

Agenda Item 11

JOINT AUDIT COMMITTEE
28th June 2019

Internal Audit
Quality Assurance and Improvement Programme

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 An annual self-assessment against the requirements of the PSIAS is undertaken, with the results of the latest assessment completed in June 2019 summarised at Appendix A. This latest self-assessment reflects 92% compliance with the Standards and the recently revised Local Government Application Note. 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. The majority of these actions have been addressed with updates previously being provided to the Committee. The annual review of effectiveness of the internal audit service has identified further improvements and development areas, which are included in the improvement plan for 2019/20 at Appendix B.
- 2.4 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.

2.5 An assessment of compliance with the 2018/19 QAIP agreed by Committee in June 2018 is attached at Appendix C. This shows a high level of conformance with only a couple of omissions identified regarding seeking feedback from the Chair of Joint Audit Committee in the performance appraisal of the Head of Internal Audit and increasing the level of reporting to Executive team. Both will be addressed during 2019/20.

2.6 A review has been undertaken of the QAIP and no changes are required for 2019/20. The QAIP for 2019/20 is provided at Appendix D.

3 **RECOMMENDATIONS**

3.1 The Committee to note the report; including, compliance against PSIAS (Appendix A), the internal audit improvement plan for 2019/20 (Appendix B) and compliance with the requirements of the agreed QAIP for 2018/19 (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 2018-19

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	Mainly 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

Internal Audit Improvement Plan 2019/20

Outstanding Recommendations and Suggestions for Improvement from External Assessment

No	Section of PSIAS	Recommendation/Suggestion for Improvement	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	<p>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.</p> <p>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.</p> <p>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.</p>	Sept 2019 and Feb 2020	<p>Force Executive Team have agreed timescales for reporting. This includes:</p> <ul style="list-style-type: none"> - Aug/Sept 19 – mid-year update of progress against plan - Feb 2020 – proposed plan for 2020/21
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.	Not yet progressed	Not yet progressed: Timing for any input from JAC is still to be considered.
S6	2500	Provide more information on the follow-up process	To be included on future training programme for Joint Audit Committee Members	Partly	<p>Further information on the follow-up process was incorporated into quarterly update reports, which now include following detail 'Internal Audit follow-up recommendations to ensure they have been implemented. All recommendations are followed up six months following the date the final audit report is issued to establish progress in implementing the recommendations. Any that remain outstanding following the six month follow-up review continue to be followed-up every three months until confirmation is received of implementation'</p> <p>Not yet progressed: Training requirements for Committee Members are to be determined during 2019/20</p>

Additional Improvement and Development Actions for 2019/20

No	Section of PSIAS*	Action	Responsible Officer	Action date
1	1311	<p>Customer Feedback Rate of return of post audit surveys for 2018/19 was 46% and for Senior Management Survey 16%. To try and increase these figure, a process of issuing reminders will be formalised for Post Audit surveys. Record of reminders will be recorded in Galileo and progress discussed at one to one's.</p> <p>For senior management survey, explore the options of survey being issued by Senior Management Team representatives.</p>	Head of Internal Audit / Internal Audit Team	July 2019
2	2040	<p>Working Paper Software Galileo software is used for documenting audit working papers. The system has been in place for a number of years and newer versions are now available. It is likely that sometime in the future the current version may no longer be supported. Investigate the benefits of the new system and determine whether upgrade would be beneficial.</p>	Head of Internal Audit	March 2020
3	1210	<p>Job Descriptions Job descriptions are available for all posts in the internal audit team, however due to revisions to PSIAS in 2017 and more recently the Local Government Application Note in 2019, a review of job descriptions will be undertaken by the Head of Internal Audit to ensure they remain up to date. Any changes to the competency framework for the internal audit team will also be considered as part of this review.</p>	Head of Internal Audit	December 2019
4	1110	<p>Organisational Independence To ensure requirement of standards in relation to Organisational Independence can be fully met, the CFO should seek feedback from the Chair of JAC for all future appraisals of the Head of Internal Audit</p>	Chief Finance Officer.	July 2019
5		<p>Improvement of elapsed time taken to undertake audit. During the review of effectiveness, it was identified that some audits have taken a significant length of time to complete. Work will be undertaken during 2019/20 to understand why this is happening, identify any blockages in the process, including communication and resource issues.</p>	Head of Internal Audit	December 2019

**These improvement actions do not impact on current compliance with PSIAS standards, they aim to further enhance effectiveness of the internal audit team*

Quality Assurance and Improvement Programme - Compliance Assessment 2018/19

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. 2018/19 QAIP reported to JAC in June 2018. 2019/20 reported to JAC in June 2019.
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. Confirmed during self-assessment undertaken 2018/19.
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 by the Head of Internal Audit and reported to JAC. External Assessment undertaken 2017/18. Next external inspection due by October 2022.
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. Contact was made with supplier during 2018/19 and existing version will continue to be supported for some time. Assessment to be undertake during 2019/20 of additional functionality within new system and whether upgrade would be beneficial.</i>
2.2	Management supervision of all engagements	Ongoing	Continual throughout each audit	Achieved	All engagement planning documents, terms of reference and working papers are reviewed by Head of Internal Audit or delegated Principal Auditor. All reports are subject to review by the Head of Internal Audit before issuing to client.
2.3	Structured, documented review of working papers and draft reports by internal audit management	Ongoing	Upon conclusion of fieldwork for each audit	Achieved	As above. The review process 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. Rate of return for 2018/19 was 46% at the time of reporting.
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. Monthly activity reports are produced which are used to inform one to one discussions with internal audit staff.

No.	QAIP requirement	Frequency	Timing	Result	Comment
2.6	Review and approval of all final reports, recommendations and levels of assurance by the Head of internal Audit	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 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	Quarterly	June, September, December and March	Achieved	Internal Audit update report presented at all meetings of JAC during 2018/19. These reports include details of finalised audits with more detail being provided of those audits awarded a Limited or Minimal opinion
3.2	Annual Satisfaction Surveys to key stakeholders	Annual	April	Achieved	2018/19 annual senior management survey was issued April 2019. This survey targets Heads of Service, Assistance Directors and Executive Team. Response rate was low during 2018/9 with only 16% of managers responding.
3.3	Annual self-assessment of conformance with PSIAS	Annual	June	Achieved	Reported to JAC as part of PSIAS annual review.
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 2019.
3.5	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	Annual	November	Not Achieved	Both CFO and JAC Chair contributed to the Performance Development Review (PDR) of Head of Internal Audit in November 2017. The Chair of JAC was not asked to contribute to the PDR process undertaken in January 2019. A contribution from the Chair will be sought for the interim PDR to be held in June/July 2019.
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 January 19. The framework is used to guide training and development targets.
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 18 and reviewed June 19



west midlands
police and crime
commissioner

Internal Audit
Quality Assurance and
Improvement Programme
(QAIP)
2019/20



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 Internal Audit activities.

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;
 - Structured, 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 2019/20***

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 19