixture of narrative and locally devised targets which are regularly submitted by the Assistant Director of Finance (Audit). The report is reviewed by the Corporate Finance and ICT Divisional Management Team.

### ***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;
- Review of KPIs 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.

In addition the Director of Finance and ICT carries out, on behalf of the Council, an annual review of the effectiveness of the system of internal control.

### **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 and 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 and 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.