

**Status of Report: Public**

**Meeting: Corporate Governance Committee**

**Date: 13 July 2023**

**Subject: Head of Internal Audit Service Annual Report 2022-23**

**Report by: The Treasurer**

**Author: Neil Jones (Head of Internal Audit and Assurance Service,  
Leicestershire County Council)**

**For: Information only**

### **Purpose**

1. To provide the Corporate Governance Committee the opportunity to review the Head of Internal Audit Service Annual Report 2022-23.

### **Recommendation**

2. It is recommended that the Committee notes the Head of Internal Audit Service Annual Report 2022-23 and makes any observations.

### **Executive Summary**

3. An effective internal audit function is a mandatory statutory requirement for the Combined Fire Authority (CFA).
4. 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 and Assurance Service, who fulfils the role of the CFA's Head of Internal Audit Service (HoIAS). The Public Sector Internal Audit Standards (PSIAS), specifically require that when an external service provider serves as the internal audit activity, the provider (LCCIAS) must make the organisation (CFA) aware that it has the responsibility for maintaining an effective internal audit activity.
5. The CFA Constitution records that one of the functions of the Corporate Governance Committee is to monitor the adequacy and effectiveness of the internal audit service and to monitor progress against the internal audit plan through the receipt of periodic progress reports and an annual Internal Audit report.
6. The PSIAS apply to all internal audit service providers. They require the HoIAS to provide an annual report to 'the Board' (for the CFA this is defined as the Committee) timed to support the annual review of the effectiveness of the CFA's governance framework undertaken when compiling the Annual Governance Statement (AGS). The annual report is to include:

- i. an opinion on the overall adequacy and effectiveness of the CFA's control environment (its framework of governance; risk management; and internal control);
  - ii. a summary of the audit work from which the opinion is derived;
  - iii. a comparison of work actually undertaken with work that was planned including a summary of the performance of the internal audit function;
  - iv. a statement on conformance with the PSIAS and review of the quality improvement programme; and
  - v. any issues the HoIAS judges relevant to the preparation of the AGS.
7. Headlines from the report are: -
- i. The HoIAS was able to conclude a reasonably positive opinion.
  - ii. Two audits received a lower assurance ratings. These will continue to be subjected to further internal audit scrutiny.
  - iii. Days provided were as planned.
  - iv. The charge was as per budget.
  - v. Relevant information and guidance was routinely shared
  - vi. The HoIAS self-assessed that LCCIAS continues to 'generally conform' (the top rating) to the PSIAS. The review of the quality improvement plan (QAIP) revealed some extensions required to actions.
  - vii. The internal audit team continues to be trained and developed in new and emerging risks, technologies and working practices.

## Background

8. The Head of Internal Audit Service Annual Report 2022-23 is included at the Appendix.
9. Detail behind how the opinion was formed is found in **Annex 1**. For 2022-23 the HoIAS gives reasonable assurance that overall the control environment remained adequate and effective. Whilst there were isolated high risk rated weaknesses identified in some areas, controls to mitigate key risks are generally operating effectively. The HoIAS was on the whole satisfied with management's response to resolving identified issues and welcomed the Committee's support and engagement over them. However, the arrangements to enable the Corporate Governance Committee to effectively monitor the progression and implementation of Internal Audit Service high importance recommendations require improvement.
10. This is because of lengthy delays to implementing some previously agreed high importance recommendations. It is proposed that on receipt of the Internal Audit update reports, the Chair should discuss and agree with the HoIAS (and where necessary the Treasurer or Monitoring Officer) whether relevant officers should be requested to attend the Committee meeting to provide an update and reasons for any delays that may have arisen.

11. 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**. The HoIAS will ensure that any audits containing high importance (HI) recommendations and/or partial assurance ratings will be followed up with specific retesting and will stay in the Committee's domain until the HoIAS is satisfied the recommendations have been implemented and controls embedded.
12. In April 2018, LCCIAS was graded 'generally conforms', the top rating, following an independent external quality assessment of conformance to the PSIAS. **Annex 3** shows the HoIAS' June 2023 light touch self-assessment of LCCIAS confirmed general conformance to the PSIAS. Notes supporting the self-assessment, and changes, are reported in bold font.
13. The PSIAS require the HoIAS to develop and maintain a Quality Assurance and Improvement Programme (QAIP). The HoIAS undertook a light touch review of the QAIP and found that some action dates needed extending (again changes are in bold font). See **Annex 4**

### Report Implications/Impact

14. Legal (including crime and disorder)

Section 112 of the Local Government Finance Act 1988 requires that the CFA '...shall make arrangements for the proper administration of its financial affairs' and to ensure that '...one of its officers has responsibility for the administration of those affairs'. At the CFA this officer is the Treasurer.

Part 2 'Internal Control' of the Accounts and Audit Regulations 2015 require, 'A relevant authority (including fire authorities) must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

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

The Service Level Agreement in place scheduled LCCIAS to provide 85 days of internal audit time. Actual charge was £31,455 to allow for pay inflation.

As a result of the work carried out, assurances regarding the operation of key financial systems are gained and there would be an expectation that implementing Internal Audit recommendations could improve effectiveness, efficiency and economy. - Colin Sharpe, Deputy Director of Finance, Leicester City Council, 0116 454 4081

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

Internal audit provides assurance 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.

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

There are no staff, service user or stakeholder implications arising from this report.

18. Environmental

There are no environmental implications arising from this report.

19. Impact upon Our Plan Objective

Within the CFA's priority of Finance and Resources is the aim of providing a value for money service. The provision of an internal audit function assists both effective and efficient management and good corporate governance. It also externally validates the CFA's progress in this area.

## Background Papers

Internal Audit Plan 2022-23 Corporate Governance Committee 9 March 2022

<https://leics-fire.gov.uk/wp-content/uploads/2022/03/item-8-audit-plan-covering-report-2022-23.pdf>

<https://leics-fire.gov.uk/wp-content/uploads/2022/03/item-8-appendix-1-internal-audit-plan-2022-23.pdf>

## Appendices

Appendix	The Head of Internal Audit Service Annual Report 2022-23
Annex 1	The Head of Internal Audit Service Annual Opinion on the overall adequacy and effectiveness of the control environment 2022-23
Annex 2	Work supporting the HoIAS Annual Opinion 2022-23
Annex 3	Summary self-assessment of conformance with PSIAS – June 2023
Annex 4	Self-assessment against the Quality Assurance and Improvement Programme – June 2023

**Officers to Contact**

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