

# Head of Internal Audit Service Annual Report 2022-23

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Head of Internal Audit & Assurance Service, Leicestershire  
County Council**

**3 July 2023**

**Combined Fire Authority**  
**Head of Internal Audit Service**  
**Annual Report 2022-23**

**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.

**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.**

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.

### **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. Three prior year audits and ten new year 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*'. Twelve audits were undertaken (see paragraph 15 for information on the deferred audit). Of the twelve completed, eight 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. Three reports resulted in partial assurance ratings and progress in addressing the recommendations within these two audits will be reported to this committee until they are addressed.

10. Work on the National Fraud Initiative was completed
11. HI recommendations remained from 2021-22 (Key ICT Control and BACS). Testing will continue until they're implemented.
12. The internal audit plan also contains a contingency for emerging issues. During 2022-23 the Internal Audit Service provided advice and contributed to reports in four areas.
13. The PSIAS require that the HoIAS should disclose where reliance is placed on work by other assurance bodies. For 2022-23 the HoIAS took assurances from the HMICFRS follow up report and the External Auditors Annual Report.

**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 2022-23 internal audit plan**

<b>Audit type</b>	<b><u>Close 21-22 audits</u></b>	<b><u>Planned 22-23 audits</u></b>	<b><u>Deferred</u></b>	<b><u>Draft or Not Cleared</u></b>	<b><u>Complete</u></b>
Governance	1	2	-	-	3
Risk management	-	1	-	-	1
Internal control	2	7	1	-	8
Emerging issues	-	1	-	-	1
<b>Total</b>	<b>3</b>	<b>11</b>	<b>1</b>	<b>0</b>	<b>13</b>

15. Total 'productive' days spent on work were slightly above planned but the CFA was only charged for the planned time.
16. Six customer satisfaction questionnaires were returned. Five scored full satisfaction with the internal audit process and only one was scored slightly less due to notice about the timing of the audit.

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

17. Leicestershire County Council Internal Audit Service is due its 5 yearly external quality assessment. In preparation for this the HoIAS undertook only 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 changes (in bold font), are reported in **Annex 3**.
18. The HoIAS also light touch reviewed the service's Quality Assurance and Improvement Programme (QAIP). Some action dates have had to be extended and are reported (in bold font) at the end of **Annex 4**

19. There were no significant deviations from the PSIAS.

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

20. For the year 2022-23, 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

3 July 2023.

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