JOINT AUDIT COMMITTEE
30th March 2017

PUBLIC SECTOR INTERNAL AUDIT STANDARDS UPDATE

1. **PURPOSE OF REPORT**

1.1 To update the Committee on those areas where action is required to increase compliance with the Public Sector Internal Audit Standards (PSIAS).

1.2 To ascertain from the Committee the preferred form of external assessment and the proposed approach for evaluating providers.

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. 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 A self-assessment against the Standards was undertaken and included in the Annual Audit report presented to Committee in June 2016, which is summarised in Appendix A.

2.4 Although this assessment was broadly positive, it identified some aspects of the Standards which were less than fully compliant. An Action Plan has been prepared to address those areas where development and/or evidence of compliance are required. This latest position is detailed in Appendix B. The Action Plan should be part of the means by which the Committee monitors the effectiveness and quality of the service.

2.5   The PSIAS sets out the requirement for a Quality Assurance and Improvement Programme (QAIP). As part of this, it is a requirement that an external assessment of an organisation's internal audit function is conducted once every five years by a qualified, independent assessor or assessment team from outside the organisation. The service, therefore, is subject to external review prior to March 2018.

2.6   It was agreed with the Committee in December 2016 that the external assessment will be undertaken by an external provider using a validated self-assessment route. In compliance with Contract Standing Orders, quotations were sought and evaluated and an agreed provider has been selected. The external assessment will be undertaken in October 2017. Arrangements are in the process of being made.

A brief summary of the process is as follows:
- The completed self-assessment and the relevant documents that evidence compliance against each of the individual standards will be reviewed.
- A sample of internal audits will be reviewed to assess compliance with the requirements.
- Interviews will be held with key stakeholders, to include: S151 officers of both the PCC and Force, the audit team, a selection of auditees and Joint Audit Committee members and the Chief Executive.
- A high-level report will be produced that incorporates adherence to each of the over-arching standards, plus recommendations moving forward where necessary. We have also requested that the assessor provides feedback directly to members of the Joint Audit Committee.

3   RECOMMENDATIONS

3.1   The Committee to note progress against the PSIAS Action Plan included at Appendix B.

CONTACT OFFICER Name: Lynn Joyce Title: Internal Audit Manager	**BACKGROUND DOCUMENTS** Public Sector Internal Audit Standards

PSIAS Self- Assessment 2015-16

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	Mainly 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	Mainly Compliant
		1220	Due Professional Care	Compliant
		1230	Continuing Professional Development	Mainly Compliant
1300	Quality Assurance and Improvement Programme	1310	Requirements of the Q.A. and Improvement Programme	Mainly Compliant
		1311	Internal Assessments	Mainly Compliant
		1312	External Assessments	Not Compliant
		1320	Reporting on the Q.A. and Improvement Programme	Mainly Compliant
		1321	Confirms with International Standards	Not Compliant
		1322	Disclosure of Non-Conformance	Mainly Compliant

Performance Standards:

Ref	Standard	Ref	Description	Assessment
2000	Managing the Internal Audit Activity	2010	Planning	Mainly Compliant
		2020	Communication and Approval	Compliant
		2030	Resource Management	Compliant
		2040	Policies And Procedures	Mainly Compliant
		2050	Co-ordination	Mainly Compliant
		2060	Reporting to Senior Management and the Board	Compliant
2100	Nature of Work	2110	Governance	Mainly Compliant
		2120	Risk Management	Compliant
		2130	Control	Compliant
2200	Engagement Planning	2201	Planning Considerations	Mainly 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	Not Compliant
		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 Action Plan

Ref	Standard	Action	Date	Update
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	Changes to the Internal Audit Charter: (i) Definition of Terms – "Board" and "Management" (ii) Setting out Internal Audit's position within the organisation. (iii) Reference that IA Manager reports to CFO (iv) Update in respect of Change to Accounts and Audit Regulations 2015 (v) Definition of consulting services (vi) Statement that PSIAS is mandatory	09/16	Complete
1110	Organisational Independence	Declaration of Interests to be updated	09/16	Complete
		The Board to approve the Internal Audit budget and Resource Plan	03/17	2017/18 Audit Strategy includes reference to budget and available resources for JAC consideration
		The Board to approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE)		Requires CFO / JAC action as and when required. JAC Vice Chair was involved in appointment process for current Internal Audit Manager
		The Board to seek reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations		Action for JAC. The 2017/18 Audit Strategy includes references to scope and resource limitations for 2017/18
		The Board to feedback on the performance of the CAE		Action for JAC in consultation with CFO
1210	Proficiency	Skills Levels of team – IT Audit	03/17	PDRs undertaken 09/16 including promotion of IT Audit Skills, Knowledge of key IT risks. Use of CAATS to be explored. New Principal Auditor to commence Institute of Internal Auditors IT Audit Certificate Qualification April 2017.
		Knowledge of key IT risks and controls	03/17	As above
		Knowledge of CAAT's and Data Analytics	03/17	As above
	Continuing Professional Development	Auditors to undertake a programme of CPD.	03/17	Auditors are encouraged to undertake CPD. Training objectives set at PDR are discussed with Auditors at their regular one to one's. Records have been established to capture any learning. Staff will be encouraged to share learning with the team.

Ref	Standard	Action	Date	Update
				CPD arrangements will be developed more throughout 2017/18 and will be considered in more detail in PDRs, in conjunction with the auditor competency framework recently implemented.
		Auditors to maintain a record of their professional development and training	10/16	Records implemented with effect from 11/16.
1310	Requirements of the Quality Assurance and Improvement Programme	Preparation and approval of QAIP at JAC	09/16	Complete – Approved at JAC 09/16
1311	Internal Assessments	Performance Monitoring to be based on performance targets	09/16	Commenced reporting to JAC 09/16
1312	External Assessments	External Assessment – determine arrangements	12/16	Options paper to JAC 09/16 Assessment criteria to JAC 12/16 Quotations sought and evaluation process undertaken and discussed with both the CFO and Chair of JAC in Jan 2017. External Assessment has been commissioned for October 2017.
		External Assessment - Paper to JAC on proposed approach, sponsor, how any reciprocal arrangements will work, the qualifications and competence of those involved.	12/16	As above
1320	Reporting on the Q.A. and Improvement Programme	Performance against QAIP to be included in the Annual Report for 16-17	06/17	
1321	Confirms with International Standards	QAIP to inform compliance with PSIAS for 16-17	06/17	To be completed after review of conformance with QAIP
1322	Disclosure of Non-Conformance	PSIAS deviations to be reported in the AGS for 16-17	06/17	
2010	Planning	Risk Based Plan to be based on organisations' assurance framework, clearer link to organisational objectives and priorities and clearer.	03/17	2017/18 Audit Strategy explains risk based planning methodology. 2017/18 Audit Plan has been developed with clearer links to organisational objectives set within the Police and Crime Plan
		Consideration of the use of IT Audit Specialists	03/17	The Force has an annual externally supplied IT health check. Outcomes reported to March 2017 audit Committee. Several IT audits are included in 2017/18 Audit Plan, which can be undertaken by Internal Team.

Ref	Standard	Action	Date	Update
2040	Policies and Procedures	Audit Manual to be reviewed and updated.	07/17	A draft audit manual has been distributed to Internal Audit staff for consultation. Aim to launch new manual in April 2017. New leaner report template has been implemented and new arrangements implemented for documenting research and meetings that form the basis of Audit Terms of Reference.
2050	Co-ordination	Assurance Mapping exercise to be undertaken	03/17	Initial desk top exercise commenced with the aim of identifying the levels of assurance provided around objectives within the Police and Crime Plan, Policing Functions and Non-Policing Functions. The initial assessment has been considered when devising the 2017/18 audit plan. This will be developed further during 2017/18 to reflect ongoing changes to Force processes, structures and Governance arrangements.
2110	Audit Coverage - Governance	IA to assess whether the organisations' IT Governance supports the organisations' strategies and objectives.	03/17	To supplement the IT audits undertaken during 2016/17, the 2017/18 Audit Plan also includes a number of ICT related audits. ICT Administration and access controls are also to be considered as part of individual systems audits during 2017/18, particularly those associated with new financial systems to be implemented during 17/18. These reviews are supplemented by the Force's own commissioned IT health check.
		Consideration of the proportionality of the amount of work required to assess the ethics and information technology governance of the organisation.	03/17	To supplement any specific audits included in the audit plan, ethics and IT Governance will be considered during engagement planning for each audit, where relevant
2201	Engagement Planning Considerations	Improved scoping of consulting assignments	03/17	Formal Terms of Reference will be required for consulting assignments of 5 days or more. This requirement is included in the Internal Audit Manual (currently in draft)
2430	Compliance with International Standards	QAIP to inform this standard	06/17	To be completed after review of conformance with QAIP

Note - The term "Board" in this context is the Joint Audit Committee.