

Devon Audit Partnership - Independent External Assessment Report

December 2021

Assessment Team:

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1 Introduction

- 1.1 The *Public Sector Internal Auditing Standard (PSIAS)* and the *International Standards for the Professional Practice of Internal Auditing* require that an external quality assessment (EQA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the EQA process. The EQA can be accomplished through a full external assessment or a self-assessment with independent validation.
- 1.2 Devon Audit Partnership (DAP) conducted a self-assessment of its internal audit activity and selected Orbis and South West London Audit Partnership (SWLAP) as the qualified, independent external assessment team to conduct a validation of the self-assessment by DAP. In addition, the assessment team was also asked to consider, drawing on their previous extensive partnership experiences, what actions might be taken to further improve the overall quality and effectiveness of the service.
- 1.3 The assessment team was made up of Russell Banks, Chief Internal Auditor for Orbis and Alix Wilson, Head of SWLAP. Orbis deliver internal audit and counter fraud services to Surrey County Council, East Sussex County Council and Brighton & Hove City Council, as well as to range of external clients, including emergency services and district/borough councils. SWLAP is a five Borough shared audit service covering the Royal Borough of Kingston and the London Boroughs of Richmond, Wandsworth, Sutton and Merton. SWLAP also delivers internal audit services to a number of external clients including Achieving for Children, a wholly owned community interest company providing children's services to Kingston, Richmond and Windsor and Maidenhead councils.

2 Objectives, Scope and Methodology

Objectives

- 2.1 The principal objective of the EQA was to assess DAP's conformance with the *Standards* and the Code of Ethics.



- 2.2 In addition, the assessment team has sought to draw on its own experiences of delivering professional internal audit services, in a partnership capacity, to a range of public sector organisations to help identify any further opportunities to improve the overall quality and effectiveness of the services delivered by DAP.

Scope

- 2.3 The scope of the EQA included all aspects of internal audit, as set out within in the internal audit charter, which defines the purpose, authority, and responsibility of internal audit.
- 2.4 The EQA was conducted during November 2021 and was based on *Standards* and the Code of Ethics in place and effective as of 1st January 2017.

Methodology

- 2.5 DAP compiled and prepared information consistent with the methodology established in the *Checklist for Assessing Conformance with the PSIAS and the Local Government Application Note*. This information included appropriate supporting documentation, an evaluation summary (documenting all conclusions and observations) and the self-assessment by DAP. Further evidence was provided to the assessment team as requested.
- 2.6 The assessment team reviewed the above documentation, including the completed self-assessment, and conducted interviews with a range of stakeholders within DAP and among partner organisations. This has included the Head of DAP, individual auditors, Section 151 Officers, Monitoring Officers, Strategic Directors and Chairs of Audit Committee.
- 2.7 In completing this work, the assessment team prepared an 'Independent Validation Statement' to document conclusions related to the validation of internal audit's self-assessment. This statement is included as *Appendix C* to this report.
- 2.8 The remainder of this report sets out the overall conclusions from all of the assessment work, covering both conformance with PSIAS specifically, as well as general observations on the overall quality and effectiveness of DAP activities. Where appropriate, recommendations for improvement have been made for the organisation to consider.

3 Executive Summary

- 3.1 DAP is a well-regarded internal audit partnership, delivering professional and quality services to its partner organisations with a high level conformance with Public Sector Internal Audit Standards. Whilst some areas of partial conformance with the Standards have been identified, these can be relatively easily and swiftly resolved.
- 3.2 Interviews with stakeholders were overwhelmingly positive about the service they receive from DAP, recognising the value and professionalism of the service. In the interest of continuous improvement, something quite rightly seen as being of great importance to the DAP management, we have taken the opportunity as part of this review to identify areas where the partnership can further improve and develop. In many cases, these are simply suggestions for management to consider as in some cases, they may not be appropriate for every internal audit service provider.
- 3.3 To demonstrate how the service is viewed we have captured a flavour of some of the comments made to us:
- *“The perception is that they provide a lot of value for a small amount of resource”; “a pleasure to see them investing in staff”; “seen as an aid to management” - S151 officer .*
 - *“Every member of the Committee is very positive about Internal Audit. Members have a high regard for the Audit Partnership and the level of detail they provide” - Chair of the Audit Committee.*
 - *“Senior officers have good engagement with DAP auditors”; “The balance of what they provide is right, encouraging constructive conversations around risks and priorities”; “Seen as both part of the organisation and as external provision which is able to provide independent challenge”; “DAP is a highly regarded shared service and I look on it with pride” – Chief Executive.*
 - *“DAP manages to keep the ship on a steady course”; “I think that the Partnership works really well. They have a good, experienced team of auditors and utilise their time well, concentrating on what matters” - Chair of the Audit Committee.*

4 PSIAS Statement of Conformance

- 4.1 Based on the work carried out it is our overall opinion that DAP generally conforms with the Standards and the Code of Ethics. A detailed list of conformance by DAP against individual *Standards* and the Code of Ethics is shown in *Appendix A*.
- 4.2 The IIA's *Quality Assessment Manual for the Internal Audit Activity* suggests a scale of three rankings when opining on the internal audit activity:

DEFINITIONS	
Generally Conforms	The internal audit activity has a charter, policies, and processes that are judged to be in conformance with the <i>Standards</i> and the Code of Ethics.
Partially Conforms	Deficiencies in practice are noted that are judged to deviate from the <i>Standards</i> and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
Does Not Conform	Deficiencies in practice are judged to deviate from the <i>Standards</i> and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

(Ref: *Institute of Internal Auditors*)

- 4.3 A detailed description of conformance criteria can be found in *Appendix B*.
- 4.4 As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion. Some were captured across more than one of the attribute standards or are recommendations for improvement, rather than failures in conformance. A summary of these points has been provided to DAP management.

APPENDIX A – EVALUATION SUMMARY

	GC	PC	DNC
Overall Evaluation	✓		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility			
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity		✓	
1110	Organisational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care			
1210	Proficiency		✓	
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		

Attribute Standards (1000 through 1300) - <i>continued</i>		GC	PC	DNC
1300	Quality Assurance and Improvement Program			
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments		✓	
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program	✓		
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
1322	Disclosure of Non-conformance	✓		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity			
2010	Planning		✓	
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance		✓	
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organisational Responsibility for Internal Auditing	✓		
2100	Nature of Work			
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning			
2201	Planning Considerations	✓		
2210	Engagement Objectives		✓	
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		

Performance Standards (2000 through 2600) - <i>continued</i>		GC	PC	DNC
2240	Engagement Work Program	✓		
2300	Performing the Engagement			
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results			
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		
2421	Errors and Omissions	✓		
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
2431	Engagement Disclosure of Non-conformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		

Code of Ethics		GC	PC	DNC
	Code of Ethics	✓		

APPENDIX B - RATING DEFINITIONS

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organisation.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

APPENDIX C – INDEPENDENT VALIDATION STATEMENT

Russell Banks (Orbis) and Alix Wilson (SWLAP) (the ‘assessors’) were engaged to conduct an independent validation of DAP’s self-assessment. The primary objective of the validation was to verify the assertions and conclusions made in the self-assessment report concerning adequate fulfilment of the organisation’s basic expectations of internal audit, its conformity to The IIA’s *International Standards for the Professional Practice of Internal Auditing*, LGANs and successful internal audit practices and opportunities for continuous improvement noted.

In acting as the qualified, independent external assessors from outside the organisation, the assessors are fully independent of DAP and have the necessary skills to undertake this engagement. The validation, concluded in November 2021, consisted primarily of a review and a test of the procedures and results of internal audit’s self-assessment. In addition, interviews were conducted with a sample of key stakeholders including Chief Executives, S151 officers, Audit Committee Chairs, Monitoring Officers, other members of senior management and officers working for DAP.

The assessors concur with DAP’s conclusions and observations documented in their self-assessment. Implementation of the recommendations contained in this report will improve the effectiveness, enhance the value, and support internal audit’s conformity with the *Standards* and the Code of Ethics.

Russell Banks, Chief Internal Auditor, Orbis

Alix Wilson, Head of South West London Audit Partnership

Independent External Assessors Performing the Validation
November 2021

