



Use of PEMPAL quality assessment methodology in the Belgian social security organizations.

Use of PEMPAL in peer review format.

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Who are we?

Why a peer review?

What's in it for us and our stakeholders?

What's our peer review approach?

- General information

- Preparation

- Review

- Reporting

What's next?

Discussion



WHO ARE WE?

How were we involved in peer review project?

- Kathleen Meganck: project lead
- Maarten Van Dyck: project team member
- Jean-Pierre Garitte: consultant

- The administrative organization of social security in Belgium is relatively complex.
- The Federal Public Service Social Security has a transverse position, playing a policy-making and international role.
- **The different Public Social Security Institutions (PSSI) are responsible for collecting and distributing social security contributions, paying social benefits and managing the various branches of social security.**
- National Social Security Office: Collection of social security contributions
- National Institute for Health and Disability Insurance: Distribution for health insurance and disability insurance branches.

- Synergy in internal auditing among the PSSI
- In total, some twenty internal auditors
- Team of 2 or 3 internal auditors per PSSI
- **PLATINA** - Internal Audit Platform for the PSSI since 2012
- Supervised by the **CAC - Common Audit Committee**



WHY A PEER REVIEW?



Build a Quality Assurance and **Improvement** Program
= Evaluate IA's conformance with Standards, regulatory guidance, and its own established procedures and methodology

→ Provides assurance to stakeholders: audit committee, management, external auditors,...

→ Driver of change, **improvement** of efficiency and effectiveness of the IA activity



- At least once every 5 years (included in internal audit charter of participating organizations)
- Options:
 1. A full external assessment: use of a qualified, independent assessor or assessment team
 2. A self-assessment with independent external validation
 3. Peer review: cost- effective way - first step in the direction of an external assessment, to identify opportunities for improvement



WHAT'S IN IT FOR US AND OUR STAKEHOLDERS?

- Learning effect for participating auditors: immediate ROI
- Promotes knowledge sharing between participating institutions
- Interviews with management - insight into management expectations
 - What management expects
 - What management appreciates in their internal audit departments
 - Management buy-in through involvement in exercise: understanding need for changes, e.g. charter level etc.

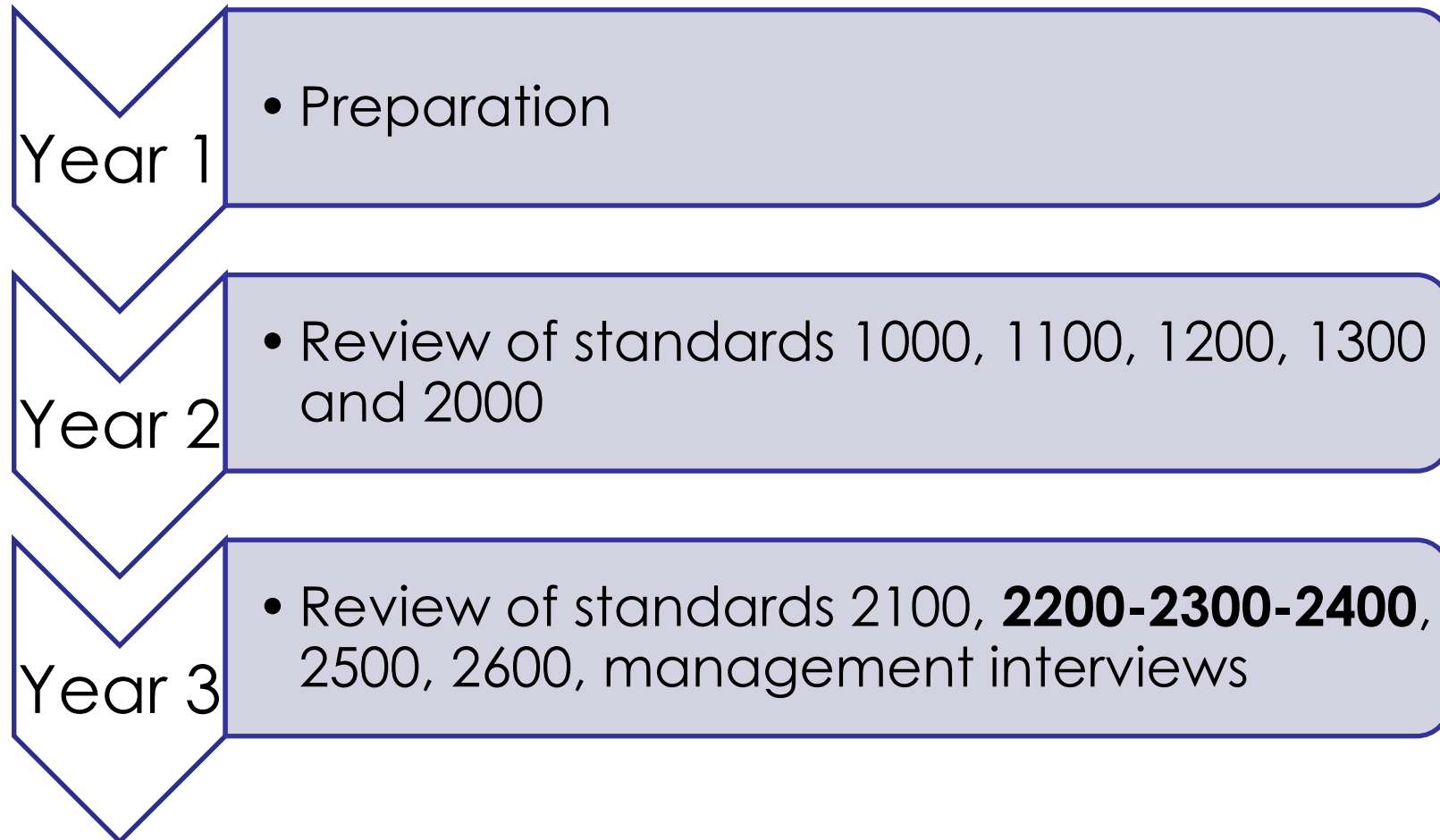
- Assurance is given:
 - Internal audit service delivers quality work, in an efficient manner
 - Internal audit service that formulates valuable recommendations and meets stakeholder expectations
 - Assurance that basic principles of IIA standards are respected → legitimacy
- Budget friendly approach

What's in it for the audit committee?

- Confirmation of maturity of each of the internal audit departments;
- More independent confirmation of implementation of previous audit committee recommendations;
- Harmonization of methods through joint improvement plan within PLATINA network



WHAT'S OUR PEER REVIEW APPROACH?



- Heterogeneity of the audit universe
 - Different types of business: collection institutions - disbursement institutions
 - Available resources, budgets and size of the workforce
 - Management culture in terms of internal audit / vision of top management of the added value
- Confidentiality regarding exchange of audit files
- COVID crisis - remote review



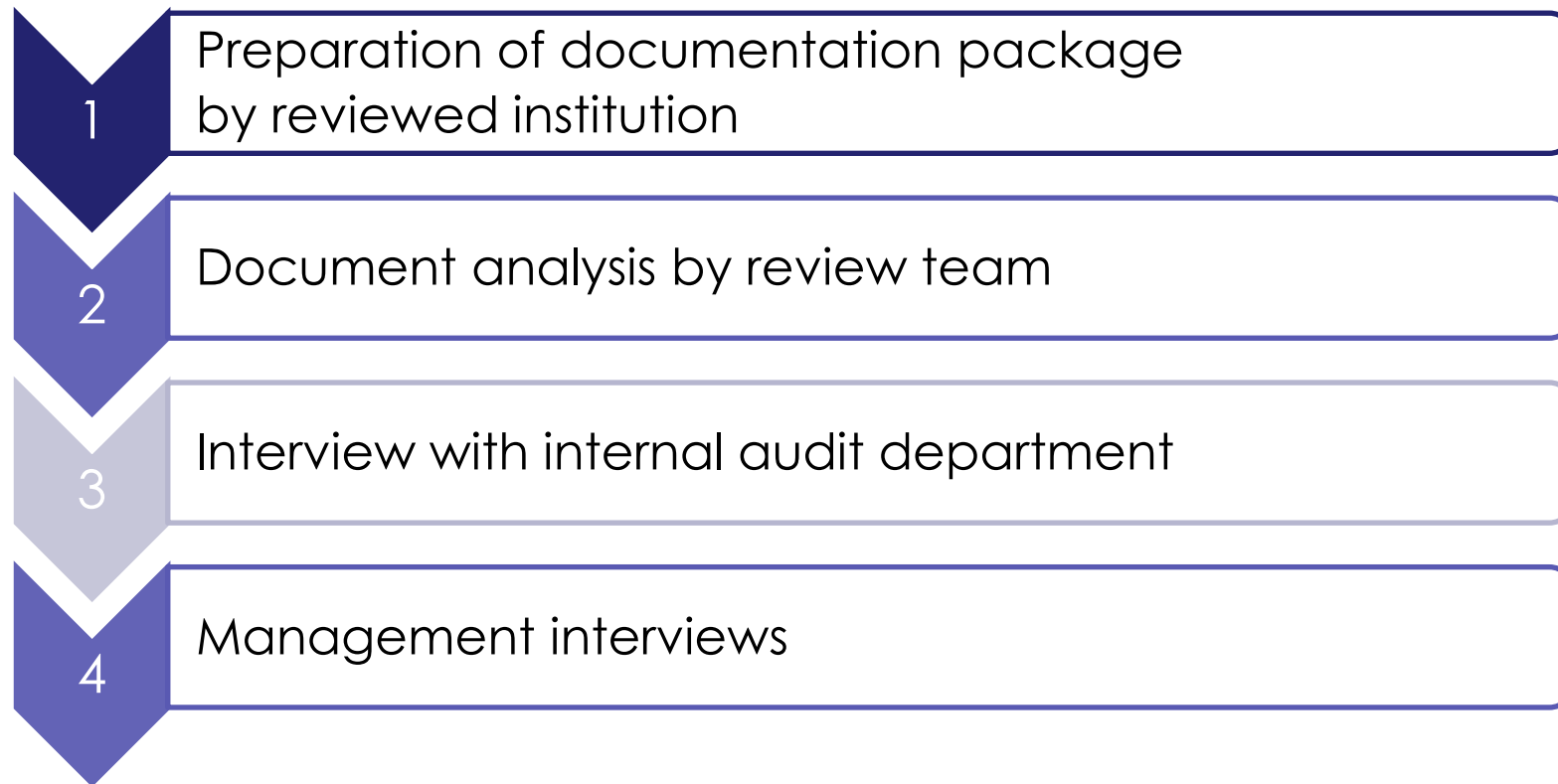
Composition of peer review teams

- Assembled a different review team per chapter of standards, 3 members each
- Always members from different institutions

Adapting PEMPAL methodology to the context of the PSSI

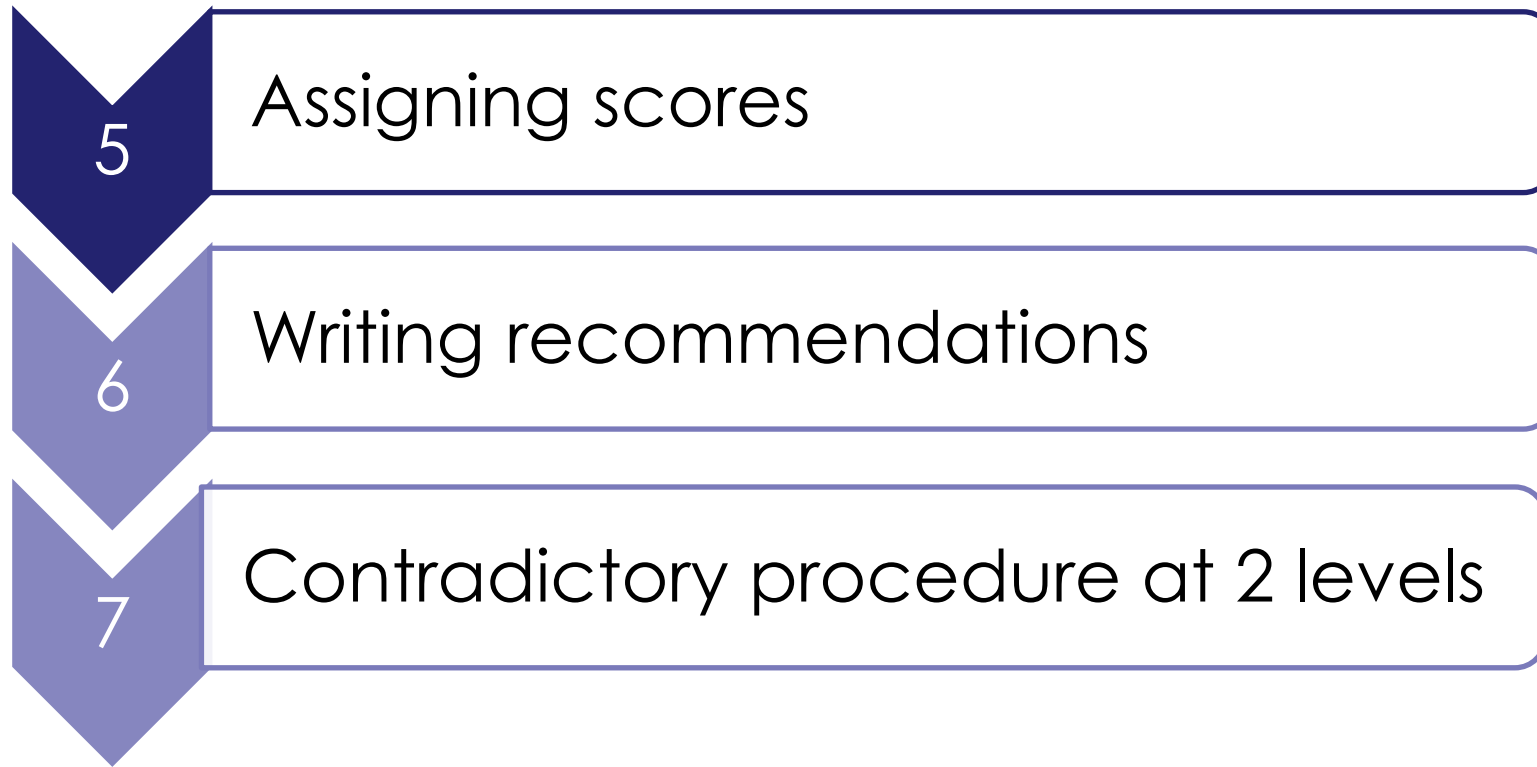
- For ex: common audit committee
- Scoring issues (addressed later in presentation)
- Compiling a list of management questions

- Approach for every institution, for each chapter of standards





- When all institutions have been analyzed:





Reporting to the
management &
internal audit of
the PSSI

Treated
confidentially

Individual scores
in full detail

Highlighting both
positive and
negative
observations

Indicating why
("root cause").

Individual
recommendations
and action plans

Input to the
quality assurance
system within the
PSSI in question



- Interim reporting and a final report (<duration of 2 years)
- Benefit: positive evolutions during peer review exercise are taken into account
- Summary of common findings for all PSSI (positive and negative)
- For participating organizations and the audit committee
- A donut chart **for every thematic section** instead of reporting individual scores per institution or averages
- No info on which organization is red, orange, yellow or green
- Clarity on which themes need attention, and are candidates for synergy





Example:

To assure that internal audit has unlimited access to information, assets and people.

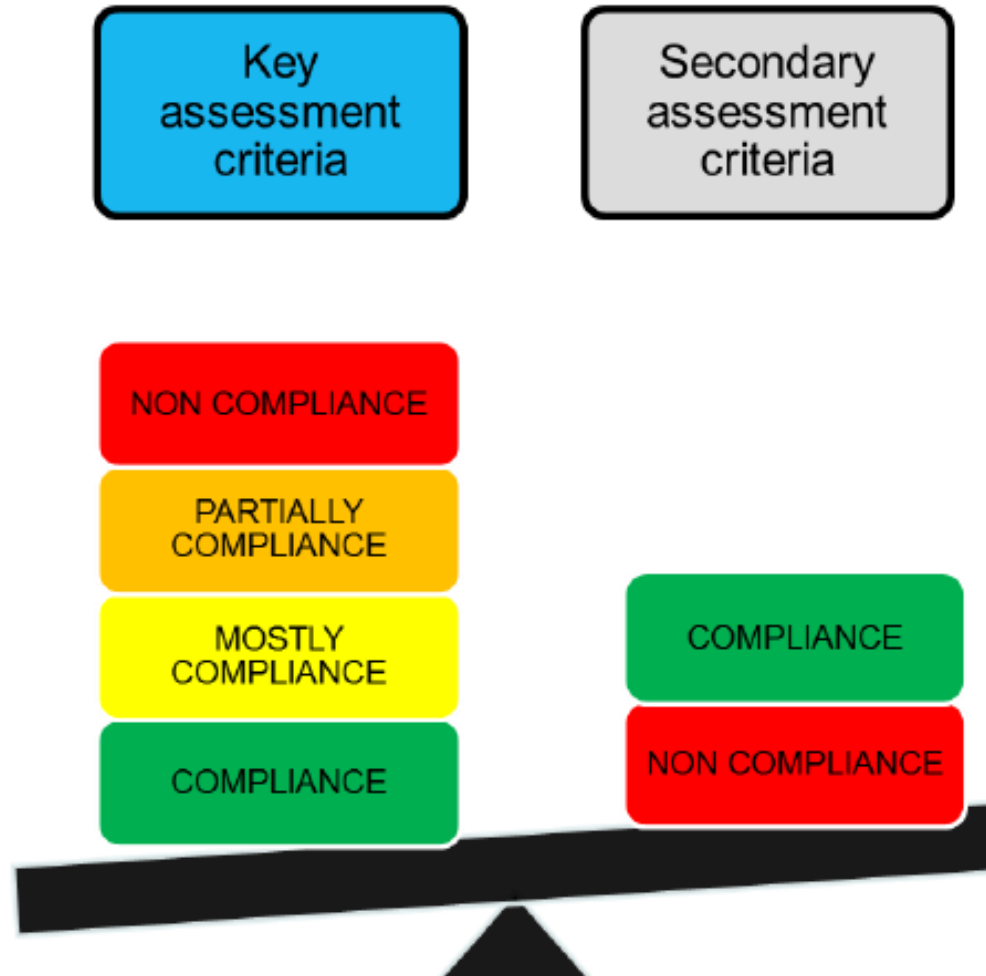
Review steps

- a. Check whether the founding documents grant unlimited access to information, assets and people.
- b. Check whether the term 'unlimited' access has been properly defined.
- c. Check whether the access to information is linked to a classification of information (confidential, classified, etc.).
- d. Assess whether there is a due procedure with escalation in place when access is being denied to internal auditors.
- e. Check whether there are/were cases where access has been denied.

Assessment

-  There is no constraint for internal audit to access information, assets and people.
-  Access exists in principle but specific authorization has to be obtained in the light of the audit engagement.
-  Access exists but not to classified or confidential information.
-  Access is not obvious and the scope of internal audit may be limited.

Key versus secondary assessment criteria



Scoring

key criteria	secondary criteria	Eindscore Résultat final
2 ore more red		
1 red	1 or more red	
2 or more oranges	1 or more red	
all green	more than 3 red	
1 red	all green	
2 oranges	all green	
more than 2 yellow	all green or 1 red	
all green	3 red	
1 yellow	2 <u>red</u>	
1 orange and 1 yellow	all green or 1 red	
1 orange	1 or more red	
2 yellow	all green or 1 red	
1 yellow	1 red	
1 orange	all green	
all green	2 <u>red</u>	
all green	one red	
one yellow	all green	
all green	all green	



key criteria	secondary criteria	1000 score
two ore more red		
	two or more red	
one red	one red	
two or more orange	one red	
two or more yellow	one red	
one orange and one yellow	one red	
one orange	one red	
one yellow	one red	
all green	one red	
one yellow	one or 2 yellow	
one orange	one or 2 orange	
all green	all green	





Representation of scores



Explanation of "donut" chart using an example:

There are 8 PSSI in total

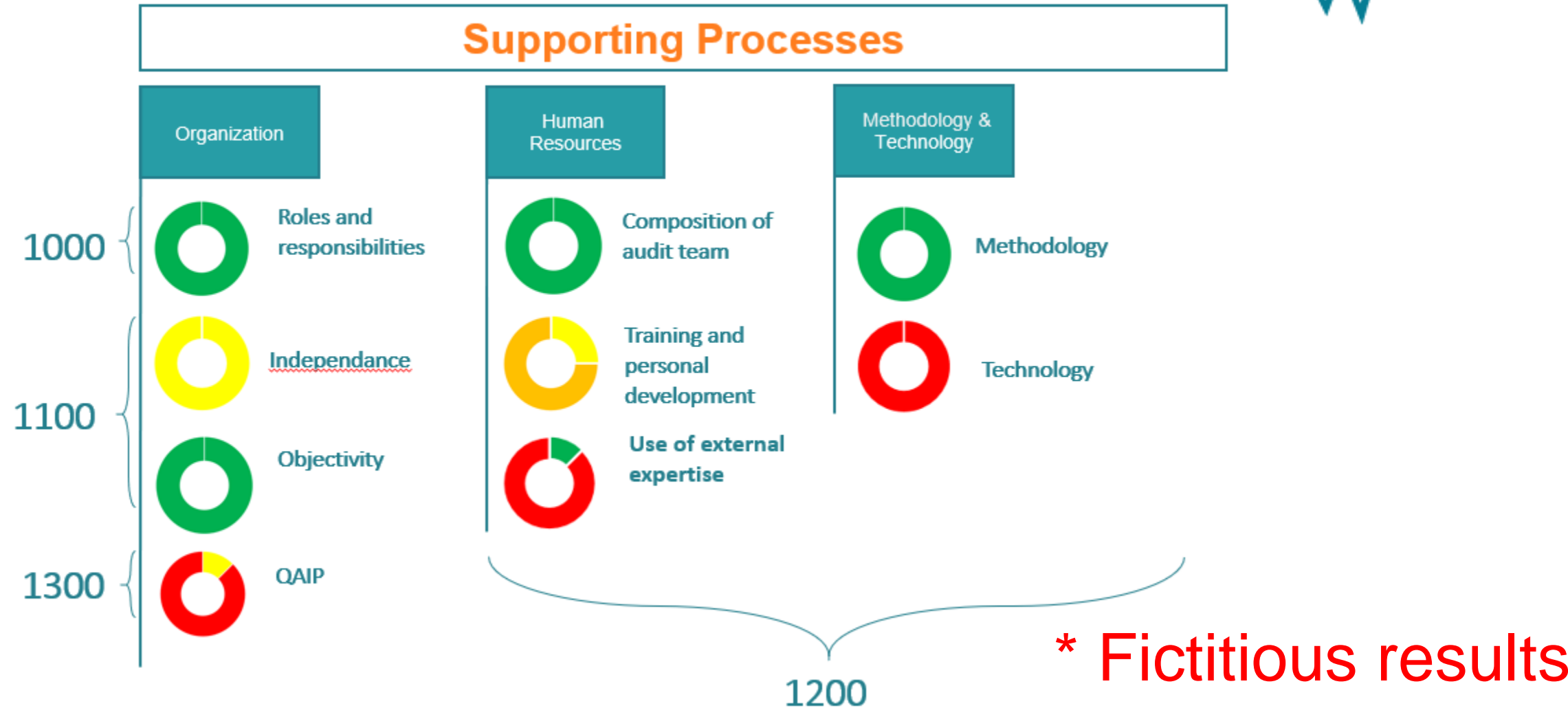
- 2 PSSI have green for this section
- 3 PSSI have red for this section
- 3 PSSI have yellow for this section

-  Satisfying
-  Room for improvement
-  Need for improvement
-  Serious need for improvement

=> In global report no statement on individual scores

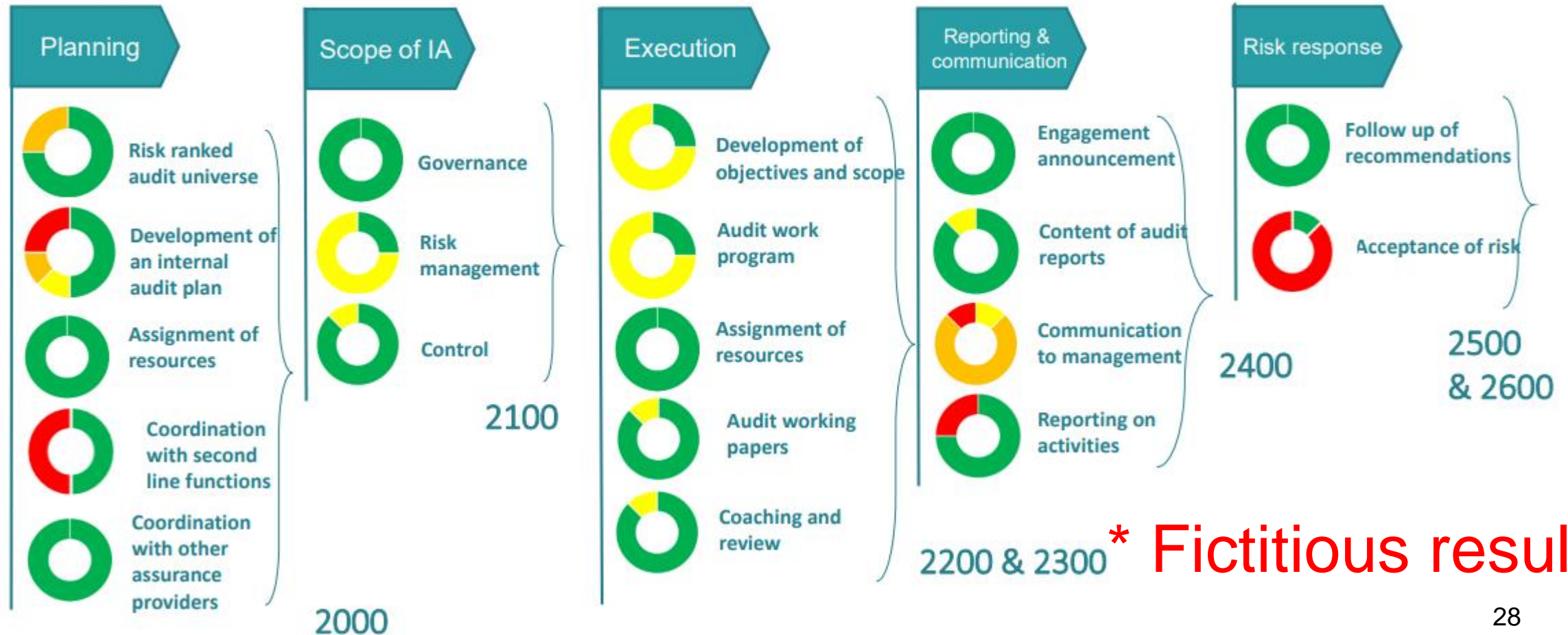
- Reporting in donuts allows the results to be anonymized, but provides an overall state of affairs for the topic
- Breaking down by topic instead of by chapter of the standards allows for more nuance
- Score by chapter of standard is not always representative, and counterproductive to "improvement" approach

Dashboard of the internal audit function



Dashboard of the internal audit function

Production Processes





WHAT'S NEXT?

- Some quick wins implemented immediately
- If possible: recommendations addressed jointly
- Divided into themes with working groups
 - Adaptation of audit charter
 - Develop methodology
 - Investigate possible software solutions,...
- If your institution scores red on a criterion, seek help from institutions with green scores, they will share good practices

At the level of the individual PSSI:

- Communication staff about the role and importance of IA
- Collaboration second line of defense

At the level of Platina

- common KPI
- shared methodology

At audit committee level

- adaptations to common charter
- coordination with Court of Audit, auditors

Always room for improvement

