

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 25 July 2018

Subject: Head of Internal Audit Service Annual Report 2017-18

Report by: The Treasurer

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

For: Decision

1. Purpose

To seek approval from the Corporate Governance Committee for the Head of Internal Audit Service Annual Report 2017-18.

2. Recommendations

The Committee is asked to approve the Annual Report.

3. Executive Summary

3.1 Within the Combined Fire Authority (CFA) Constitution, the Committee has a function 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. 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 15 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 (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; and
- e) any issues the HoIAS judges relevant to the preparation of the AGS.

- 3.4 The annual report contains the HoIAS' annual opinion on the overall adequacy and effectiveness of the CFA's control environment the framework of governance; risk management; and internal control. The opinion forms part of the annual review of the effectiveness of the CFA's governance framework undertaken when compiling the AGS.

4. Report Detail

The Head of Internal Audit Service Annual Report 2017-18

- 4.1 The Head of Internal Audit Service Annual Report 2017-18 is included at the **Appendix**.

- 4.2 Detail behind how the opinion was formed is found in **Annex 1**. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, the role of the Committee and the professional judgement of the HoIAS in evaluating other related activities. The HoIAS has concluded that, whilst there were some audits returning partial assurance ratings, management not only agreed the internal audit recommendations but acted promptly in-year to either begin, or plan, to implement them. **As such the HoIAS concludes there is reasonable assurance that the CFA's control environment is both adequate and effective.**

- 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*'. Whilst eight assurance audits returned positive ratings (full or substantial), four audits were graded partial assurance on the basis they either contained high importance recommendations or, on the combined seriousness of the findings and recommendations.

One consulting/advisory audit, for which no opinion is given, also contained high importance recommendations.

The HoIAS will ensure all 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.

- 4.4 All of the original planned and unplanned work was completed (to final report issued) and the days provided were as planned. The final charge to the CFA was £25,075 (as per budget).

Client satisfaction questionnaires returned 'very good' scores.

- 4.5 In April 2018, LCCIAS was graded 'generally conforms', the top rating, following an independent validation of its self-assessment of conformance to the PSIAS.

- 4.6 **Annex 3** shows the HoIAS' self-assessment of LCCIAS conformance to the PSIAS and **Annex 4** shows the revised LCCIAS Quality Assurance & Improvement Programme (QAIP) and actions required in 2018-19.

5. Report Implications / Impact

1.1. *Legal (including crime and disorder)*

None.

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

None.

1.3. *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.

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

None.

1.5. *Environmental*

None.

1.6. *Impact upon Our Plan Objectives*

The provision of a robust internal audit function assists both effective and efficient management and good corporate governance. This should assist with meeting the challenges outlined in the CFA's Finance and Resources and Governance Strategies.

6. Background Papers

Internal Audit Annual Plan (CGC meeting – 15 March 2017)

<http://www.leicestershire-fire.gov.uk/wp-content/uploads/2016/06/item-11-internal-audit-plan-2017-18-v-sl.pdf>

<http://www.leicestershire-fire.gov.uk/wp-content/uploads/2016/06/item-11a-appendix-internal-audit-plan-2017-18.pdf>

Internal Audit Charter (CGC meeting - 15 March 2017)

<http://www.leicestershire-fire.gov.uk/wp-content/uploads/2016/06/item-09-internal-audit-charter-v-sl.pdf>

<http://www.leicestershire-fire.gov.uk/wp-content/uploads/2016/06/item-09a-appendix-the-revised-internal-audit-charter.pdf>

7. Appendices

Appendix	The Head of Internal Audit Service's Annual Report 2017-18
Annex 1	The Head of Internal Audit Service's Annual Opinion on the overall adequacy and effectiveness of the control environment 2017-18
Annex 2	Summary of Internal Audit Service work supporting the HoIAS 2017-18 opinion
Annex 3	Summary self-assessment of conformance with PSIAS
Annex 4	Quality Assurance & Improvement Programme (QAIP) – 2018