

**Combined Fire Authority
Head of Internal Audit Service
Annual Report 2020-21**

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County Council**

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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 2020-21 the HoIAS gives reasonable assurance that overall the control environment was 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.

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. Ten 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*'. Nine audits were undertaken. Of the nine, 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. We are awaiting responses to two draft audit reports. Disregarding their outcome the overall opinion will not change.
10. Work on the National Fraud Initiative was completed
11. Planned advisory work was provided on contract compliance, payroll replacement and pensions replacement
12. The contingency in the plan for 'emerging issues' was used for providing assurance on ICT controls over remote working during covid-19
13. One audit (workshop services) began but will straddle two years.
14. Two legacy HI recommendations (ICT change control and previous payroll provider) were closed off

15. The PSIAS require that the HoIAS should disclose where reliance is placed on work by other assurance bodies. For 2020-21 no reliance was obtained.

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

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

Table 1: Overall performance against 2020-21 internal audit plan

Audit type	<u>Planned</u>	<u>Postponed or Cancelled</u>	<u>Added</u>	<u>Complete</u>
Governance	3	1	-	2
Risk management	1	-	-	1
Internal control	6	-	-	5
Total	10	-	-	9

17. 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 2020-21 plan contained a number of potential areas for audit that for a variety of reasons didn't come to fruition.
18. Total 'productive' days spent on work relating to the CFA (and the annual charge) were slightly above planned but were absorbed in the price agreed. Results were: -

<u>Function</u>	<u>20-21 days</u>	<u>Change to previous</u>
Audits (assurance, consulting, investigations)	77	+6
Client management – includes committees	13	-1
Total	90	+5

19. Out of three customer satisfaction questionnaires issued, two were returned and both scored full satisfaction with the internal audit process.

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

20. The HoIAS undertook a light touch self-assessment of LCCIAS's conformance to the PSIAS to confirm that the County Council's internal audit activity generally conforms with the International Standards for the Professional Practice of Internal Auditing. Notes supporting the self-assessment, and other changes, are reported in bold font in **Annex 3**.
21. The HoIAS also light touch reviewed the service's Quality Assurance and Improvement Programme (QAIP) and found that two new recommendations for improvement should be added, but three small improvements could be moved forward. All changes to the action plan on the last page of **Annex 4** are reported in bold font.

22. PSIAS Standard 1322 requires the HoIAS to confirm that whether there were any significant deviations from the PSIAS. Because of the impact of the coronavirus, 6 internal audit staff were redeployed to County Council operational services. This didn't affect the service provided to the CFA.

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

23. For the year 2020-21, 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

24th June 2021.