

Meeting: Corporate Governance Committee**Date: 13th September 2017****Subject: Head of Internal Audit Service Annual Report 2016-17****Report by: The Treasurer****Author: Neil Jones (Head of Internal Audit Service, Leicestershire County Council)****For: Decision****1. Purpose**

The purpose of this report is to seek the approval of the Corporate Governance Committee (the Committee) for the Head of Internal Audit Service Annual Report (the Annual Report) 2016-17.

2. Recommendations

The Committee is asked to approve the Annual Report.

3. Executive Summary

3.1 Within the CFA Constitution, the Committee has a function to monitor the adequacy and effectiveness of the internal audit service and to monitor progress against the plan through the receipt of periodic progress reports and an annual Internal Audit report. The internal audit activity for the CFA is currently outsourced to Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS).

3.2 The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers. Additions to the PSIAS were reported to the Committee (in its defined PSIAS role of 'the Board') at its meeting on 15th March 2017, whereupon it was recommended the CFA approved a revised Internal Audit Charter.

3.3 The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the annual governance statement (the AGS) to include:

- a) an opinion on the overall adequacy and effectiveness of the CFA's control environment
- b) a summary of the audit work from which the opinion is derived
- c) a comparison of work actually undertaken with work that was planned including a summary of the performance of the internal audit function
- d) a statement on conformance with the PSIAS
- e) any issues the HoIAS judges relevant to the preparation of the AGS

- 3.4 The annual report contains the HoIAS' annual opinion (the opinion) on the overall adequacy and effectiveness of the CFA's control environment. The opinion forms part of the annual review of the effectiveness of the CFA's governance framework undertaken when compiling the AGS. The HoIAS chooses to show sub-opinions for the three components of 'the control environment' (the framework of governance; risk management; and internal control).

4. Report Detail

The Head of Internal Audit Service Annual Report 2016-17

- 4.1 The Head of Internal Audit Service Annual Report 2016-17 is included as the **Appendix**.
- 4.2 Detail behind how the sub-opinions were formed is found in **Annex 1**. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, and the professional judgement of the HoIAS in evaluating other related activities, overall reasonable assurance was given over the adequacy and effectiveness of the CFA control environment.
- 4.3 A list of the audit work from which the sub-opinions are derived containing the scope, recommendations and individual assignment opinions is found in **Annex 2**. Most assignments were 'assurance type' defined as '*an objective examination of evidence for the purpose of providing an independent assessment*'. Overall assurance ratings were positive.
- 4.4 Almost 70% of original planned and unplanned work was completed (final report issued). Additional time was incurred to conduct an unplanned audit. The variations were agreed as being necessary with the Treasurer beforehand. The final charge to the CFA was £28,025 (£2,950 above budget).
- 4.5 The HoIAS' most recent self-assessment (conducted in May 2017) identified that LCCIAS' current practices generally sufficiently conform to the PSIAS. However, a few specific areas have been identified where action is needed before the HoIAS can claim to fully conform, and state so in documents and correspondence. LCCIAS will be subject to an external quality assessment before March 2018.

5. Report Implications / Impact

5.1. *Legal (including crime and disorder)*

None

5.2. *Financial (including value for money, benefits and efficiencies)*

There are no direct financial implications arising from this report. However, as a result of the work carried out, assurance regarding the operation of key financial systems is gained and there would be an expectation that implementing internal audit recommendations could improve effectiveness, efficiency and economy.

5.3. *Risk (including corporate and operational, health and safety and any impact on the continuity of service delivery)*

The internal audit function provides reassurance that effective governance, risk management and internal control procedures are in place. Internal audit reports are used to inform the Treasurer and the Chief Fire and Rescue Officer of the detailed findings of the audit and highlight actions that are required to safeguard the CFA's interests.

5.4. ***Staff, Service Users and Stakeholders (including the Equality Impact Assessment)***

None

5.5. ***Environmental***

None

5.6. ***Impact upon Our Plan Objectives***

The CFA's Strategic Objective 4 is the attainment of efficiency and the provision of a value for money service. The provision of internal audit assists both effective and efficient management and good corporate governance. It also externally validates the CFA's progress in this area.

6. Background Papers

Internal Audit Annual Plan (CGC meeting - 23rd March 2016)

Internal Audit Charter (CGC meeting - 15th March 2017)

7. Appendices

The Head of Internal Audit Service's Annual Report 2016-17

- Annex 1 - The Head of Internal Audit Service's Annual Opinion on the overall adequacy and effectiveness of the control environment 2016-17
- Annex 2 - Summary of Internal Audit Service work supporting the HoIAS 2016-17 opinion