

SCOTTISH POLICE
AUTHORITY

Meeting	SPA Audit Committee
Date	11 September 2018
Location	Pacific Quay, Glasgow
Title of Paper	Internal Audit Progress Report
Item Number	4.1
Presented By	Elizabeth Young, Director, Scott-Moncrieff
Recommendation to Members	Members are requested to note the report.
Appendix Attached	Internal Audit Progress Report

PURPOSE

This paper presents our progress report against the Annual Internal Audit Plan.

The paper is presented in line with the Internal Audit contract with Scottish Police Authority.

The paper is submitted for noting.

1. BACKGROUND

- 1.1 The Progress Report provides the Audit Committee with a summary of internal audit activity since its last meeting and confirms the reviews planned for the coming quarter, identifying any changes to the original annual plan.

2. FURTHER DETAIL ON THE REPORT TOPIC

- 2.1 In the latest period to September 2018, we have been in discussions with SPA and Police Scotland regarding the internal audit plan and drafted assignment plans for all upcoming audits. These are presented to the committee for consideration under a separate agenda item.
- 2.2 Our discussions with SPA highlighted one potential change to the 2018/19 Internal Audit plan: due to ongoing changes within SPA and planned work to be undertaken by HMICS, it has been proposed that the planned review of SPA Governance be deferred into 2019/20 to allow the changes to embed.

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising as a direct result of this report.

4. PERSONNEL IMPLICATIONS

- 4.1 There are no personnel implications associated with this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications associated with this report.

6. REPUTATIONAL IMPLICATIONS

- 6.1 There are no reputational implications arising from with report.

7. SOCIAL IMPLICATIONS

7.1 There are no social implications directly associated with this report

8. COMMUNITY IMPACT

8.1 There are no community impact implications directly associated with this report.

9. EQUALITIES IMPLICATIONS

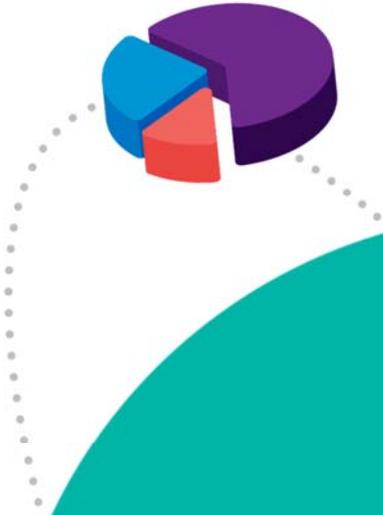
9.1 There are no equalities implications directly associated with this report.

10. ENVIRONMENT IMPLICATIONS

10.1 There are no environmental implications associated with this report.

RECOMMENDATIONS

Members are requested to note the report.



Scottish Police Authority

Internal Audit Report Progress Report

September 2018



Scott-Moncrieff
business advisers and accountants



Scottish Police Authority

Internal Audit Report

Progress Report

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Summary of Progress

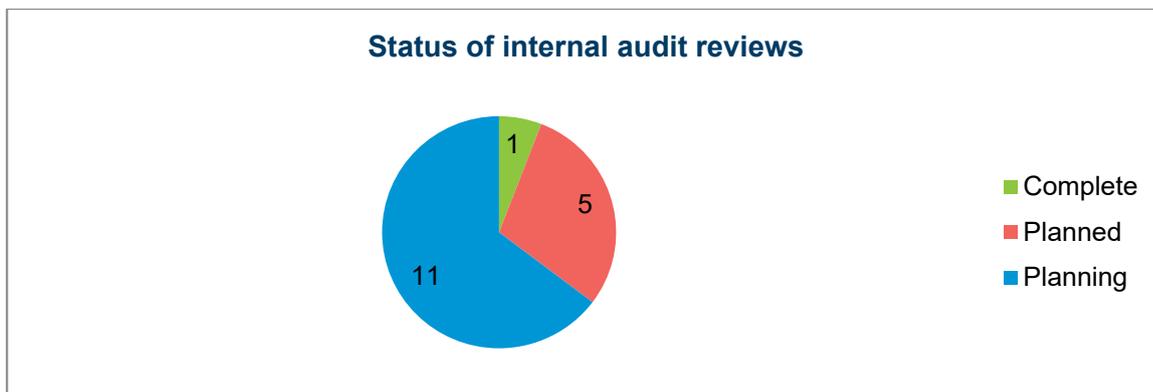
This paper provides the Audit Committee with a summary of internal audit activity since its last meeting and confirms the reviews planned for the coming quarter, identifying any changes to the original annual plan.

Progress against annual audit plan

In the latest period to September 2018, we have been in discussions with SPA and Police Scotland regarding the internal audit plan and drafted assignment plans for all upcoming audits. These are presented to the committee for consideration under a separate agenda item.

Our discussions with SPA highlighted one potential change to the 2018/19 Internal Audit plan: due to ongoing changes within SPA and planned work to be undertaken by HMICS, it has been proposed that the planned review of SPA Governance be deferred into 2019/20 to allow the changes to embed.

In addition, we have been commissioned to undertake two separate pieces of work outwith the internal audit plan: a whistleblowing investigation and a review of the Transformation OBC. Both pieces of work are currently ongoing.



Appendix 1 sets out the status of the 2018/19 internal audit programme. In addition, within our Internal Audit Plan we committed to communicating our progress against our Key Performance Indicators to each meeting of the Audit Committee. A summary of our performance for the year to date is included within Appendix 2.

External Quality Assessment

Our internal audit team recently commissioned a full External Quality Assessment and we are pleased to report that the review found Scott-Moncrieff to be in compliance with Public Sector Internal Audit Standards. More details on the review are included within Appendix 3.

Plan for next quarter

We are planning to present the following reports to the January 2019 Audit Committee:

- Information Management
- Risk Management
- Staff Performance Management

Action for Audit Committee

The Audit Committee is asked to note the contents of this report and to approve the proposed change to the plan.

We also invite any comments on the format or content of this report. Contact details are as follows:

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Appendix 1 – Progress against 2018/19 internal audit plan

Ref and Name of report	Audit Sponsor	Status	Quarter	Planned Audit C'ttee	Actual Audit C'ttee
A.1 Income and Receivables, and Cash and Treasury Management	Chief Financial Officer	Planning	Q4	Apr 2019	
A.2 Financial Planning	Chief Financial Officer	Planning	Q3	Mar 2019	
B.4 Risk Management	ACC Professionalism and Assurance	Planning	Q3	Jan 2019	
B.6 SPA/ PS/ Forensics Joint working	SPA Interim Chief Officer / PS Deputy Chief Officer / Director of Forensic Services	Planning	Q4	Apr 2019	
B.8 SPA Governance ¹	SPA Interim Chief Officer	Planning	TBC	TBC	
C.3 Demand and Productivity	ACC Operational Change and Resilience	Planning	TBC	TBC	
C.4 Staff Performance Management	Director of People and Development	Planning	Q3	Jan 2019	
C.9 Transformational Change Programme	SPA Interim Chief Officer / PS Deputy Chief Officer	Planning	TBC	TBC	
C.14 Tendering procedures	SPA Interim Chief Officer	Planning	Q3	Mar 2019	
D.2 Information Management	ACC Professionalism and Assurance	Planning	Q2	Jan 2019	
D.4 IT Application Review	Director of ICT	Planning	TBC	TBC	
E.1 Follow up Q1	N/A	Completed	Q1	July 2018	July 2018
E.1 Follow up Q2	N/A	Planned	Q2	Oct 2018	
E.1 Follow up Q3	N/A	Planned	Q3	Jan 2019	

¹ Proposal to defer to 2019/20 IA Plan

Ref and Name of report	Audit Sponsor	Status	Quarter	Planned Audit C'ttee	Actual Audit C'ttee
E.1 Follow up Q4	N/A	Planned	Q4	Apr 2019	
E3. Annual Accounts Preparedness	N/A	Planned	Q4	Apr 2019	
Annual internal audit report	N/A	Planned	Post y/e	Jul 2019	

Key:	
Complete	Audit work complete and report has been agreed and finalised
Draft Report	A draft report has been issued
Fieldwork complete	The audit work is complete but the draft report has not yet been issued.
Fieldwork in progress	The audit work is in progress.
Planned	The scope and timing have been agreed with management
Planning	The scope of the audit has yet to be agreed with management

Appendix 2 – Progress against KPIs

KPI description	Status	Comments
1. The Annual and Strategic Internal Audit plans are presented to and approved by the Audit Committee prior to the start of the audit year.	GREEN	
2. 90% of audit input is provided by the core team and continuity of staff is maintained year on year.	N/A	No 2018/19 reports finalised to date
3. Draft reports are issued within 15 working days of completing fieldwork.	N/A	No 2018/19 reports finalised to date
4. Management responses are received within 15 working days and final report issued within 10 working days.	N/A	No 2018/19 reports finalised to date
5. At least 90% of the audit recommendations we make are agreed with and accepted by management.	N/A	No 2018/19 reports finalised to date
6. At least 75% of Audit Committee meetings are attended by an Internal Audit Partner.	GREEN	
7. The annual internal audit plan is fully delivered within agreed cost and time parameters.	GREEN	No changes
8. The annual internal audit report and opinion is presented to and approved by the Audit Committee at the first meeting after the year-end each year.	N/A	Not yet due
9. All internal audit outputs are finalised and submitted to the Committee Secretary at least 10 working days before the Audit Committee meeting to allow time for senior management review.	GREEN	All papers submitted in line with agreed timescales.
10. Members of senior management and the Audit Committee are invited to participate in the firm's client satisfaction survey arrangements.	N/A	Not yet due

Key

RED	More than 15% away from target
AMBER	Within 15% of target
GREEN	Achieved

Appendix 3 – External Quality Assessment

We are pleased to disclose the outcome of our regular internal and external quality assessments with our clients. We believe it is important to provide you with assurance that the service you receive is of a high quality and fully compliant with internal audit standards.

Outlined below are extracts from our most recent external quality assessment finalised in July 2018.

External Quality Assessment summary

Executive Summary

We are pleased to report that Scott-Moncrieff may state in their internal audit reports that the work “has been performed in accordance with the IPPF”. The team similarly conform to the Public Sector Internal Audit Standards (PSIAS).

*The Internal Audit team **fully meet the vast majority of the Standards, as well as the Definition, Core Principles and the Code of Ethics**, which form the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. The Institute describe this as “**Generally Conforms**”.*

This is an excellent result and is based on an extensive external quality assessment (EQA) covering the team’s approach, methodology, processes and a sample of files by an experienced external assessor who is a serving Head of Assurance and Audit Committee Chair.

Overview of the External Quality Assessment Process

We undertook extensive background research covering the team’s methodology and processes, before undertaking an intensive onsite visit over 25-28 June 2018, in which we interviewed a small number of team members and reviewed a sample of working files covering a representative range of the team’s clients and sectors. After the onsite visit we finalised our evaluation, assessment and reporting.

The EQA involved comparison of working practices against the Institute of Internal Auditors’ global International Professional Practices Framework² (the IPPF) and the Public Sector Internal Audit Standards (PSIAS).

During this external assessment we have followed this process:

- *Examined and reflected upon the requirements of the Definition of Internal Auditing, the Code of Ethics and each International Standard. We have used the relevant Interpretation within the Standards to build our understanding.*
- *Considered the key conformance criteria needed to demonstrate compliance.*
- *Recorded the full range and extent of the evidence that exists within the team and that demonstrates conformance with the Standard. We have undertaken this through interviews with team members as well as reviewing files and engagement reports.*
- *Compared the evidence to the key conformance criteria and assessed the degree of conformance. We have used the standard IIA definitions that are provided below on page 13 to guide our evaluation.*

Conformance to the Standards: The International Professional Practice Framework (IPPF)

Our objective of this External Quality Assurance (EQA) review was to undertake an independent, objective external quality assessment of the Scott-Moncrieff Internal Audit team against the IPPF and PSIAS. This included considering the team’s conformance to both the IPPF and PSIAS and informally benchmarking the function’s activities against best practice.

² *The global IPPF is followed by more than 180,000 internal auditors in 190 countries around the world.*

The Institute of Internal Audit's (IIA's) International Professional Practice Framework (IPPF) includes the Definition of Internal Auditing, Core Principles, Code of Ethics and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice.

We include a summary of the Internal Audit Service's conformance to both the IPPF and the core principles below. Overall, we believe that the Internal Audit Service has achieved an excellent performance given the breadth of the IPPF and the diverse organisational contexts and sectors that the team operate across.

Summary of IIA Conformance	Standards	N/A	Does not Conform	Partially Conforms	Generally Conforms	Total
Definition of IA and Code of Ethics	Rules of conduct	0	0	0	12	12
Purpose	1000 - 1130	0	0	0	8	8
Proficiency and Due Professional Care	1200 - 1230	0	0	0	4	4
Quality Assurance and Improvement Programme	1300 - 1322	2	0	1	4	7
Managing the Internal Audit Activity	2000 - 2130	0	0	1	11	12
Engagement Planning and Delivery	2200 - 2600	1	0	0	20	21
Total		3	0	2	59	64

The overall assessment resulting from the EQA is that the Scott-Moncrieff Internal Audit team "generally conforms to the IIA's professional standards".

The Scott-Moncrieff Internal Audit team are able to say in reports and other literature that it "conforms to the IIA's professional standards" and that its work has been performed "in accordance with the IPPF."

This EQA was conducted as a full external quality assessment using methods recommended by the Chartered Institute of Internal Auditors.

Key Achievements

We believe that the team perform particularly well in a number of areas. We were most impressed by the following points:

- The Scott-Moncrieff Internal Audit team delivers an effective, efficient and economic independent and objective assurance service across a range of client organisations primarily in the government, education, health and social housing sectors.
- The team develop an Audit Charter, Audit Needs Assessment, strategic and annual plans with each client. The team take account of the client's risk maturity.
- Annual planning is comprehensive and is a participative process involving clients and stakeholders at appropriate stages. Progress against the annual plans are documented and reported on regularly to respective audit committees and senior managers.
- The team have developed an appropriate methodology for auditing key objectives, risks and controls across client organisations at a high level. The operational internal audit processes are fit for purpose, documented in a professional audit manual and supported by use of Pentana an effective Audit Management Software application.

- *The team are beginning to make use of IDEA, an effective file interrogation software package since its adoption earlier this year. This has the potential to help make the team’s internal audit process even more efficient, while enhancing the quality of assurance provided to client organisations.*
- *The team’s standard internal audit engagement report template is professional, useful and represents good practice. The approach is concise. The reports we reviewed were jargon-free and (on the whole) reader friendly.*
- *Our file reviews demonstrated appropriate compliance with the methodology and sufficient evidence of appropriate supervision and review.*
- *The team’s internal audit delivery is very efficient, with tightly focused engagements resulting in short durations and (usually) minimal elapsed time from start to finish.*
- *Follow up of outstanding recommendations occurs at least annually.*
- *Continuous Personal Development (CPD) is encouraged, knowledge sharing occurs across the team through quarterly development days (and other initiatives) and expertise from elsewhere across Scott-Moncrieff can be accessed (if required) for more specialist engagements.*
- *Client feedback is actively sought following the internal audit engagements and reported to the Audit, Risk and Governance Committee.*

Opportunities for Further Development

We believe that the Scott-Moncrieff Internal Audit team fall slightly short against just two Standards, both of which we assess as “partially conforms”.

The first of these is Attribute Standard 1312, External Assessments. This Standard states, “External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation...” We understand that a CHEIA peer review was the only previous, formal external assessment of elements of the Scott-Moncrieff Internal Audit team. Our current review represents the first formal external assessment and so the team have not fully conformed to this Standard to date.

The second is Performance Standard 2050, Coordination. The Standard states, “The chief audit executive should share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts”. The need to consider how best to rely on and coordinate with other assurance providers is an emerging area of internal audit practice. It depends as much on the client and their other assurance providers as it does internal audit. However, we believe that it is something that could be explored more fully as governance, risk management and control maturity increases across larger client organisations.

We also make a small number of additional suggestions for further development to enhance these – and other – areas of the team’s service delivery.

We are happy to provide audit committee members with the full report, if required.

Our response

We welcome the findings of the most recent external assessment; a detailed action plan has been put in place to address the areas for further development to further enhance our internal audit practices.

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