



Government
Internal Audit
Agency

GOVERNMENT INTERNAL AUDIT AGENCY

CORPORATE PLAN 2015-16



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FOREWORD



It is with the greatest of pleasure that I present the Government Internal Audit Agency's (GIAA) first Corporate Plan. The establishment of the Agency is a very significant milestone on the journey to create a single internal audit service for the whole of central government. The ambition for that service is that it should provide not only stronger assurance to individual Accounting Officers but for government as a whole, assurance over cross cutting risks and the promotion of more efficient and effective working between the departments and other government bodies.

In the Agency's first year, our priorities will be to consolidate our new organisation, prepare for its further expansion and to further embrace the challenge of working across multiple organisations. Consolidation of the Agency means the embedding of common working practices and the development of a career proposition for our people which enables those already working within Internal Audit to maximise their potential and which attracts new talent into the profession.

We begin the next stage of our journey with 165 employees. There are a further six hundred or so people working in Internal Audit in other parts of government who will join the Agency over the course of the next few years. This expansion will require priority to be given to the protection of existing standards of service during periods of transition. We will listen to those joining us to ensure that the Agency learns from and adopts best practice where it is found elsewhere in government.

The establishment of the GIAA comes less than six weeks ahead of the general election. Whatever the outcome, the pressure on public finances will continue and there will be renewed pressure on the civil service to work more efficiently and to raise the standards of public service. If we are to realise the potential for the GIAA to make a significant contribution to this agenda, we will have to establish new ways of planning and reporting our work that supports the Accounting Officers collectively as well as individually.

The establishment of the GIAA represents the biggest change to the way Internal Audit in central government is delivered since the function was established in the 1960s. It provides a unique opportunity to strengthen the profession through greater consistency of practice and by building our capability. This is an exciting time for the Profession and I am delighted to have the opportunity to lead it as the Agency's first Chief Executive.

Jon Whitfield

Chief Executive & Head of Government Internal Audit Profession



I am delighted to be joining GIAA as it begins its journey as an Executive Agency. It is an exciting time for the new organisation and the team at GIAA has ambitious plans for delivering its strategy. I look forward to working with Jon and his team to support and advise the Agency in the delivering its objectives.

Having a robust assurance framework across government is an essential component of effective and efficient management and GIAA has a pivotal role to play in that framework. The formation of the Agency provides new opportunities to invest in developing the skills and technology essential to delivering a high quality, audit and assurance service, which really makes a difference to our customers and allows them to benefit from the wide range of experience we can bring to bear.

In particular we will have the critical mass to provide the best possible training and development for our people and build new specialist expertise either wholly within the Agency or in partnership with others. These enhanced career opportunities will increase the attractiveness of the Agency in recruiting in what is an ever increasingly competitive market for talent.

Mike Ashley
Chairman, Government Internal Audit Agency

OUR PURPOSE, VISION AND VALUES

Purpose

The Government Internal Audit Agency ('GIAA' or 'the Agency') is a new executive agency of Her Majesty's Treasury (HM Treasury) and our purpose is to be government's internal audit service provider, providing internal audit and assurance services across a wide range of central government customers. We will strive to help our client departments to understand and manage their risks and to ensure exemplary standards of governance

Vision

Our vision is to be a flexible and responsive internal audit service, which has a reputation among top management within government as:

- Making a real difference;
- Providing excellent value for money; and
- As being a great place to work.

We will achieve this by:

- Delivering improved assurance outcomes for our customers;
- Delivering value for money for our customers and the taxpayer; and
- Encouraging our staff to develop as individuals to fulfil their potential.

Values

Our vision is underpinned by our key values, which are fundamental to what we do:



Figure 1: Agency Values

OUR STRATEGIC POSITION

Overview

The creation of the Agency is an exciting opportunity to bring together individual audit functions in a way that allows us to operate more effectively, and to develop the capability of our staff. This in turn allows us to deliver a more responsive, flexible and resilient service to Accounting Officers that supports effective relationships, provides deep insights and positively influences behaviours and improvements.

In developing a comprehensive single internal audit service for government, we are building an organisation that will provide the best possible audit services both for individual departments and for government as a whole where stronger assurance is provided over cross cutting risks. We want the work that we do to be more relevant to key decisions of our customers and that internal audit is frequently represented at the 'top table' of our customers.

With the Agency established, we will work with other parts of government to expand the Agency. This expansion will require priority to be given to the protection of existing service levels during a period of transition. Working with colleagues from across government, we will begin to realise the benefits from sharing resources, specialist skills and talent, whilst continuing to provide a high quality, responsive and flexible service to each department and customer. We will also strengthen moves to identify and deliver assurance around a cross-government view of risk and assurance.

Our Origins

The establishment of a single, integrated internal audit service came from the recommendations in the "Review of Financial Management in Government", published December 2013¹.

Building on the success of the Cross-Departmental Internal Audit Service (XDIAS), the Agency was launched in "shadow" form in October 2014. Since then, we launched our new identity and new working practices, while also developing the various corporate functions and systems required to support the Agency from 1 April 2015. We also appointed three non-executive directors in September 2014, provided advice and challenge to the Chief Executive and Treasury Sponsor in taking the shadow agency through to formal launch. Our non-executives will challenge us to deliver an efficient and effective service for our clients and also encourage us to think strategically about our future role

The Agency was formally established on 1 April 2015 when our staff transitioned from one of six existing internal audit employers into the Agency.

1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266174/review_of_financial_management_in_government.pdf

DELIVERING FOR CUSTOMERS: OUR SERVICES

Our Customers

The Agency is launching with a portfolio of customers that covers eight Government Departments and 38 other government bodies associated with these departments. See Annex A for full list.

We know and understand what is important to our customers and will retain what they value most:

- That we have deep knowledge of their business, culture, context and priorities of their department and maintain strong relationships with them;
- That we report directly to their Accounting Officer and audit reports are not released to third parties without their authority; and
- That the volume of audit activity undertaken, and where it is directed, is determined by them with the help of their Audit & Risk Committees and Group Head of Internal Audit.

We will also realise the benefits of becoming a single service by looking for innovative and different ways to work drive better value for money from both Agency processes and external providers. We will actively look for examples of good practice and ensure that best practice examples are shared across client groups.

Our Service Catalogue

Our current service catalogue broadly falls into the following categories:

- General Audit Engagements – providing independent assurance across a wide range of core activities and processes – examples include risk management and financial controls;
- Specialist Audit Engagements – audit engagements drawing on specialist skills and knowledge beyond typical core controls – examples include programme/project management, information technology and investigation services; and
- Advisory Engagements – independent and objective consultancy services to help line management improve an organisation's risk management, control and governance.

We will continue to deliver consistent, high quality audit and assurance services and always deliver our services in compliance with the Public Sector Internal Audit Standards, overseen by the ethical requirements of our relevant professional institutions. We will deploy our staff to where their skills can have the greatest impact. Having one service will mean we have common methodologies and tools which will facilitate cross working and mean that a single quality assurance process can be applied with consistency across all of the work we do.

What our customers think of our service is vitally important to us and we will seek their views on our performance through our Customer Satisfaction Questionnaire (CSQ), after every assignment. This will help us to continually improve our service in line with our customer needs.

Our Service Model

As an executive agency, from 1 April 2015, we recover our costs from the customer that we serve. This is bringing new commercial rigours to our work and our relationships with our customers.

For the majority of our work, our costs will be recovered through a managed service arrangement, which gives both the Agency and our customers, greater certainty over the size and cost of the annual audit programme. We will supplement the managed service arrangements with individually costed activities, based on standard rate cards we have developed for the service.

Our customers will each agree a Memorandum of Understanding with the Agency, which outlines our relationship with them, the services provided, and our changing arrangements.

Overarching Internal Audit Policy Function

Responsibility for internal audit policy in government rests with HM Treasury. In addition to our customer services, we maintain a small team to deliver this function on behalf of the Treasury, for which we receive funding directly from the Treasury. This function covers the following:

- Head of Profession Role – providing leadership to the profession in government and beyond;
- setting and maintaining professional internal audit standards for central government, currently delivered through the Public Sector Internal Audit Standards;
- liaison with the relevant accounting and internal audit professional institutions;
- European engagement on relevant EU auditing matters; and
- engagement with other interested stakeholders such as overseas delegations, the National Audit Office etc.

OUR AGENCY: THE WAY AHEAD

The changing shape of our Agency

The establishment of the Agency is significant, but only one milestone on a journey to reform how internal audit is provided in central government. This is a journey that will continue into 2016/17 and beyond.

Going forward, we will expand the Agency to become the single internal audit provider to government. The move to an integrated service will be done incrementally, based on service improvements and customer needs. Structural changes should not interrupt the quality of service to existing customers, whilst improving it to the centre. As such, the Agency will expand its coverage as agreement is reached with Permanent Secretaries and other Accounting Officers.

Such agreement has already been reached with a number of organisations, and from April 2015, the Head of Internal Audit from the following organisations will have a reporting line to the Chief Executive of the Agency²:

- Crown Commercial Service;
- Department for Environment, Food and Rural Affairs (including their partner organisation internal audit teams);
- Department for Work and Pensions;
- Driver and Vehicle Licencing Agency;
- Home Office;
- Ministry of Justice; and
- Skills Funding Agency.
- Research Councils UK
- Companies House

The following diagram outlines our roadmap for the consolidation of the profession and the integration of functions in to the Agency

² Although their staff will not formally migrate to the Agency payroll until our shared service providers have the capacity to provide an expanded service.

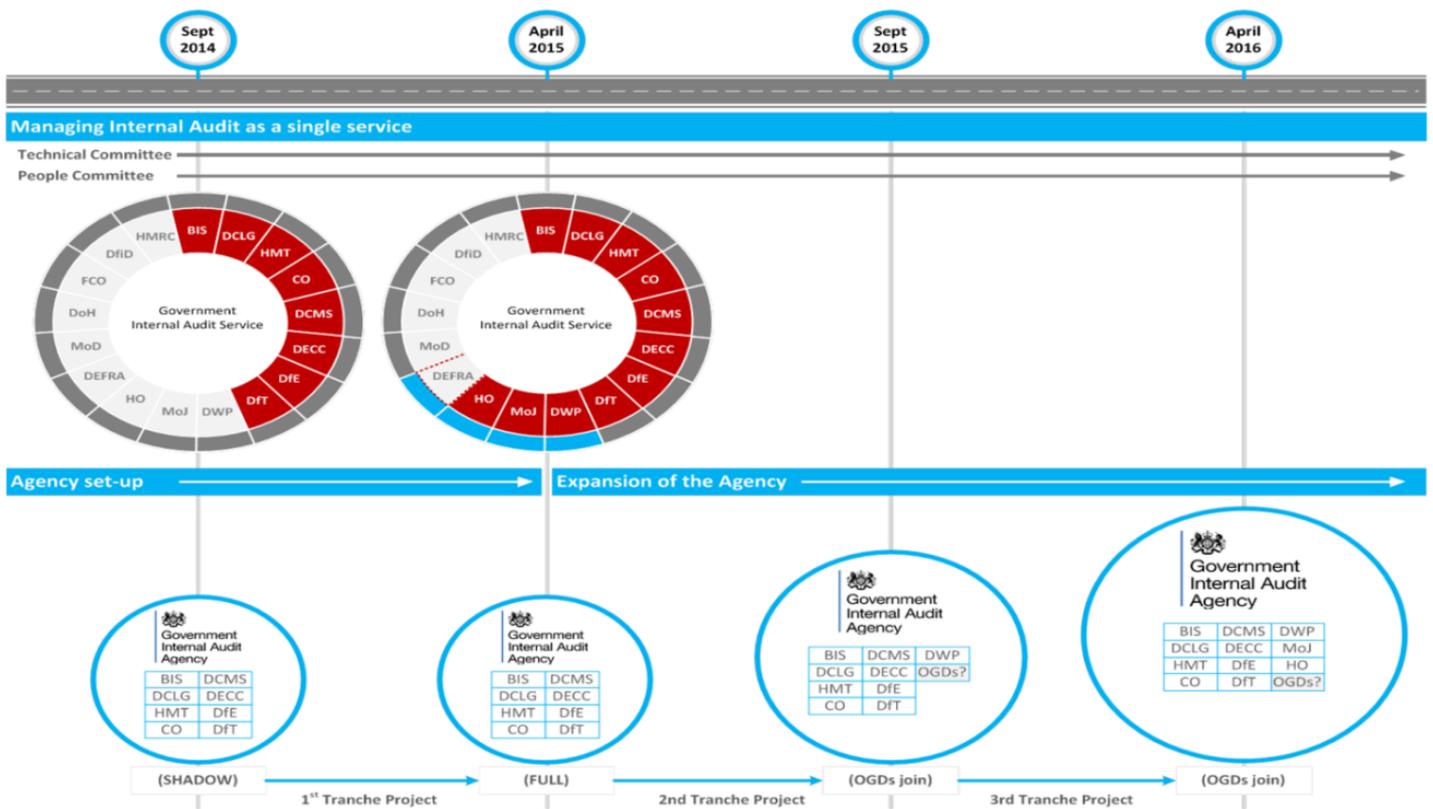


Figure 2: Roadmap for integration of the profession and expansion of the Agency

Other arm's length bodies, while expected to join the agency, will be subject to further discussion on when and how they should migrate. We are also engaging with potential new government customers, and already have agreed to provide a service to a number of organisations (such as the British Business Bank) from 2015/16.

A small number of bodies are not expected to join the agency as they are out of scope (e.g. devolved administrations) or for reasons of independence (e.g. House of Commons/House of Lords).

Developing our organisational identity

Our organisation is a new one and brings the opportunity to build a stronger sense of being one organisation and this starts right at the top of the organisation where we will provide unified, effective leadership in the Agency, particularly as we integrate more audit teams from around government. The Senior Leadership Group and their portfolios are shown below.

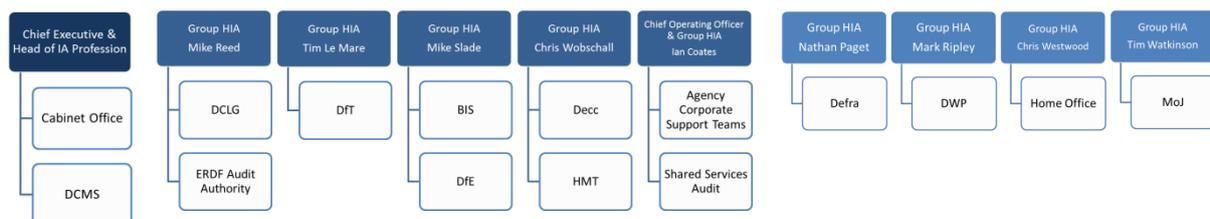


Figure 3: Executive Team and their portfolios

Building on our staff engagement, leadership capability, learning and development strategy and providing an opportunity for staff to contribute their views before decisions are made that affect them, are all things that we need to be good at managing throughout the next year and beyond as we continue to shape our changing organisation.

Developing our people

As a service organisation, we need to provide a meaningful and rewarding career proposition for all our people. For our existing staff this means opportunities to develop new skills and to enhance their careers prospects within the profession and outside. We also want to attract aspirant staff either to careers in the Agency or to working in the Agency as a stepping stone to wider Civil Service careers. Taken together and through a renewed Talent Management Strategy, we aim to bring new blood into the profession and to develop the future leaders of the profession in government.

Establishment of the Agency will facilitate the centralisation of recruitment and promotion within the profession and allow the operation of a single performance appraisal system for our staff. Most of our staff are professionally qualified internal auditors or accountants, and we will continue recruiting into these generalist audit roles, whilst also developing audit specialisms. We will introduce a structured training scheme in the next year to recruit and develop the next generation of government internal auditors. We will also be providing placements for the generalist fast stream to develop our corporate services function and to increase awareness of the profession and the Agency's work. This will be further supplemented by establishing regular secondments of staff into and out of the Agency.

Development of our services

Over the course of the next year, we will look to develop our services to customers in response to their needs. This will include:

- expanding our own in-house capacity and expertise in more specialist areas that our customers require assurance in (such as in counter-fraud and investigations, information systems and programme and project management), and so reducing our dependency on the private sector;
- a framework agreement for internal audit services that will optimise private sector involvement that also harnesses the collective purchasing power of government internal audit but will also provide advantages to our customers such as, specific expertise where required, sharing of best practice, access to specialist skills and increased resource flexibility;
- increased responsiveness, resilience and an enhanced ability to respond quickly to urgent requirements as the professional and geographical scope of our service expands; and
- developing the framework for providing assurance around cross-government and inter-organisational risks which may include drawing on other professions in government, for example Crown Commercial Service, Major Projects Authority and Government Actuary's Department.

Civil Service Reform

The establishment and expansion of the Agency is both a part of Civil Service Reform and a catalyst for further reform to ways of working across government. We will work to continually improve our own operational efficiency within the Agency as part of our drive to improve our levels of service. We will continue to play our part to implement key actions from the Civil Service Reform Plan.

OUR OBJECTIVES AND MEASURING OUR PERFORMANCE

We have set our objectives to support the delivery of our vision and values. But we also know that the year ahead will be a challenging one and there is much planned activity: new teams joining, embedding our values, new leadership and governance structure, and making the benefits of the new single service a reality for our people, our departmental customers and the government as a whole.

We are in the process of setting baselines and gathering information and data to support these metrics and establishing Key Performance Indicators to include a wide range of measures. These will develop as the Agency is established and expands.

During all this, our key focus will remain to continue to deliver our high quality internal audit service through this change.

Top level objective	Metric
Deliver a quality internal audit service to achieve improved assurance outcomes and realise the expected benefits of one Agency	<ul style="list-style-type: none"> • Assignment feedback (% of assignments being rated as “good” or “excellent”) • Annual Accounting Officer satisfaction score (% of Accounting Officers rating GIAA as “good” or “excellent”)
The Agency continues to expand and increase its coverage of delivery across more of Government	<ul style="list-style-type: none"> • An increase in the proportion of government internal audit operating under the Agency • Agency delivers expansion within agreed funding from HM Treasury
Use our resources effectively to deliver value for money for our customers and the taxpayer	<ul style="list-style-type: none"> • Reduce our dependency on private sector resources for generalist audits • We will improve the cost effectiveness of our service by 15% by the end of the Agency’s first three years of operation. This will be achieved through a combination of economy and efficiency measures i.e. by reducing our costs and raising our productivity. (Note: clients that transfer their staff to the Agency after 1st April 2015 may be subject to a different target).
Embed our new financial and commercial operating models	<ul style="list-style-type: none"> • Recovery of our operating costs from our customers, resulting in the Agency breaking even across its customer-facing activity
Attract, develop and retain the range of skills and expertise needed to deliver a consistent, quality service to our customers	<ul style="list-style-type: none"> • Improve our overall staff engagement index in our People Survey
Provide an internal audit policy service which creates a pace for changing the shape of the profession across government	<ul style="list-style-type: none"> • HM Treasury (as owner of IA Policy) is “Satisfied” or “Very Satisfied” with the quality of the internal audit policy work delivered

Table 1: Agency Key Performance Metrics 2015/16

RISKS AND OPPORTUNITIES

The establishment of the Agency and the associated reform of the internal audit profession is an ambitious project, which presents a significant opportunity but also brings with it risks.

Delivering a consistent, quality service to our customers is imperative to us. Our objective is to use the advantages the Agency provides to facilitate improvements in service levels but we recognise the risk that at a time of transition, service levels could dip. We will mitigate this risk through the rigorous adherence to our quality assurance procedures, the implementation of standards, policies, working practices and IT systems we require to maintain and improve the quality of our service as well as careful management of our on-going change programme.

Attracting, developing and retaining the range of skills and expertise needed to deliver a consistent, quality service to our customers is a fundamental part of what will allow us to achieve our ambitions. We will continually be working with our existing staff to ensure that they are engaged and that there are opportunities for them to develop and grow, as well as seeking to recruit new staff that will increase the capability of our new organisation.

Greater cross-government assurance is a core part of our ambition for the Agency. Maintaining our customers' confidence in our service to them as individual Accounting Officers is crucial as we explore with them how to best support Accounting Officers collectively.

New financial and commercial operating models will be applied in the first year of operation and a full cost recovery model is a marked change from how services were previously funded. As we and our customers become increasingly familiar with the new financial processes, we aim to recover our operating costs fully from our customers. We have put in place controls to manage this new process and also to take action to ensure our customers benefit should financial performance be better than budget. Our 2015-16 budget is in the financial resources section of this plan.

Migrating further internal audit functions into the single service will happen during the next year and beyond. Successful planning and engagement with migrating functions is vital, minimising the risk to both affected staff and the service they deliver to their customers.

Procurement of a new framework for the use of the private sector is a real opportunity for us to deliver better value for money for the Agency and our customers, and we will be working to ensure we achieve this through the procurement process and that we use the private sector services more appropriately for specialisms rather than generalist audits.

Further developing our corporate functions will support our staff by enabling efficient resource management and service delivery, as well as ensuring the Agency is scalable as we take on further internal audit functions. During 2015/16, we will be working closely with Treasury colleagues as they look to migrate certain back-office functions onto one of the cross-government shared service centres. The success and timing of this project is critical to enable our new teams to join the Agency

ORGANISATIONAL STRUCTURE AND WAYS OF WORKING

We have developed a cluster model for our staff, based on groupings of customers. The clusters are presently hierarchal teams built around functional areas, and we think for the most part, that this works for our service. Our organisational structure is set out in Annex B.

As we continue to shape ourselves as one organisation, we may need to review our organisational structure. But we will only make changes where we see that the benefits will support us in our ambitions and the culture change we want to see. We want a culture that focuses on collaboration, is flexible, and empowering for staff with decision making at the most appropriate level.

Our staff

The Agency uses a mixed model for resourcing its activities, consisting of in-house professional auditors, supplemented by a range of private sector skills and resources. Our customer facing staff are supported by the Programme Management Office and our corporate function staff.

Our headcount at 1 April 2015 is 165 people (160.6 full time equivalents), profiled as shown in Figure 3. We will actively manage our deployment of in-house and private sector resources against customer demand for our services, while also ensuring value for money for the Agency and our customers.

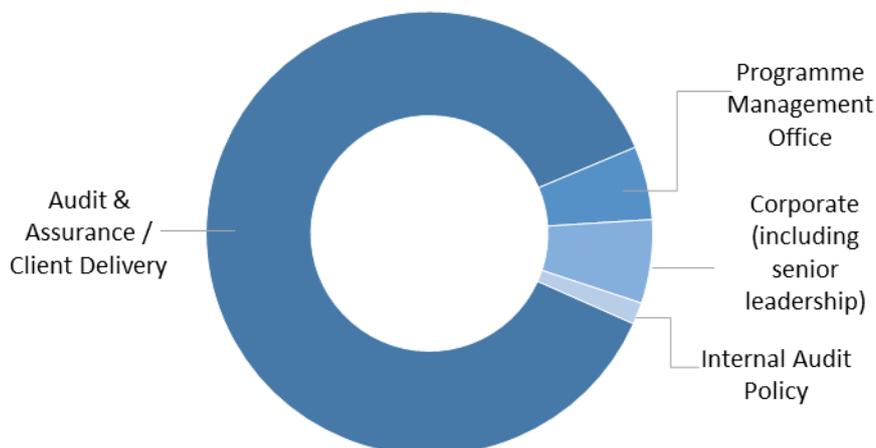


Figure 4: Agency Staff Profile as at 1 April 2015

We will also be working closely with the staff of the organisations that have established a reporting line to the Agency from the 1st April. We will strive to operate increasingly as a single service until the point in time when these staff also move into the Agency.

How we use the Private Sector

We have working partnerships with private sector firms. These arrangements give us the flexibility to meet peaks in demand, and also enable us to deploy more specialist skills when needed to work alongside our own staff. With the establishment of the Agency, we will develop this model, using our collective buying power to secure access to multiple high quality private sector resources, through a single contract, in a manner that provides value for money for the Agency and our customers.

We will continue with a procurement exercise started in December 2014 to appoint a panel of private sector providers to support the Agency. This new arrangement is expected to start in June 2015.

Financial resources

The Agency will largely be funded from the fees that it charges to its customers for internal audit and assurance services. Our fees are set in accordance with *Managing Public Money* to recover the full costs of service provision using a charging model that we have developed.

We aim to deliver a cost effective service that maximises the range and quality of assurance provided for the level of cost incurred. In setting our fees, a number of assumptions are made specifically customer demand and staffing levels. Throughout the year, performance is monitored and on a quarterly basis we will undertake a formal exercise to forecast the financial outturn for the year.

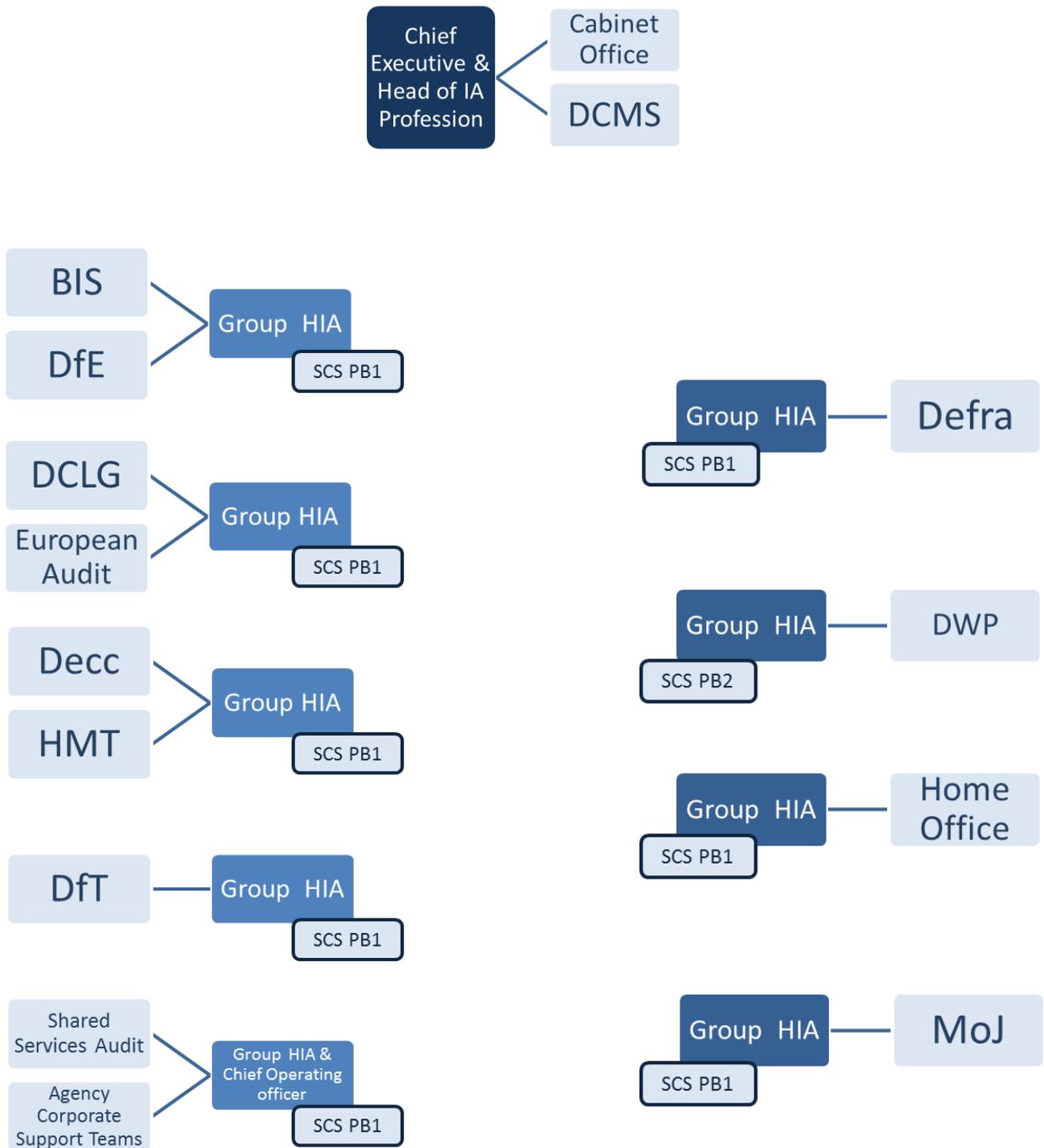
We receive a small amount of supply funding from HM Treasury in respect of both Internal Audit policy work that the Agency undertakes on their behalf, and also the development of the Agency.

A financial summary of our budget for 2015/16 is outlined in Annex C.

ANNEX A: LIST OF CUSTOMERS

Department	Associated Arm's Length Bodies
Business, Innovation & Skills	Acas
	Audit Commission
	Better Regulation Delivery Office
	Charity Commission
	Competition Service
	Insolvency Service
	Intellectual Property Office
	National Measurement Office
	UK Trade & Investment
	UK Shared Business Services
Cabinet Office	Civil Service Commission
	Next Generation Shared Services
	Civil Service Pensions Board
Communities & Local Government	European Regional Development Fund
	Local Government Ombudsman
	Planning Inspectorate
	Queen Elizabeth II Conference Centre
	The Housing Ombudsman
Culture, Media & Sport	The Royal Parks
	-
Energy & Client Change	Committee on Climate Change
Education	Education Funding Agency
	National College for Teaching and Leadership
	Standards and Testing Agency
HM Treasury	Office for Budget Responsibility
Transport	Airports Commission
	British Transport Police Authority
	Commissioners for Irish Lights
	Directly Operated Railways
	Driver & Vehicle Standards Agency
	Driver & Vehicle Licensing Agency
	High Speed 2 Ltd
	Maritime & Coastguard Agency
	Northern Lighthouse Board
	Passenger Focus
	Trinity House Lighthouse Service
	Vehicle Certification Agency
Non-Ministerial and Other Organisations	Government Actuaries Department
	Treasury Solicitors
Defra family	
DWP family	
Home Office family	
MoJ family	

ANNEX B: ORGANISATIONAL STRUCTURE



Key

HIA Head of Internal Audit

Teams where staff are employed as part of Agency from 1st April 2015

Teams where staff are timetabled to join Agency during 2015/16

ANNEX C: FINANCIAL SUMMARY

2015/16 Budget

	Business Plan 2015-16 £000
Revenue	
Customer Fees	(11,957)
Funding from HM Treasury	(1,350)
Total Revenue	(13,307)
Expenditure	
Staff Costs	9,179
Other Administration Costs	4,128
Total Expenditure	13,307
Net Expenditure	-

Segmental Analysis

Segment	Audit & Assurance Services £000	Internal Audit Policy £000	Treasury Projects £000	Total £000
Revenue	(11,957)	(350)	(1,000)	(13,307)
Expenditure	11,957	350	1,000	13,307
Net Expenditure	-	-	-	-

Notes:

- *this analysis is not intended to comply with the requirements of IFRS 8 Operating Segments*
- *'Audit & Assurance Services' are funded by charges levied on our customers*
- *'Internal Audit Policy' are funded by Parliamentary Supply via HM Treasury*
- *'Treasury Projects' are funded by Parliamentary Supply via HM Treasury*