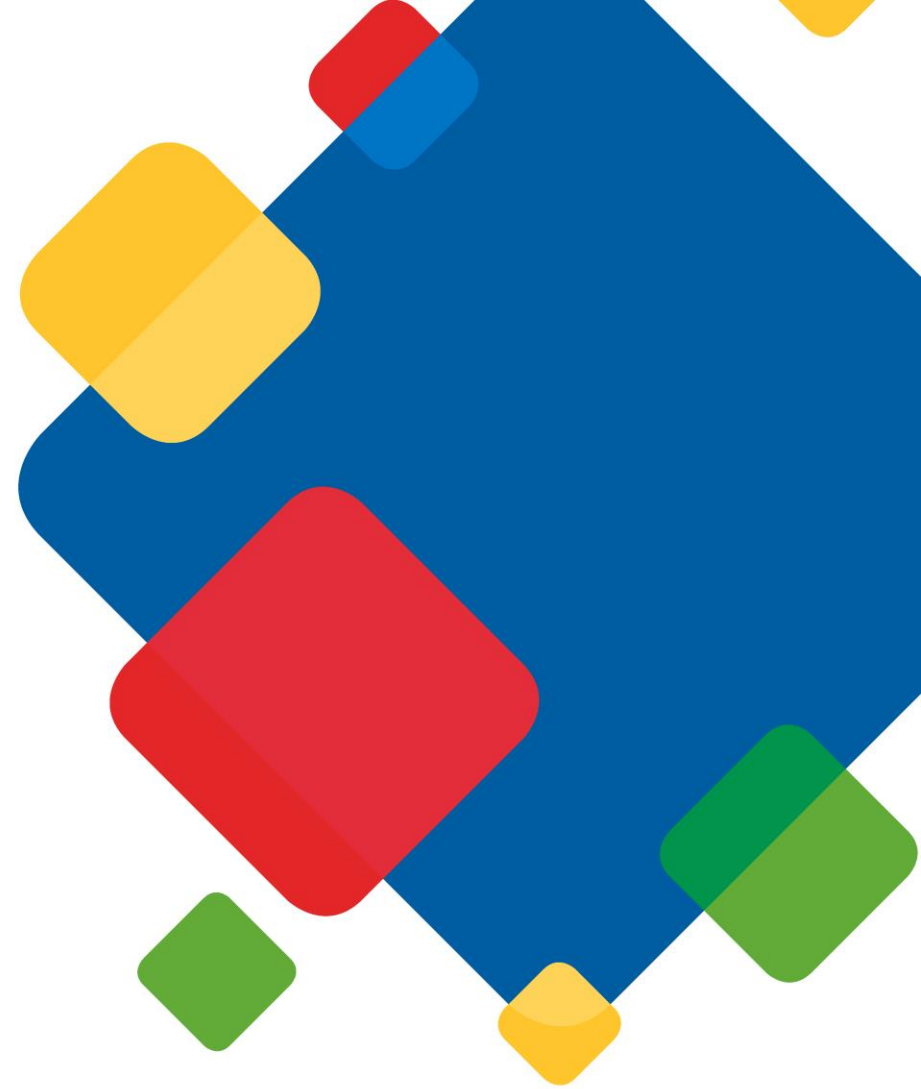
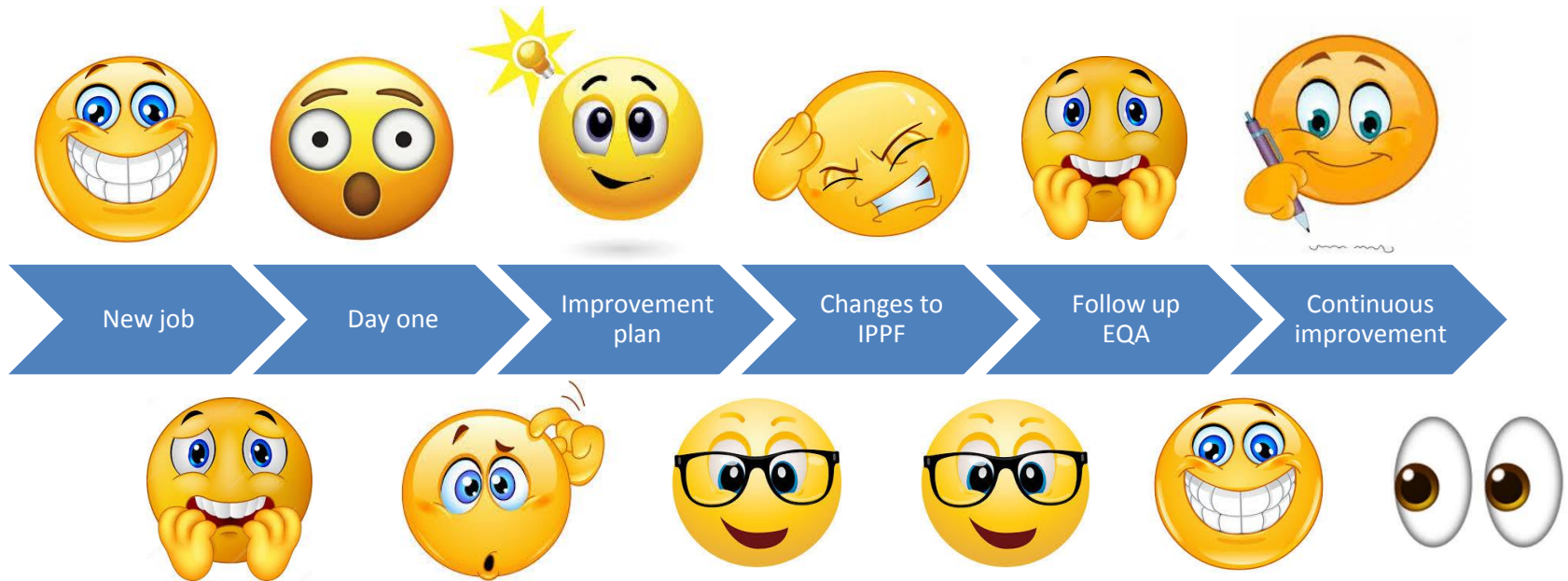


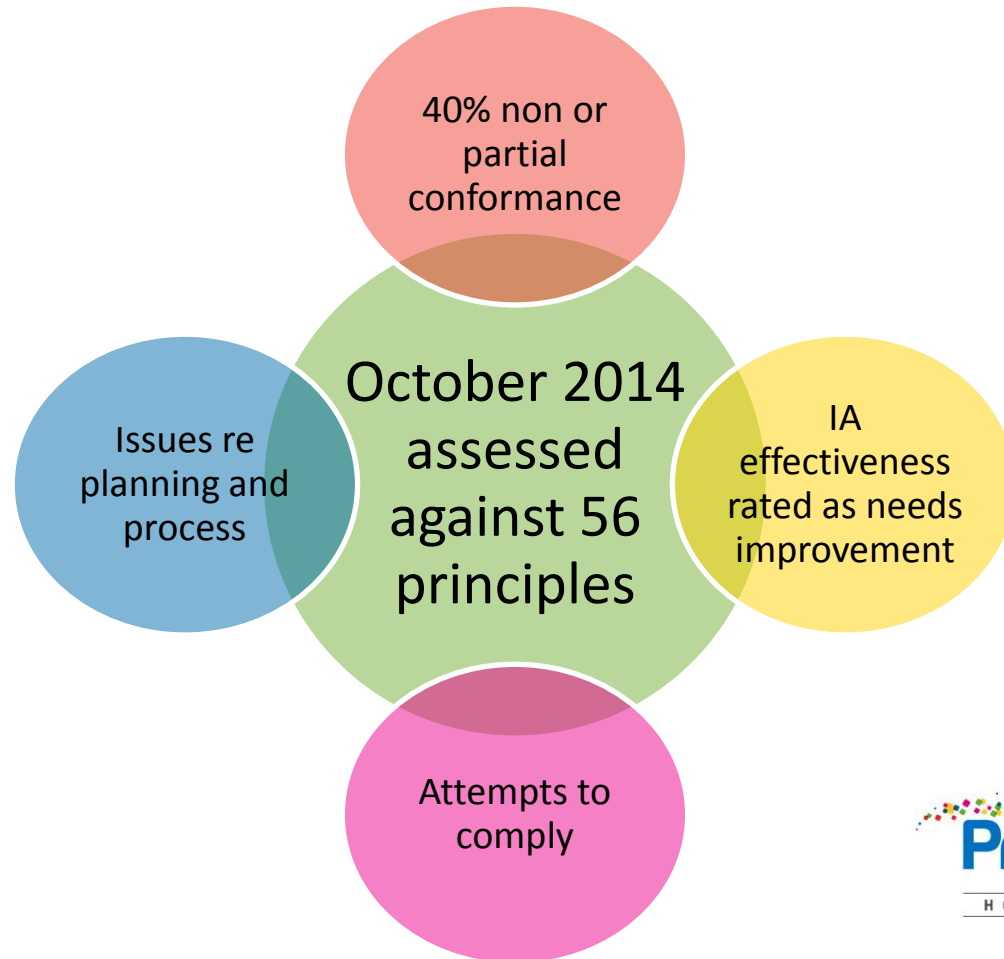
**DON'T BE
SHY – BE
ASSURED!**



JOURNEY OF A NEW HIA



EXTERNAL QUALITY ASSESSMENT



CHANGES TO IPPF



- Introduction of a Mission Statement
To enhance and protect organisational value by providing risk-based and objective assurance, advice and *insight*.
- Introduction of Core Principles
- Revised standards (communications (2060) and QAIP(1320))
- New standards (Role of CAE (1112) and assurance/consulting services(1130.A3))



INSIGHT

Be a more insightful internal auditor?

Develop your knowledge of the organisation and the sector it operates in

Talk to more people, inside and outside the organisation

Keep track of what is happening in the profession

Identify a senior manager who is willing to be your coach

Change your perspective

Find parallels

Ask more questions

Don't take things for granted

Identify trend and connections

Change the way you get the message across

Use metaphors



CORE PRINCIPLES

10 CORE PRINCIPLES:

1. Demonstrates integrity.
2. Demonstrates competence and due professional care.
3. Is objective and free from undue influence (independent).
4. Aligns with the strategies, objectives, and risks of the organization.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is **insightful**, proactive, and future-focused.
10. Promotes organizational improvement.

Useful tool for members of Audit Committees to assess Internal Audit effectiveness



NEW STANDARDS

New Standards	Reference	Detail
New Standard	1112	Chief Audit Executive Roles Beyond Internal Auditing - Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity
New Standard	1130.A3	The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity and provided individual objectivity is managed when assigning resources to the engagement.

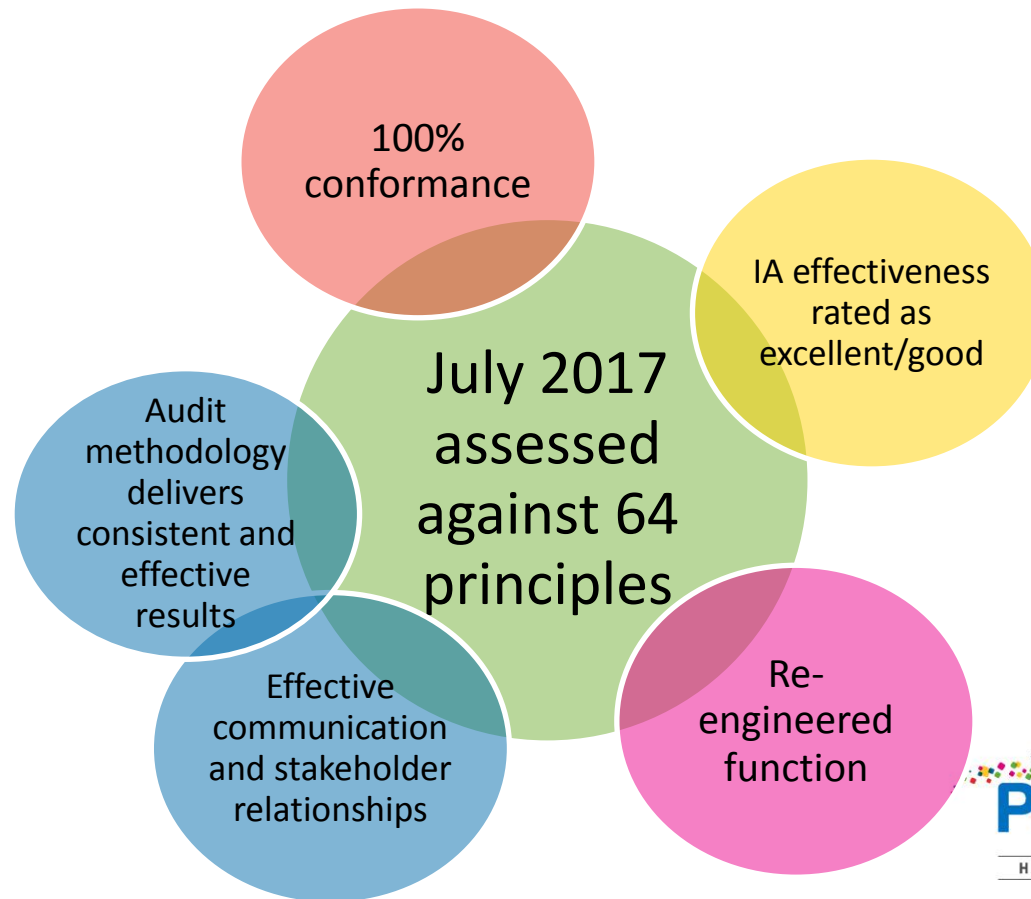
UPDATES TO EXISTING

Updates to Existing Standard	Reference	Detail
Updated Standard	1320	<p>Reporting on the Quality Assurance and Improvement Program - The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board. Disclosure should include:</p> <ul style="list-style-type: none">• The scope and frequency of both the internal and external assessments.• The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.• Conclusions of assessors.• Corrective action plans. <p>Interpretation: <i>The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Code of Ethics and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments, and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.</i></p>

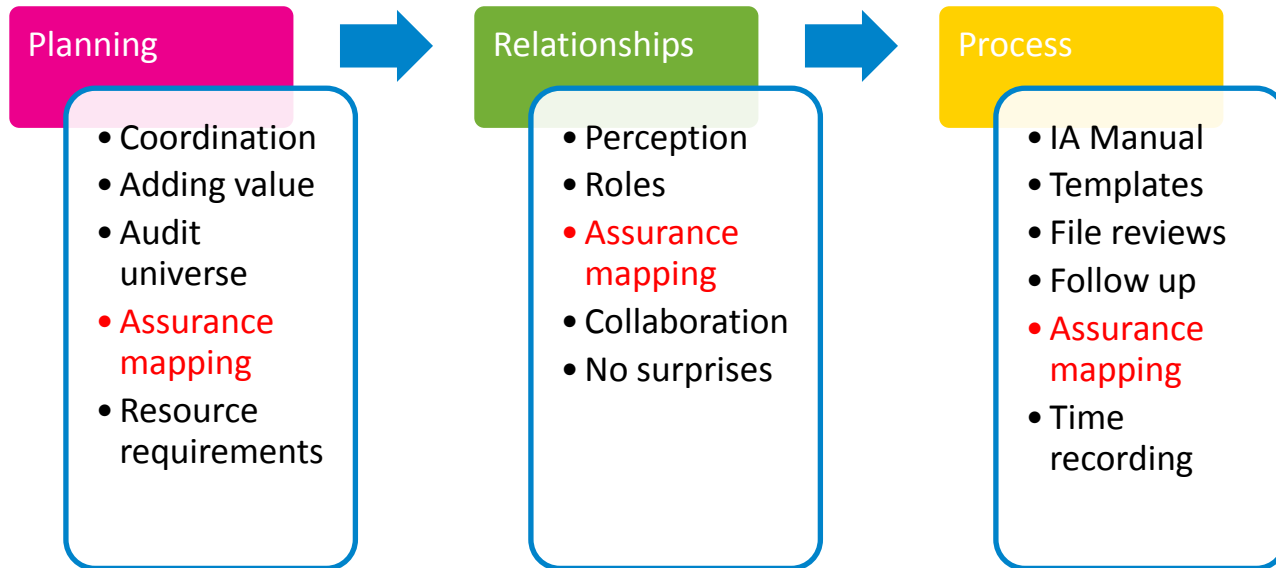
UPDATES TO EXISTING

Updates to Existing Standards	Reference	Detail
Updated Standard	2060	<p>Reporting to Senior Management and the Board - The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan and on its conformance with the Code of Ethics and the <i>Standards</i>. Reporting must also include significant risk and control issues, including fraud risks, governance issues, and other matters that require the attention of senior management and/or the board.</p> <p>Interpretation: The frequency and content of reporting are determined collaboratively by the chief audit executive, senior management, and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board. The chief audit executive's reporting and communication to senior management and the board must include information about:</p> <ul style="list-style-type: none"> • The audit charter. • Independence of the internal audit activity. • The audit plan and progress against the plan. • Resource requirements. • Results of audit activities. • Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues. • Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organization. <p>These and other chief audit executive communication requirements are referenced throughout the Standards.</p>

EXTERNAL QUALITY ASSESSMENT



OCTOBER 2014 – JULY 2017



REPORT TEMPLATE

Appendix 3: Assurance & recommendation grading definitions¹

Assurance Level	Definition
SUBSTANTIAL	Based on the audit work undertaken, we have a high level of confidence (assurance) on service delivery arrangements, management of risks, and the operation of controls and/or performance. On the whole the control framework is adequate and effective, and risks are being managed. As a guide there are no / few / low risk/priority actions arising from the review.
ADGUAATE	Based on the audit work undertaken, we have a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and the operation of controls and/or performance. A few specific control weaknesses were noted. Generally, however, controls evaluated are adequate, appropriate and effective and there is no indication that the systems objectives are being put at risk. As a guide there are low to medium risk/priority actions arising from the review.
LIMITED	Based on the audit work undertaken, we have identified fundamental concerns on service delivery arrangements, management of risks, and the operation of controls and/or performance. These concerns show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control. As a guide there are numerous medium to high risk/priority actions arising from the review.

Priority Level	Definition
HIGH	Immediate management attention is required to address this serious internal control or risk management issue. The Group is currently exposed to a high degree of risk and if not mitigated this could lead to: • An adverse effect on the annual Statement of Internal Control • Significant loss of funds or assets • Service delivery failures, which could adversely affect the Group's reputation. • Non-compliance with regulatory requirements or the Group's strategies, values or values.
MEDIANE	Timely management action is required to implement additional or improved controls and provide greater confidence in the system. The Group is currently exposed to a moderate degree of risk.
LOW	Routine management attention is required to implement a good or enhanced practice, to improve efficiency or to further reduce exposure to risk.

¹ These definitions are used measure the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Credit Cards (October 2017) Page 14

Assurance Level	Priority Level	Count	Description
ADGUAATE	HIGH	0	consideration when providing an assurance opinion. It means transaction limits, monthly transaction limits, overaching facility merchant code restrictions, mean that the ability to substantially Group financially (should the cards be misused) is unlikely.
	LOW	2	Whilst, as part of our review, no evidence was found of credit card misuse, we are of the opinion that additional preventative controls are required to reduce the likelihood of staff (or others outside of the organisation) using the Group's credit cards inappropriately.
	TOTAL	8	

Risk Management
The credit card limits in place mean that the risks associated with them would not be material to be included within the strategic risk register. There are currently no risks identified within the SMT risk register in relation to credit cards.

The finance team's risk register was reviewed in advance of scoping this audit. The risk register did not include any specific risks relating to credit cards. Once this gap had been identified internal Audit held a workshop with the relevant members of the finance team where the risks and controls were identified and formed the scope of this review. These risks should now be incorporated into the finance team's risk register.

Value for Money
There is an opportunity to improve the efficiency of the monthly credit card reconciliation process. This is currently labour intensive, including the completion of paper based forms and duplicate input of information. We have recommended that the possibility of making this an electronic process be explored.

Credit Cards (October 2017) Page 3

There are currently 24 card holders across the Group. Each card holder is set up with an individual transaction limit as well as a monthly spend limit - the limits are decided upon depending on their role and requirements. Merchant category codes are also restricted and are allocated to each card holder in accordance with their spending requirements. There is an overarching monthly spend limit on the Group's credit card facility of £50,000.

Over a 12 month period (September 2016 - September 2017) there were 1188 credit card transactions totalling £144,000 (this represents 0.22% of the total supplier spend during the same period).

Credit Cards (October 2017) Page 2



Ref.	Finding	Action plan	Risk	Recommendation	Priority	Management response	Timescale / responsibility
017	Some staff are unaware of their responsibilities they may incur when they use their credit cards. The procedure document should be reviewed and updated to ensure that it reflects current practice and up to date details. The review should take into consideration other recommendations made in this report, as they may result in changes to the practices in place.	Specific guidance for card holders should be produced to ensure that their roles and responsibilities (in terms of usage and general handling of the cards) are clear.	Revised procedure is more detailed and provides cardholders with stronger guidance on use of the card and their responsibilities.	Complete		Procedure document updated January 2018	Head of Accounts January 2018
018	The procedure document does not clearly state the responsibilities of card holders in terms of some of the following: • Card holders should be required to acknowledge that they have read and understood the guidance and that they agree to adhere to it. • Revised cardholder card acceptance form devised.	Card holders should be required to acknowledge that they have read and understood the guidance and that they agree to adhere to it.	Revised cardholder card acceptance form devised.	Form Complete			
019	The definition of the approving manager should be clarified within the Barclaycard guidance for both card holders and finance staff - e.g. Operations Director.	The definition of the approving manager should be clarified within the Barclaycard guidance for both card holders and finance staff - e.g. Operations Director.	Updated Internal card application form now specifies Operations Director to sign form.	Complete			
020	The internal application form should be reviewed and updated to require the line manager's details to be provided.	The internal application form should be reviewed and updated to require the line manager's details to be provided.	Form updated to include authorisers responsibility to validate monthly expenditure.	Complete			

Credit Cards (October 2017) Page 13

Background and deliverables
The Group has a credit card facility (Government Procurement Card) through Barclaycard. This was introduced in 2012 following a review of the Group's previous credit card facility due to the following benefits:
• No annual fee
• Ability to have limits on each card
• Ability to have transaction limits on each card
• Ability to restrict merchant codes (the places where the cards can be used) on each card

There are currently three credit card "administrators" - the Operations Director (Finance), the Head of Procurement and the Procurement Officer. Card administrators are set up with Barclaycard with the ability to authorise new credit card applications, access the online credit card portal to view transactions and make certain changes to cardholders' accounts and to make other changes to accounts over the phone in writing.
Once their applications have been approved internally and through Barclaycard, cardholders are responsible for ensuring that their cards are kept safe and secure and that they are only used for legitimate purposes. Cards are often used by individuals other than the cardholders, however cardholders are required to sign individual transaction forms in addition to a monthly summary form to authorise the spend incurred (individual transaction forms also require approval from relevant budget holders and the monthly summary forms require sign off by the card holder's manager).
The overarching balance on the credit card facility (i.e. the total of each cardholder's spend) is paid off in full each month. This payment is handled by the Purchase to Pay Team, who post the payment to an accounts payable suspense account. It is then the responsibility of the accountancy team to collate the monthly supporting documentation and code the transactions to relevant budget codes based on codes provided by the card holders on the individual transaction forms.

There are currently 24 card holders across the Group. Each card holder is set up with an individual transaction limit as well as a monthly spend limit - the limits are decided upon depending on their role and requirements. Merchant category codes are also restricted and are allocated to each card holder in accordance with their spending requirements. There is an overarching monthly spend limit on the Group's credit card facility of £50,000.

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Credit Cards (October 2017) Page 5

The Group's credit cards have been set up to allow the withdrawal of up to the full credit card balance each month. Codes are restricted and are applied to individual cards depending on the card being issued.
The credit card balance is posted to an accounts payable suspense account. Once the monthly summary reports have been returned to the Accountancy Team journals are processed to ensure that the transactions are posted to an appropriate budget code. No transactions relating to the August 2017 statement remain in the suspense account.
The card-issuing bank also monitors transactions and seeks verbal confirmation from card holders about suspicious transactions before clearing. This has resulted in fraudulent transactions being rejected and cards being re-issued.

What could stand in your way (Targets)

- Staff understanding of processes due to a lack of guidance/opacity.
- Lack of oversight leading to misuse going undetected.
- Manual processes leading to erroneous/inefficient going undetected.
- Deliberate misuse.

Credit Cards (October 2017) Page 4



ASSURANCE MAPPING

Audit universe

- Reported to AC annually
- Base for IA planning

SRR

- Detail goes to AC
- Feeds into SRR

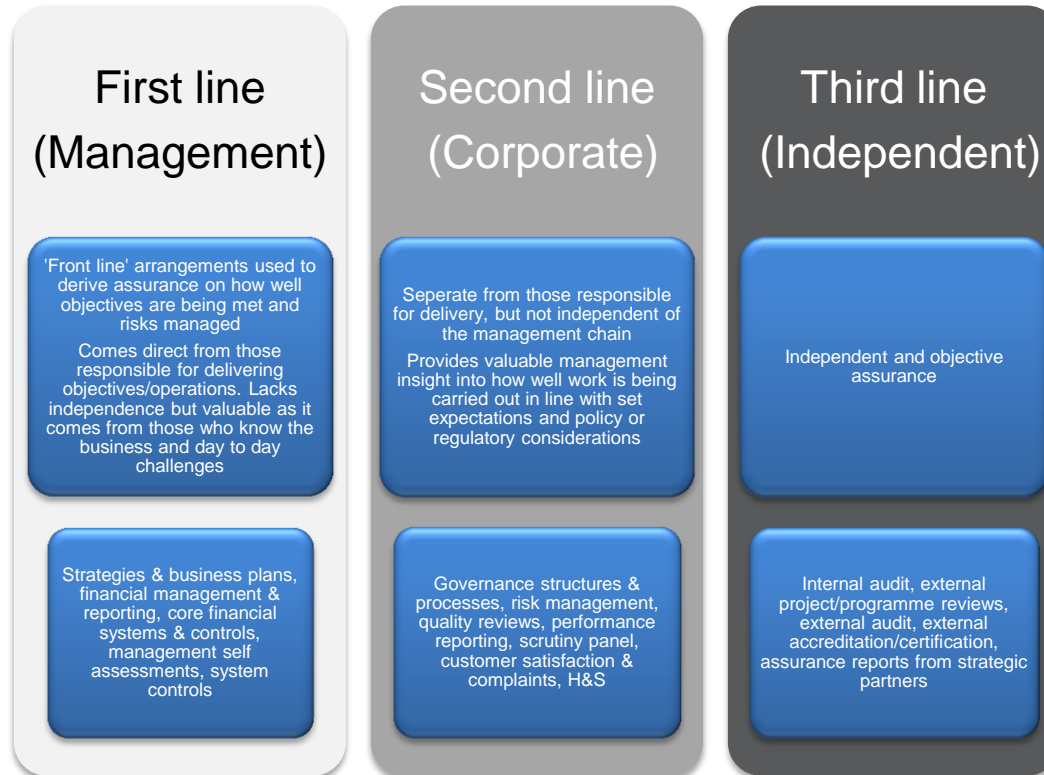
Operational

- Audit technique
- Reported to AC
- Fed into IA planning

THE STEPS

Steps	Management responsibility	IA responsibility
Risks identification	Identify	Facilitate and/or Challenge
Controls identification	Identify	Facilitate and/or Challenge
Assurance identification	Identify	Facilitate and/or Challenge
Assurance assessment	Challenge	Assess

3 LINES OF DEFENCE



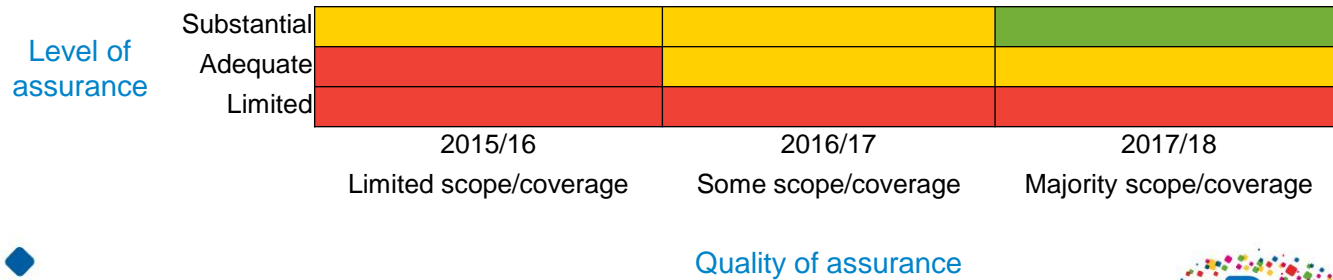
Level of Independence

ASSURANCE SCORING

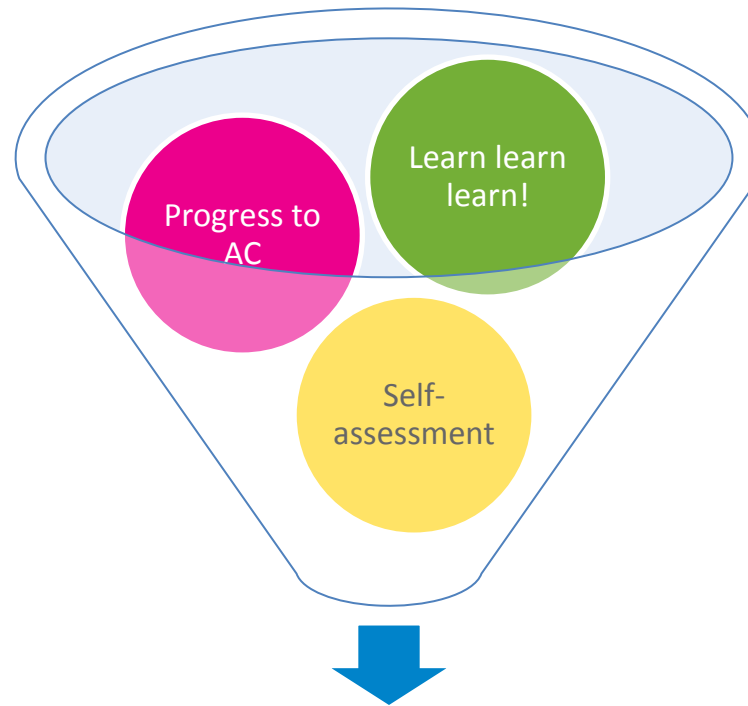
RAG Rating	Definition
HIGH	Controls and/or assurance mechanisms in place assessed as adequate/effective in proportion to the risk
MEDIUM	Some areas of concern over the adequacy/effectiveness of the controls and/or assurance mechanisms in place in proportion to the risk
LOW	Significant concerns over the adequacy/effectiveness of the controls and/or assurance mechanisms in place in proportion to the risk
INSUFFICIENT INFORMATION	Insufficient information at present to judge the adequacy/effectiveness of controls and/or assurance mechanisms

AUDIT UNIVERSE

Business Area/Service	Operational area/activities	Critical activities	Exec Director	Operations Director	Head of Service (or equivalent)	Link to strategic risk register?	Emerging risks / changes	Assurance - past 3 years			Internal Audit assurance	Director of travel
								1st line - management assurance (self assessment)	2nd line - corporate assurance	3rd line - other assurance providers		
Cross cutting			All									
Fraud risks				All			Compliance with new Criminal Finances Act		Reporting to SMTAGOT		17/18 Adequate	↔
Risk management						Yes	Framework continuing to be embedded across the Group		Risk Governance Working Party Reporting to Board	Campbell Ticker review principal risks and risk appetite	16/17 Adequate	↔
Business Plan						Yes			Link to performance reporting framework. Approved by Board. Recently reviewed		15/16 performance reporting - adequate (framework) 16/17 (assurance mapping)	↔
Ethics and Culture									Feedback through STAR surveys		17/18 TBC (high level)	



EQA PREPARATION



Quality discussion

THE FUTURE???

