

Combined Fire Authority Head of Internal Audit Service Annual Report 2019-20

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26th August 2020

Combined Fire Authority
Head of Internal Audit Service
Annual Report 2019-20

Background

1. A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised from April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
 - i. The Mission of Internal Audit
 - ii. Definition of Internal Auditing
 - iii. Core Principles for the Professional Practice of Internal Auditing
 - iv. Code of Ethics
 - v. International Standards for the Professional Practice of Internal Auditing
2. Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities must make provision for internal audit in accordance with the PSIAS.
3. The objectives of the PSIAS are to: -
 - a. define the nature of internal auditing within the UK public sector
 - b. set principles for carrying out internal audit in the UK public sector
 - c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations
 - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (for the CFA this is defined as the Corporate Governance Committee) timed to support the annual governance statement.
5. The PSIAS state that the annual report must include:
 - a. an annual internal audit opinion on the overall adequacy and effectiveness of the CFA's governance, risk and control framework (i.e. the control environment) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
 - b. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope
 - c. a comparison of the work actually undertaken with the work that was planned, including a summary of the performance of the internal audit function against its performance measures and targets
 - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment.
 - e. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

The Annual Internal Audit Opinion on the Adequacy and Effectiveness of the Combined Fire Authority's Control Environment

6. **Annex 1** provides detail on how the annual internal audit opinion was formed, explains the types of audits undertaken, the components of the control environment and what it is designed to achieve, and provides a caveat on any opinions reached.

Based on an objective assessment of the results of individual audits undertaken and actions by management thereafter; the work of the Corporate Governance Committee; the professional judgement of the HoIAS based on his knowledge, experience and evaluation of other related activities and assurances given from other functions, the results of the above, when combined, **for 2019-20 the HoIAS gives reasonable assurance that overall the control environment was adequate and effective. Whilst there were isolated high risk rated weaknesses identified for isolated issues, controls to mitigate key risks are generally operating effectively. The HoIAS is on the whole satisfied with management's response to resolving identified issues.**

A summary of the audit work from which the opinion is derived

7. **Annex 2** lists the audits and other work undertaken during the year and where appropriate contains the individual audit opinion.
8. Eleven audits were originally planned, the majority of them being 'assurance' audits defined as '*An objective examination of evidence for the purpose of providing an independent assessment*'. Eight audits were undertaken. Testing for the key financial systems payroll audit was conducted over two separate quarters. Of the eight, two returned substantial assurance ratings meaning the controls in place to reduce exposure to risks to achieving the system's objectives were well designed and were being operated effectively. On the occasions when there were recommendation(s) to bring about improvements, they did not have a high importance (HI) rating signifying a particularly serious control weakness had been identified.
9. Four audits were graded 'partial assurance' rating. This was because either individual HI recommendations were reported, or the combined number of recommendations was sufficient to warrant further follow up. HI recommendations stay in the Committee's domain until the HoIAS has confirmed (by specific re-testing or other evidence) that action has been implemented. Whilst the HoIAS is satisfied that senior management and Members pay rigorous attention to implementing the recommendations, he will actively monitor and report slippage in implementation which might indicate increasing pressures and strains on the control environment.
10. Work on the National Fraud Initiative was completed. Advisory work was provided on contract compliance.
11. An additional piece of work provided advice on acceptable usage of IT devices, and system governance policies and procedures

12. Three audits were not started. The rationale for these is explained in Annex 2 on pages 11 and 12.
13. The PSIAs require that the HoIAS should disclose where reliance is placed on work by other assurance bodies. For 2019-20 no reliance was obtained.

A comparison of work undertaken with work planned, including a summary of the performance of the internal audit function

14. The tables below show performance both in terms of number of audits and days allocated.

Table 1: Overall performance against 2019-20 internal audit plan

Audit type	Planned	Postponed or Cancelled	Added	Complete
Governance	2	-	1	3
Risk management	3	2	-	1
Internal control	6	1	-	5
Follow up HI recs	-	-	-	-
Total	11	-	-	9

15. Internal audit plans are increasingly short-term statements of intent rather than guaranteed coverage and need to be flexible and retain contingency to adapt to changes in risk and priorities. The 2019-20 plan contained a number of potential areas for audit that for a variety of reasons didn't come to fruition.
16. Total 'productive' days spent on work relating to the CFA (and the annual charge) were as planned. There was an increase in client management because of chasing closure of reports.

Results were: -

Function	19-20 days	Change to previous
Audits (assurance, consulting, investigations)	71	-1
Client management – includes committees	14	+1
Total	85	0

A statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)

17. Following a positive independent external quality assessment in April 2018, the HoIAS undertook a further self-assessment of LCCIAS's conformance to the PSIAS. The outcome is summarised in **Annex 3**. In line with PSIAS Standard 1321, the HoIAS considers that LCCIAS' internal audit activity continues to conform with the International Standards for the Professional Practice of Internal Auditing.
18. PSIAS Standard 1322 requires the HoIAS to confirm that (based on the results of the self-assessment) there were not any significant deviations from the PSIAS.

Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)

19. For the year 2019-20, nothing has been brought to the HoIAS' attention that he considers relevant to the preparation of the AGS.

Neil Jones CPFA
Head of Internal Audit & Assurance Service
LCCIAS

26th August 2020.