



Agenda Item 11

JOINT AUDIT COMMITTEE
28th June 2018

Quality Assurance and Improvement Programme 2018/19

1. Purpose of the Report

- 1.1 The purpose of this report is to present, in compliance with Public Sector Internal Audit Standards (PSIAS), the latest version of the Quality Assurance and Improvement Programme for the Joint Internal Audit Service.

2. Background

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) adopted a common set of Public Sector Internal Audit Standards (PSIAS) from April 2013 (updated April 2017). These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.
- 2.2 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;
 - establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.
- 2.3 Following an external assessment of Internal Audit undertaken in October 2017, an action plan was developed to address the areas for improvement identified during the inspection. Progress updates are provided to Joint Audit Committee as part of internal audit's quarterly update report. A further self-assessment has been undertaken at the start of June 2018 which is included in the Annual Audit report presented to Committee, and is summarised in Appendix A.
- 2.4 This latest self-assessment is positive and reflects 95% compliance with the Standards. There are still some areas to address and develop further during 2018/19. These are summarised in Appendix B. Updates on progress will continue to be provided to the Committee on a regular basis.
- 2.5 The PSIAS also sets out the requirement for a Quality Assurance and Improvement Programme (QAIP). Internal Audit's QAIP is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the PSIAS;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and continually improving its operations

2.6 An assessment of compliance with the 2017/18 QAIP agreed by Committee in June 2017 is attached at Appendix C. All aspects have been achieved with no issues identified.

2.7 A review has been undertaken of the QAIP and no significant changes are required at this time. The QAIP for 2018/19 is provided at Appendix D.

3 **RECOMMENDATIONS**

3.1 The Committee to note the report; including, compliance against PSIAS (Appendix A), the associated action plan for 2018/19 (Appendix B), compliance with the requirements of the agreed QAIP for 2017/18 (Appendix C);

3.2 The Committee is also asked to approve the latest Quality Assurance and Improvement Programme (Appendix D).

CONTACT OFFICER

Name: Lynn Joyce

Title: Head of Internal Audit

BACKGROUND DOCUMENTS

Public Sector Internal Audit Standards

PSIAS Self- Assessment 2017-18

Attribute Standards:

Ref	Standard	Ref	Description	Assessment
1000	Purpose, Authority and Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	Compliant
1100	Independence and Objectivity	1110	Organisational Independence	Compliant
		1111	Direct Interaction with the Board	Compliant
		1120	Individual Objectivity	Compliant
		1130	Impairment to Independence or Objectivity	Compliant
1200	Proficiency and Professional Care	1210	Proficiency	Compliant
		1220	Due Professional Care	Compliant
		1230	Continuing Professional Development	Compliant
1300	Quality Assurance and Improvement Programme	1310	Requirements of the Q.A. and Improvement Programme	Compliant
		1311	Internal Assessments	Compliant
		1312	External Assessments	Compliant
		1320	Reporting on the Q.A. and Improvement Programme	Compliant
		1321	Conforms with International Standards	N/A
		1322	Disclosure of Non-Conformance	Compliant

Performance Standards:

Ref	Standard	Ref	Description	Assessment
2000	Managing the Internal Audit Activity	2010	Planning	Compliant
		2020	Communication and Approval	Mainly Compliant
		2030	Resource Management	Compliant
		2040	Policies And Procedures	Compliant
		2050	Co-ordination	Compliant
		2060	Reporting to Senior Management and the Board	Mainly Compliant
2100	Nature of Work	2110	Governance	Compliant
		2120	Risk Management	Compliant
		2130	Control	Compliant
2200	Engagement Planning	2201	Planning Considerations	Compliant
		2210	Engagement Objectives	Compliant
		2220	Engagement Scope	Compliant
		2230	Engagement Resource Allocation	Compliant
		2240	Engagement Work Programme	Compliant
2300	Performing the Engagement	2310	Identifying Information	Compliant
		2320	Analysis and Evaluation	Compliant
		2330	Documenting Information	Compliant
		2340	Engagement Supervision	Compliant
2400	Communicating Results	2410	Criteria for Communicating	Compliant
		2420	Quality of Communications	Compliant
		2421	Errors and Omissions	Compliant
		2430	Compliance with International Standards	N/A
		2431	Engagement Disclosure of Non-Conformance	Compliant
		2440	Disseminating Results	Compliant
		2450	Overall Opinions	Compliant
2500	Monitoring Progress			Compliant
2600	Resolution of Senior Management's Acceptance of Risks			Compliant

PSIAS Improvement Plan – Outstanding for progression in 2018/19

Part A - Recommendations

No	Section of PSIAS	Recommendation	Response	Action date	Progress Update
R6	2020 2060	The IAM should, as a minimum, present the annual audit plan and annual audit report to the Force Executive	Both the annual audit plan and annual audit report are reported to the Senior Management Team, as defined in the Charter, and to the Joint Audit Committee. The Deputy Chief Constable and Director of Commercial Services are the liaison point into the Force Executive Team. The current arrangements are therefore considered appropriate to meet the requirements of the Standard. In addition, the Joint Audit Committee Annual report includes reference to the work of internal audit and this is reported both to the Strategic Police and Crime Board and to the Executive Team. An annual presentation from Audit will however be provided to the Executive team to supplement any reports that Deputy Chief Constable and Director of Commercial services already bring to the Executive Team. The content and timing of the briefing is yet to be determined.	Within next 12 months. Exact date to be agreed	Not yet progressed: A date is yet to be determined to provide a progress update to the plan to the Executive Team

Part B - Suggestions

No	Section of PSIAS	Suggestion	Response	Action date	Progress Update
S2	1300	Invite others from within the organisation, including the Joint Audit Committee, to contribute to self-assessments	Members of the Joint Audit Committee will be asked to validate the IAM self-assessment periodically.	Ongoing	Not yet progressed: Timing for any input from JAC will be considered during 2018/19.
S4	2420	Look at ways to reduce the length of and detail included in reports, for example, but including some or all observations in an appendix and reducing the detail in the detailed findings	Work in progress. The audit team are continuing to develop lean auditing techniques such as root cause analysis and thematic reporting which will result in more concise reporting. Observations will remain as part of the reports executive summary. The purpose of the observations section is to include areas for future consideration or areas where observations may have been made during the audit, but the auditor recognises that management are making progress to address.	Ongoing	In progress: Work is continuing within the team to produce leaner more concise reports
S6	2500	Provide more information on the follow-up process	To be included on future training programme for Joint Audit Committee Members	To be determined	Not yet progressed: Training requirements for Committee Members have yet to be determined

Quality Assurance and Improvement Programme - Compliance Assessment 2017/18

No.	QAIP requirement	Frequency	Timing	Result	Comment
1	Quality Assurance and Improvement Plan (QAIP)				
1.1	QAIP Maintained for Internal Audit (As required by international Standards for Professional Practice of Internal Audit)	Annual review	June	Achieved	Updated annually. 2017/18 QAIP reported to JAC in June 2017. 2018/19 reported to JAC in June 2018
1.2	QAIP aligns with IIA and PSIAS (1300)	Annual review	June	Achieved	Checks undertaken to standard 1300. Full compliance. Confirmed during external assessment in 2017/18
1.3	QAIP comprises: Internal assessments – ongoing Internal assessments – periodic External assessments – Once every 5 years	Annual review	June	Achieved	QAIP incorporates internal and external assessments. All internal audit activities are subject to ongoing assessment. Self-assessment against PSIAS is undertaken annually and reported to JAC. External Assessment undertaken 2017/18
2	Internal Assessments – Ongoing				
2.1	The maintenance of an integrated audit management, documentation and reporting system to ensure consistency	Ongoing	Continual maintenance	Achieved*	Galileo audit system is used to promote consistency. <i>*Now on older version of software so need to consider upgrade during 2018/19</i>
2.2	Management supervision of all engagements	Ongoing	Continual throughout each audit	Achieved	All engagement planning documents, Terms of Reference, working papers and reports are reviewed by Head of Internal Audit
2.3	Structured, documented review of working papers and draft reports by Internal Audit management	Ongoing	Upon conclusion of fieldwork for each audit	Achieved	Head of Internal Audit reviews all working papers and reports. This review is evidenced in the Galileo audit system
2.4	Feedback from audit clients obtained through post audit questionnaires at the closure of each engagement	Ongoing	After each audit	Achieved	Post Audit Questionnaires are issued to the client at the time the final report is issued. One reminder is issued if no response received. Rate of return for 2017/18 was 55% at the end of March 2018
2.5	Monitoring of internal performance targets and quarterly reporting to the Joint Audit Committee	Monthly	Monitored monthly (Reported to JAC each quarter)	Achieved	Internal targets are monitored monthly with updates being provided to JAC at quarterly meetings. Performance against targets is discussed regularly with staff during one to one's
2.6	Review and approval of all final reports, recommendations and levels of assurance by the Internal Audit Manager	Ongoing	After each audit	Achieved	All final reports are signed off by Head of Internal Audit prior to issue.
3	Internal Assessments – Periodic				
3.1	Quarterly Progress Reports to the Joint Audit Committee	Quarterly	June, September,	Achieved	Internal Audit update report presented at all meetings of JAC during

No.	QAIP requirement	Frequency	Timing	Result	Comment
	which include progress against the annual plan, reports issued during the period including details of the opinion and summaries of key issues and outcomes from the work undertaken in the period		December and March		2017/18. These reports include details of finalised reports with more detail being provided of those reviews awarded a Limited or Minimal opinion
3.2	Annual Satisfaction Surveys to key stakeholders	Annual	April	Achieved	2017/18 annual Survey issued April 2018. 23% return rate – survey targets Heads of Service, Assistance Directors and Executive Team.
3.3	Annual self-assessment of conformance with PSIAS	Annual	June	Achieved	Reported to JAC as part of PSIAS annual review. Also reviewed as part of external assessment.
3.4	Annual review of compliance against the requirements of the QAIP, the results of which are reported to senior management and the Joint Audit Committee	Annual	June	Achieved	Reported to JAC in June 2017 and June 2018
3.5	Feedback from the Chief Finance Officer and Chair of the Joint Audit Committee to inform the annual appraisal of the Internal Audit Manager in accordance with Standard 1100	Annual	November	Achieved	CFO and JAC Chair contributed to the Performance Development Review (PDR) of Head of Internal Audit in November 17
3.6	Periodic Skills and Competency exercise for each Internal Auditor	Annual	November	Achieved	Competency framework used as part of Internal Audit staff PDRs in November 17
4	External Assessment				
	An external assessment will occur at least once every five years to ensure continued application of professional standards	5-Yearly		Achieved	External Assessment undertaken October 2017 Next external assessment due no later than October 2022
5	Review of QAIP				
	This document will be reviewed at least on an annual basis	Annual	June	Achieved	Reported in June 17 and June 18 (no significant revisions proposed, only minor changes to post titles etc.)



west midlands
police and crime
commissioner

Internal Audit
Quality Assurance and
Improvement Programme
(QAIP)
2018/19



1 Introduction

- 1.1 Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of the service that Internal Audit:
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS);
 - Operates in an effective and efficient manner; and
 - Is perceived by stakeholders as adding value and continually improving its operations.
- 1.2 Internal Audit's QAIP covers all aspects of Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner (1300);
 - Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics (1300);
 - Helping the Internal Audit activity add value and improve organisational operations (1300);
 - Undertaking both periodic and on-going internal assessments (1311); and
 - Commissioning an external assessment to the Joint Audit Committee at least once every five years, the results of which are communicated to the Joint Audit Committee (1312 & 1320).
- 1.3 The Head of Internal Audit is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including consulting.

2 Internal Assessments

- 2.1 In accordance with the PSIAS Standard, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

- 2.2 Continual assessments of quality are undertaken via:
- The maintenance of an integrated audit management, documentation and reporting system to ensure consistency;
 - Management supervision of all engagements;
 - Structure, documented review of working papers and draft reports by Internal Audit management;
 - Feedback from audit clients obtained through post audit questionnaires at the closure of each engagement;
 - Monitoring of internal performance targets (Appendix 1) and quarterly reporting to the Joint Audit Committee; and
 - Review and approval of all final reports, recommendations and levels of assurance by the Head of Internal Audit.

Periodic Reviews

- 2.3 The Internal Audit service operates to a Charter that mandates compliance with relevant professional standards and specifically the definition of Internal Auditing, the Code of Ethics and the PSIAS which is regularly reviewed.
- 2.4 Periodic assessments are designed to evaluate conformance with these standards and are conducted via:
- Quarterly Progress Reports to the Joint Audit Committee which includes progress against the annual plan, reports issued during the period including details of the opinion and summaries of key issues and outcomes from the work undertaken in the period;
 - Annual Satisfaction Surveys to key stakeholders;
 - Annual self-assessment of conformance with PSIAS;
 - Annual review of compliance against the requirements of the QAIP, the results of which are reported to senior management and the Joint Audit Committee;
 - Feedback from the Chief Finance Officer and Chair of the Joint Audit Committee to inform the annual appraisal of the Head of Internal Audit in accordance with Standard 1100; and
 - Periodic Skills and Competency exercise for each Internal Auditor.
- 2.5 Significant areas of non-compliance with PSIAS identified through internal assessment will be reported in the Internal Audit Annual Report and used to inform the Annual Governance Statement.
- 2.6 Results of internal assessments will be reported to the Joint Audit Committee at least annually. The Head of Internal Audit will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.
- 2.7 The Head of internal Audit will also periodically identify improvement requirements, for example in respect of audit planning, assurance mapping, audit processes, counter fraud, skills development for the team, audit profile and performance.

3 External Assessments

- 3.1 An external assessment will occur at least once every five years to ensure continued application of professional standards. This process will express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Audit and Code of Ethics and include recommendations for improvement, as appropriate.
- 3.2 The appointment of the External Assessor and scope of the External Assessment will be approved by the Joint Audit Committee.
- 3.3 The external assessment will consist of a broad scope of coverage that should include the following elements of Internal Audit activity:
- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and Internal Audit's Charter, plans, policies and practices;

- Expectations of Internal Audit as expressed by senior management and operational management;
 - Tools and techniques used by Internal Audit;
 - The mix of knowledge, experiences and disciplines within the team; and
 - Whether Internal Audit adds value and improves the organisation's operations.
- 3.4 Results of external assessments will be reported to the Joint Audit Committee at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas identified of non-conformance will be reported in the Annual Internal Audit Report.

4 Review of the QAIP

- 4.1 This document will be reviewed at least on an annual basis.

Appendix 1

Performance Targets 2018/19*

Type	Description	Narrative	Target
Outputs	Audit Coverage	% of Audit Plan Delivered.	90%
	Report Production	Completion of Draft Audit Report within 10 working days.	95%
	Report Production	Completion of Final Report within 5 days of agreement of the draft.	95%
	Audit Recommendations	Recommendations accepted v made.	100%
Quality	Client Satisfaction	% of Post Audit Questionnaires in which management have responded as "Very Good" or "Good".	95%
Compliance	Public Sector Internal Audit Standards (PSIAS) Compliance	Level of Compliance with PSIAS.	100%

* Subject to review by Joint Audit Committee June 18