



Government  
Internal Audit  
Agency

# Government Internal Audit Agency Annual Report and Accounts 2018-19

Better insights, better outcomes

HC 2417

# Government Internal Audit Agency (GIAA)

## Annual Report and Accounts 2018-19

Presented to the House of Commons pursuant to section 7 of the  
Government Resources and Accounts Act 2000.

Ordered by the House of Commons to be printed on 18 July 2019.



© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3)

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at [www.gov.uk/official-documents](http://www.gov.uk/official-documents)

Any enquiries regarding this publication should be sent to us at:

Government Internal Audit Agency  
10 Victoria Street,  
Westminster,  
SW1H 0NB

ISBN 978-1-5286-1215-9

CCS0419961200 07/19

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

# Table of contents

<b>Chief Executive's foreword</b> .....	5	<b>5 Parliamentary accountability and audit report</b> .....	49
<b>Performance report</b>		Financial performance .....	49
<b>1 Who we are</b> .....	9	Parliamentary accountability disclosures .....	50
Our services .....	10	The Certificate and Report of the Comptroller and Auditor General to the House of Commons .....	52
Our mission .....	10	<b>Annual Accounts 2018-19</b>	
Our vision .....	11	Statement of comprehensive net expenditure for the year ended 31 March 2019 .....	56
Our values .....	11	Statement of financial position as at 31 March 2019 .....	57
<b>2 How we have performed</b> .....	12	Statement of cash flows for the year ended 31 March 2019 .....	58
Measuring our performance .....	12	Statement of changes in Taxpayers' equity .....	59
Other corporate reporting .....	22	Notes to the Accounts .....	60
<b>Accountability report</b>			
<b>1 Directors' report</b> .....	27		
Governance framework .....	27		
Register of interests .....	29		
Auditors .....	30		
<b>2 Statement of Accounting Officer's responsibilities</b> .....	31		
<b>3 Governance statement</b> .....	32		
Operation of governance structure .....	32		
Risk management .....	33		
Whistleblowing arrangements .....	34		
Physical, information and data security .....	34		
Data quality .....	34		
Review of corporate governance .....	34		
Assurance arrangements .....	35		
Conclusion .....	38		
<b>4 Remuneration and staff report</b> .....	39		
Service contracts .....	39		
Remuneration policy .....	39		
Senior management remuneration (including salary) and pension entitlements .....	39		
Civil service pensions .....	43		
Reporting of Civil Service and other compensation schemes – exit packages .....	45		
Agency composition .....	46		
Consultants and contingent labour .....	47		
Facility time for trade union representatives .....	48		





## Chief Executive's foreword

**Elizabeth Honer**  
Chief Executive Officer

Welcome to the Government Internal Audit Agency (the Agency / GIAA) Annual Report and Accounts for 2018-19.

I joined as the Agency's new Chief Executive Officer (CEO) on 1 October 2018. I have met with the majority of our customers and the clear message was they now want to see us realising our potential.

In our first 3 years, we concentrated on growth, and we are reaping the benefits of working across government. The past year alone has yielded many successes. Thanks to the hard work and dedication of our people and the actions of our customers:

- We completed 1698 audits in respect of 2018-19 audit plans for over 131 central government organisations across Great Britain.
- Our GIAA people and teams won 5 awards, including 3 at the 2019 Government Finance Function event.
- Our Counter Fraud and Investigation team has been recognised as a centre of excellence, making a significant contribution to launching the Government Counter Fraud profession. Over £1m of fraud was detected and another potential £1m of fraud was prevented.
- We led the Government Internal Audit Profession in bringing together Audit and Risk Assurance Committee chairs from across public bodies to discuss their roles and the common risks faced by their organisations.

- We have expanded our trainee auditor scheme to include 29 people, securing a pipeline of talent for the future.

We have more to do. In the first months of 2019, we launched our ambitious vision for the next 3 years. We will focus on: customer impact, unleashing our people's talent, driving quality, innovation and making sure our foundations remain firm. Our comprehensive new strategy and 3-year plan will bring this vision to life. To help lead this work, we have recruited new people to senior roles, strengthening our executive team of directors.

I would like to thank my predecessor, Jon Whitfield, who brought the Agency together, laying the foundations for success.

I also thank Chris Westwood for his leadership as interim CEO over the summer of 2018, guiding us through that transitional period between Jon Whitfield's departure and my joining the Agency. We welcomed Steve Burnett as Chair of our board in October 2018, succeeding Mike Ashley. The board has provided me, as CEO, with invaluable support, guidance and challenge in my first few months.

I look forward to leading the Agency in the coming year as we start achieving our mission of providing better insights for our customers and better outcomes for the public.

**Elizabeth Honer**

# Performance report

How we have performed and what we have achieved during 2018-19



# 1 Who we are

We are the Government Internal Audit Agency (GIAA), an executive agency of Her Majesty's Treasury. We were set up in April 2015 to improve the quality of internal audit provided to central government. In our first few years, we focused on creating a "single audit practice". We now provide internal audit services to three quarters of central government, and we have an award-winning counter fraud and investigation service. Building on this, we are embarking on a new phase to take GIAA to the next level, becoming more than the sum of our parts to provide better insights and better outcomes.

Reflecting the national reach of government, GIAA operates across 57 locations throughout Great Britain. Last year, we established a headquarters at 10 Victoria Street in Westminster, providing a central hub for the entire Agency with close access to the central Government departments. Elsewhere our teams are located in hubs, closely linked with major departmental hubs and arm's length body offices, maintaining intimacy with customers and fostering communities of GIAA colleagues.



**1698**

Internal audits delivered in respect of 2018-19 annual audit opinions



**218**

Fraud investigations during 2018-19



**6**

Service lines



**57**

Locations across Great Britain



**14**

Main government department audit customers during 2018-19



**119**

Associated government body audit customers during 2018-19



**40**

Counter fraud customers during 2018-19



**461**

Average staff employed during 2018-19



## Our services

Formed as an internal audit agency, we now offer a wide range of distinct service lines, all directed at having impact on customers and benefits for the public.

Our offer includes:



### Core internal audit

Covering third line assurance in governance, risk management and controls



### Functional audit

Currently linked to the cross-government functions covering Programme and Project Management and Digital, Data and Technology



### Counter fraud and investigation services

Advice on counter fraud strategies and investigations of suspicions of internal or supplier fraud



### EU funds audit authority

Covering audits of several EU structural funds



### Consulting services

Select consulting (advisory) services focusing on governance, risk management and control activities



### Professional leadership

Across the central government audit provision

## Our mission

Our people provide objective insight so that central government can achieve better outcomes and value for money for the public – better insights, better outcomes.

**better insights**  
**better outcomes**

We bring to our customers:

Services by government, for government



Unrivalled access



Trust and independence



Cross government insight



Public service values



## Our vision

We have an ambitious 3-year vision for the Agency. By 2022 we want to have made a step change in: the value we add, the respect that we command, and the engagement of our people, by a persistent focus on the 5 areas in this vision.

Our vision for 2022 is centred around:



The 5 areas of our vision:

- ▶ **Demanding on customer impact**
- ▶ **Unleashing our people's talent and confidence**
- ▶ **Uncompromising on quality**
- ▶ **Ambitious on innovation**
- ▶ **Built on firm foundations**

The full vision and 3-year plan can be found on [www.gov.uk/giaa](http://www.gov.uk/giaa). Our strategy and plan are designed to enhance our value to government and the public, as well as reduce the risks faced by GIAA as outlined in the governance statement at page 32.

## Our values

Our values of customer focus, respect, professionalism and continuous development, all lead to mutual trust. Our values are visible in all our interactions with customers and colleagues, helping us to provide better insights and achieve better outcomes. Our values align with and complement the wider vision for a Brilliant Civil Service.



# 2 How we have performed

## Measuring our performance

Last year we set ourselves 5 priority areas to lay important groundwork for our longer-term strategy. The priorities were shaped by feedback from our customers and our people, including the 2017 people survey.

Below we explain how we have delivered against each of these priorities and the measures and milestones underpinning them.



## Summary of performance

	Metrics and Milestones	
	achieved	progressing
Putting our customers at the heart of what we do	✓ 8	🕒 4
Improving our specialist services to meet customer demand	✓ 1	🕒 1
Working Together to deliver a better service to customers	✓ 1	🕒 2
Making GIAA a great place to work	✓ 9	🕒 5
Strengthening our foundations	✓ 4	🕒 0

## Putting our customers at the centre of what we do

Our customers are at the centre of everything we do, so we set ourselves challenging targets to measure our performance in delivering to them. Here we summarise how we have performed against these.

### Metrics and milestones



Achieve an average of 70% for overall customer satisfaction with our individual pieces of audit and investigations work



We achieved 82% overall audit customer satisfaction and 95% counter fraud and investigation customer satisfaction.



Aim that 75% of the higher-importance recommendations we make are actioned on time by customers



67% of higher importance recommendations we made were implemented on time. We are working with our teams and customers to improve this.



Achieve an average of 80% satisfaction in our annual stakeholder survey on the quality of our internal audit policy and profession work



We are considering the best method to obtain feedback from the stakeholders of our profession work.



Deliver 90% of planned audits to at least draft report issued stage by end March 2019



90% of planned audits were delivered to at least draft by end March 2019.



Publish 3 bulletins on key cross-government themes



We issued 7 publications including; General Data Protection Regulation, change management, conflicts of interest, analysis of audit opinions and bank mandate fraud.



Publish 4 'thought leadership' publications on specialist themes



Organise a customer event on specialist themes



We met this by delivering 2 workshops at the Government Finance Function Conference.



Meet internal audit standards in 97% of reviews undertaken as part of our quality assurance monitoring of individual pieces of audit work



92% of engagements checked fully met the supervision requirements of Public Sector Internal Audit Standards (PSIAS). Our quality assurance and improvement programme now includes actions intended to improve performance in this area.



Reduce expenditure on general resource support from private sector audit firms by 25%, compared to 2017-18.



Spend on general resource support from private sector audit firms reduced by 27%.



Agree formal and structured programme to gather, analyse and share customer feedback to improve service delivery



The new programme was agreed by our Executive Management Team in September 2018.



Seek qualitative feedback on overall Agency performance from a range of customers.



Qualitative feedback was obtained by either the CEO or an Operational Director (OD) from key stakeholders at 21 customers (12 departmental customers and 9 arms length bodies) representing 60% of planned 2018-19 audit days.



Launch customer and stakeholder engagement strategy



This will be taken forward as part of our 3-year strategy.

## Improving our specialist services to meet customer demand

During the year, we have continued to develop our service lines (formerly 'specialisms'). This has been an important part of strengthening the Agency's quality and impact, to improve outcomes for customers and public services. Our service lines have delivered significant audit output, both in terms of assurance and advice to our customers, as well as advising colleagues undertaking relevant audits.

We have concentrated on: Counter Fraud and Investigation (CF&I); Digital, Data and Technology (DDaT); Project and Programme Management (PPM); Commercial, Finance and HR.

The CF&I team continues to support departments, agencies and other organisations in strengthening their counter fraud response. The Government Counter Fraud Profession was launched in October 2018 and CF&I has been at the forefront of

this development. The team is recognised as a centre of excellence for counter fraud services across government and has already supported more than 50 separate customers since its creation in April 2016. Highlights for CF&I during 2018-19 were:

- **£1m** fraud detected
- **£1m** prevented loss
- **479** commissions for investigations or counter fraud activities
- **218** completed investigations
- **8** criminal convictions including 2 custodial sentences

We strengthened our DDaT and PPM service lines by establishing dedicated teams for each of them. For other service lines, we are strengthening our communities of practice, with a view to building on the 3 dedicated teams to meet our customer needs.

## Metrics and milestones



Agree management team for each specialism, and conduct capability assessments as needed



Management teams have been agreed for each service line. Dedicated teams for DDaT and PPM were in place for 1 April 2019. A capability assessment has been conducted. This covers all the Agency's skills requirements, not just specialist skills, and remains live. It is now being used to match people to jobs and to devise any cross-Agency training and development.



Seek feedback from the core functional leads to inform the ongoing development of the specialisms



Specific strategies have been agreed with the finance and human resource functions, and ongoing engagement continues for CF&I, DDaT, PPM and Commercial.

## Working together to provide a better service for customers

Our new audit methodology and management system (NAMMS) project was commissioned to support GIAA to become a single unified organisation. Prior to NAMMS GIAA teams operated a variety of legacy department; audit approaches, audit systems and information technology environments.

We now have:

- a single audit methodology which sets out how to deliver audit work;
- a single audit management system, to record our audit work; and
- a single technology environment provided by HM Treasury.

The NAMMS project has delivered the following benefits:

- colleagues can move between teams without having to relearn a new methodology each time;
- software that supports the delivery of audits to the standards required by GIAA's new audit methodology;
- software to store audit evidence in a way which clearly substantiates audit findings and recommendations;
- customers now see that they are dealing with a single executive agency when emailing and telephoning GIAA colleagues;

- our people now communicate via a common calendar, email, Skype and intranet system using GIAA laptops;
- we have greater understanding and control over our disaster recovery and information assurance risks; and
- consolidated management information is available to management in a new portal.

Further work will be undertaken during 2019-20 to ensure the new system is used to its full potential across the Agency and these benefits are maximised.

## Metrics and milestones

---



Complete roll-out of our single audit methodology and management software to audit teams



Completed.

---



Review progress on realising the benefits of our single audit methodology and software and take any action required to improve benefits delivery



Review of benefits realisation completed. Further action is required to improve benefit delivery.

---



Complete roll-out of upgraded audit management software across the Agency, including the counter fraud and investigations team



ExCo agreed on the need for a period of stability with our audit management software and methodology and decided not to pursue an upgrade to NAMMS during the year.

We will review our audit management software after our external quality assessment review in 2020.

Our Executive Management Team agreed not to include the CF&I team within the scope of NAMMS during 2018-19 given the specific requirements of the Criminal Procedure and Investigations Act 1996.

---















## Making GIAA a great place to work

We focused on several key activities during 2018-19, designed to enable more cross-agency working, building clear career pathways and investing in leadership. We developed the role and scope of our

360 Group who report into our People Committee, giving our senior leaders regular feedback about issues across GIAA and monitor, co-ordinate and report the local actions being taken in response to the People Survey results.

### Metrics and milestones

	<p>Increase engagement by at least 5 percentage points compared to 2017 (from 49% to 54%), as measured by the People Survey 2018</p>		<p>Our engagement has increased by 1%-point to 50%. Our people survey action plan will address overall engagement and the following 3 indicators that were not met this year.</p>
	<p>Increase our score on leadership and managing change by at least 4 percentage points compared to 2017 (from 42% to 46%), as measured by the people survey 2018</p>		<p>Our leadership and managing change score went down by 3%-points to 39%.</p>
	<p>Increase our score for learning &amp; development by at least 4 percentage points compared to 2017 (from 44% to 48%), as measured by the People Survey 2018</p>		<p>Our score for learning and development went up by 1%-point to 45%.</p>
	<p>Reduce bullying, harassment and discrimination to below Civil Service averages, as measured by the People Survey 2018</p>		<p>Our discrimination scores reduced 3%-points to 14% but this is still 3%-points above the Civil Service average. Our bullying and harassment score rose 3%-points to 14% which is also 3%-points above the Civil Service average.</p>
	<p>Contribute to HMT diversity targets for Senior Civil Service (SCS)</p>		<p>SCS recruitment within the year has improved our diversity: Female SCS 23% to 44%. BAME SCS 0% to 6%. Disability SCS 0% to 13%.</p>
	<p>At least 20% of GIAA SCS participate in Civil Service black and minority ethnic (BAME) shadowing scheme</p>		<p>4 GIAA SCS participated in the BAME shadowing scheme which equated to 20% of our SCS at the time the scheme ran. We have also provided learning opportunities within other Civil Service diversity schemes.</p>



Increase by 10 percentage points the number of people involved in at least one assignment outside of their immediate team, compared to 2017-18 (from 35% to 45%)



49% of our people worked on assignments outside of their immediate team during 2018-19.



Launch our new performance management system, and monitor delivery throughout 2018-19



The new performance management system operated throughout 2018-19 and was reviewed in January 2019.



Develop leadership programme for our senior leaders



Our SCS development programme was created to support those newly promoted to SCS in 2018. We have provided the group with a comprehensive range of development opportunities including: induction, deputy director base camp, online and face-to-face SCS masterclasses in Parliament and the Cabinet Office, and action learning sets.



Submit initial business case for our pay strategy to Cabinet Office



We submitted draft proposals to Cabinet Office who provided initial feedback. The Agency's Board subsequently decided that for 2018-19 and for 2019-20 we would work within Cabinet Office pay award guidance. We have joined the Finance Function within government on a business case proposing a revised pay structure for our SCS colleagues.



Launch our diversity and inclusion action plan



We launched a diversity and inclusion action plan in conjunction with our people networks. Progress has been made against the plan including the appointment of people network champions at senior grades to encourage and empower the networks to make a difference.



Coordinate operational directorate resource forums to facilitate more cross-Agency working opportunities, and more effective talent management



A resource forum was set up and has been meeting monthly to support increased cross-Agency working.



Develop and implement career development pathways for our people



GIAA audit pathway developed and implemented.

The CF&I team has assisted with the development of the CF&I profession across central government. Other specialist pathways development will be developed in conjunction with the functional pathways for those specialisms.



Complete a review of our human resources policies and procedures, including recruitment, bullying, and equality and diversity



We completed our review of human resources policies and have updated high importance policies including restructuring, bullying, harassment and discrimination, dispute resolution and disciplinary procedures. We will refresh the remaining policies during 2019-20.

## Strengthening our foundations

We restructured our executive governing body as outlined in the Directors' report on page 27. Our new Executive Committee is now meeting twice-monthly to oversee the implementation of our strategy and assess our performance delivery and risk management.

We developed a new vision and 3-year corporate plan. These documents can be found at [www.gov.uk/giaa](http://www.gov.uk/giaa).

We migrated the internal audit team from Historic England.

We changed business processes to remove the practical frustrations our people have told us they experience. This has included:

- Group Chief Internal Auditors (GCIAAs) are supported in financial and resource management by finance and human resources business partners;
- The new audit management system enabled our people to move onto a single technology platform, improving communication between our people;
- The recent introduction of Power BI improved access to management information across GIAA; and
- Implementing additional personal data requirements in line with the General Data Protection Act 2018.

## Metrics and milestones

---



Develop a clearer arrangement with our shared service provider, focusing particularly on HR and ICT



Engagement forums and processes are now established to better manage the services provided.



Improve our understanding of short-term opportunities for co-location and take forward any opportunities identified



During the year, we consolidated 6 London locations into 10 Victoria Street.

We will continue to consolidate our locations when opportunities arise, aligning with the Government Property Agency's Strategic Plan.



Implement a joined-up approach to audit planning, workforce planning and budgeting



Our Finance and Professional Practice Directorates jointly commissioned work on audit plans and budgets for 2019-20 and worked through the budgeting process together.



Assess requirements for new commercial framework and commence re-procurement activity



We will use the Crown Commercial Services Management Consultancy Framework RM3745 agreement from August 2019.

---

## Other corporate reporting

### Celebrating our people's success

We are proud of all our people's successes, professional qualifications and the positive feedback we receive from our stakeholders. The impact is even greater when the work is recognised and rewarded in a wider arena.

In 2018-19 our people and teams collected 5 awards.

#### Government Counter Fraud Awards 2019

- **Outstanding Contribution to the Government Counter Fraud Profession (GCFP):** GIAA Counter Fraud and Investigation team

#### Government Internal Audit Profession Awards

- **Team Excellence:** Joint winners: GIAA DDaT Team
- **Iain Rolland Award for Outstanding Contribution:** Nigel Dawbney-Fisher, and highly commended Kay Pate
- **Unsung Hero:** Rob Sheeran

#### A Brilliant Civil Service Awards December 2018

- **Great place to work theme:** Nigel Dawbney-Fisher

### Charity Committee

Led by a team of volunteers, our committee organises fundraising and volunteering by GIAA colleagues across the country by promoting



Charity  
Committee



and coordinating charity, awareness and volunteering campaigns and organising GIAA volunteering days.

### 2018-19 highlights

This year, we supported a broad range of events and charities, including:

- The London to Cardiff relay, raising £3,000+ for the Polycystic Kidney Disease charity.
- The London to Brighton cycle ride, in aid of the Armed Forces Benevolent Fund.
- We held our very own GIAA pantomime in aid of Save The Children.
- We took part in 'Wear a hat day', raising money for brain tumour research.
- Our CF&I team held a taste-off event raising money for Stand up to Cancer.
- Many of our teams took part in various volunteering days, cleaning up beaches, gardens and woodlands in various locations across England and Wales.

We launched our inaugural GIAA Good Deed Award to celebrate and recognise individual employees who make an outstanding contribution to society through volunteering.

We were delighted to present the award to its first recipient, Lynn Naylor to recognise her multiple fundraising and volunteering efforts which have benefitted her local neo-natal unit, cancer charities and terminally ill children.

## Correspondence performance

GIAA received the following correspondence. 81% were responded to within time requirements.

	Total received	Late response
Freedom of Information (FOI) requests	25	1
Data Protection Act requests	3	1
Complaints	3	3
MP correspondence	1	1

All FOI requests were responded to on time except one which was 3 days late. The data subject access request, complaint and MP correspondence took us longer to respond to as we ensured that we fully considered and investigated their inquiry before the response was sent. The correspondents were informed of progress throughout.

## Payment of suppliers

We are committed to paying all invoices not in dispute within agreed contracted provisions or 30 days of presentation of a valid invoice, whichever is earlier. During the year, we paid 85% of all undisputed invoices within 5 days of receipt and 96% within 30 days (2017-18: 81% and 96% respectively). We are committed to continuous improvement and will continue to review our internal processes until we fully achieve the payment targets.

## Greening government commitments

As an executive agency of HM Treasury, GIAA data is included as part of its Annual Report and Accounts.

We do not own or operate our own estate. 20% of our people are based in 10 Victoria Street, London and the rest of our people are based in customer buildings. We utilise services in these locations under memoranda of understanding arrangements with BEIS and other customer departments, including services such as printer consumables e.g. paper, waste services or water. We are committed to supporting our customers in meeting greening government commitments 2016-20 targets whilst not owning or managing our own estate. Examples include:

- recyclable waste and utensils – e.g. within 10 Victoria Street, London, we are supporting the facilities management provider in moving away from disposable plates and cups. New schemes such as ‘permanent/reusable drinks cups’ and food containers are driving down the reliance on polystyrene materials.
- paper consumption – we have undertaken work to deliver more digital service options, including information sharing and webinars, thereby mitigating reliance on paper based communications and overall paper consumption. In 2019 we will identify, challenge and further reduce our use of paper.

- development of new ways of working, including enabling flexible working, ensuring that audit teams have the right resources and accommodation to fulfil their duties and obligations, whilst recognising the consolidation of wider government estate.
- travel – in 2018-19 we spent £776k on all forms of travel and subsistence, travelling 2.89m km and 162k KgCO<sup>2</sup> carbon footprint for rail, air and motor vehicle travel (2017-18: £1,249k, 2.42m km and 161k KgCO<sup>2</sup>). Travel costs are incurred during the provision of audit and other services and are recovered through our audit fees.



**Elizabeth Honer**

Chief Executive and Accounting Officer

11 July 2019

# Accountability report

Statements and reports enabling us to meet accountability requirements, demonstrating compliance with good corporate governance





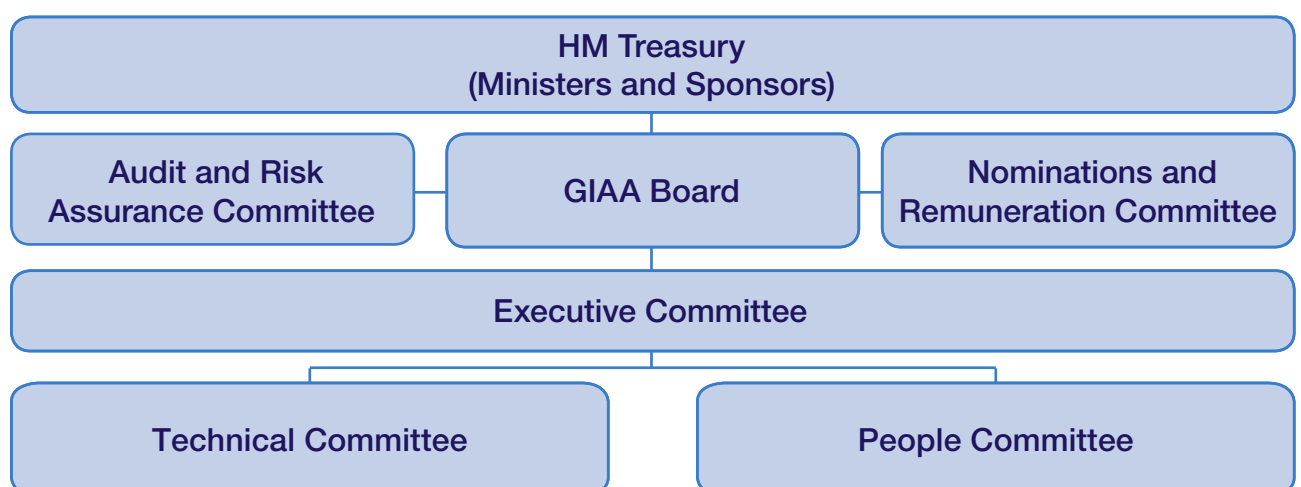
# 1 Directors' report

## Governance framework

GIAA is an executive agency of HM Treasury, established on 1 April 2015. Elizabeth Honer was appointed by HM Treasury as Chief Executive Officer (CEO) and Accounting Officer in October 2018, to succeed Jon Whitfield. The CEO is accountable to the Permanent Secretary in HM Treasury, who has delegated day-to-day responsibility to the Director General, Public Spending. The Minister who has responsibility for the Agency is the Exchequer Secretary to the Treasury.

Our [framework document](#) (available on [www.gov.uk/giaa](http://www.gov.uk/giaa)) defines the relationship between the Agency and HM Treasury, including the arrangements for the governance, accountability, financing, staffing and operation of the Agency.

The Agency's top-level governance structure consists of the Agency Board, Audit and Risk Assurance Committee (ARAC) and Nominations and Remuneration Committee (NRC). Second tier governance consists of the Executive Committee (ExCo) supported by the People Committee and the Technical Committee.



## Agency Board

The Board is chaired by a non-executive, Steve Burnett. It supports our CEO and Executive Committee (ExCo) in their direction of the business of the Agency, with a view to its long-term health. The Board also supports the Accounting Officer in discharging her obligations as set out in Managing Public Money for the proper conduct of business and maintenance of ethical standards.

The Board draws on the experience of its members to provide advice, support and challenge on the Agency's strategy, performance and risk management, including progress against delivery of its objectives and priorities.

As at 31 March 2019, membership of the Agency Board was as follows.

 <b>Jo Clift</b> Non-executive	 <b>Steve Burnett</b> Non-executive Chair <sup>1</sup>	 <b>Paul Boyle</b> Non-executive <sup>2</sup>
 <b>Elizabeth Honer</b> Chief Executive Officer (CEO) <sup>3</sup>	 <b>James Bowler</b> HMT Sponsor	 <b>Mike Driver</b> Head of Finance Function
 <b>Matt Armstrong</b> Chief Operating Officer	 <b>Linda Costello</b> Operational Director	 <b>Chris Westwood</b> Operational Director

<sup>1</sup> Steve Burnett was appointed as non-executive board member in October 2014 and as non-executive chair from 1 October 2018 for a 3 year term. Steve succeeded Mike Ashley who was chair from October 2014.

<sup>2</sup> Paul Boyle was appointed as non-executive board member in December 2018.

<sup>3</sup> Elizabeth Honer was appointed as CEO in October 2018 after Jon Whitfield's retirement. Chris Westwood acted as our interim CEO in August and September 2018.

Executive membership was rationalised in December 2018 and now includes the CEO, the Chief Operating Officer (COO) and Operational Directors.

Short biographies of each board member are available on [www.gov.uk/giaa](http://www.gov.uk/giaa).

## Audit and Risk Assurance Committee (ARAC)

ARAC is chaired by a non-executive (who is also a non-executive member of the Agency Board). Steve Burnett chaired the committee until December 2018 when the Board approved the appointment of Paul Boyle as the new chair of the committee.

ARAC's membership includes all the Agency's other non-executive board members, supporting the Accounting Officer in ensuring the Agency has a control framework in place that enables it to deliver its objectives and manage risks effectively. The CEO, COO, Deputy Director of Finance, Agency's Head of Internal Audit (HIA) and representatives of the National Audit Office (NAO) also attend each meeting. Since February 2019, a representative from our HMT sponsor team has also been invited to attend meetings.

## Nominations and Remuneration Committee (NRC)

The NRC is chaired by Jo Clift. Its remit includes reviewing of Senior Civil Servants (SCS) pay and incentives, and nominations within the Agency. Its membership was reviewed in February 2019 and changed to align with corporate governance good practice. NRC membership now includes all the non-executive board members. The CEO, COO, and Head of Human Resources regularly attend NRC meetings. The HM Treasury Senior Sponsor and Operational Directors also attend some meetings, as needed.

## Executive Committee (ExCo)

In December 2018, the Executive Management Team was re-purposed as ExCo to clarify and strengthen the Agency's governance arrangements. ExCo is the top-level decision-making group in the Agency. It has executive responsibility for the overall management of the Agency, agrees and implements new strategy and policy, and has oversight of operational delivery including the management of risks affecting the Agency. It acted as the Project Board for the introduction of our new audit methodology and management System (NAMMS) project until the project closed in November 2018.

## People Committee

The People Committee reports to ExCo and provides strategic oversight of our: People Plan, Diversity and Inclusion Plan, and Human Resources (HR) policies. The committee also helps HR formulate and implement policies, and provides a forum for consultation with our people. A member of the Senior Civil Service (SCS) chairs the meetings which are attended by the COO, Head of HR and representatives of operational directorates and people

networks. It has delegated authority from ExCo to make decisions on most people-related matters. ExCo reserves decision-making authority for matters relating to pay and terms and conditions, as well as matters significantly affecting people engagement.

## Technical Committee

The purpose of the recently formed Technical Committee is to ensure that the audit methodology, audit management system and supporting products are fit for purpose and applied correctly and consistently to support us in delivering assurance and advisory services in line with the Public Sector Internal Audit Standards and other applicable standards. The committee is chaired by the Deputy Director of Audit Practice. As a new committee it is still developing the details of its remit and decision-making authority.

## Register of interests

The Agency maintains a register of interests for non-executive board members and SCS members of the Agency, which is updated annually.

No other directorships or other significant interests that may have caused a conflict with their management responsibilities were declared by board members or SCS staff.

We also maintain a gifts and hospitality register and a conflicts of interest register, which covers all employees. Both are accessible via our intranet and employees are required to complete it as part of our code of conduct.

## Personal data

Personal data is held securely within the Agency where it pertains to its people. In the context of audit services, we hold some additional data owned by our customers. Continual work with HM Treasury and our suppliers is improving the way we transmit, store and manage our information, as well as improving overall data management and security. Due to the closure of the government secure intranet service (GSI), we have been developing ways to ensure that we can transmit secure data and information to and from our customers. This work shall continue throughout 2019-20 as our customers are at different stages of the GSI withdrawal.

To prepare for the introduction of the General Data Protection Regulation (GDPR), we completed significant work to

assess ourselves against the requirement and to get ready. Work to further develop our data protection maturity will continue throughout 2019.

In 2018-19, there were 3 personal data incidents raised to HM Treasury (2017-18 4). However, no incidents were taken further by the Information Commissioners Office (ICO) after receiving their advice. Investigatory action for all incidents resulted in a review of existing processes and disciplinary action, in line with Agency policies.

## Auditors

We are audited by the Comptroller and Auditor General, with a notional audit fee of £55k (2017-18: £55k).

## 2 Statement of Accounting Officer's responsibilities

Under section 7(2) of the Government Resources and Accounts Act 2000, HM Treasury has directed us to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs and of the income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the Government Financial Reporting Manual and to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statements;
- prepare the Financial Statements on a going concern basis; and
- provide disclosure of any material expenditure or income that has not been applied to the purposes intended by

Parliament or material transactions that have not conformed to the authorities which govern them.

The Permanent Secretary of HM Treasury designated the CEO of GIAA as Accounting Officer of the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and safeguarding our assets, are set out in *Managing Public Money* published by HM Treasury.

Our Accounting Officer has confirmed that:

- as far as she is aware, there is no relevant audit information of which the Agency's auditors are unaware;
- she has taken all steps she ought to have taken to make herself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information;
- the Annual Report and Accounts as a whole are fair, balanced and understandable; and
- she takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

## 3 Governance statement

As the Accounting Officer for the Government Internal Audit Agency (GIAA), I acknowledge my responsibilities for ensuring that there is a sound system of governance, risk management and internal control that achieves the Agency's aims and objectives, acting in accordance with the responsibilities laid out by HM Treasury in *Managing Public Money*. This governance statement explains how I have discharged these responsibilities. It describes: the Agency's governance arrangements, how we have managed risk, and how we have reviewed the effectiveness of our governance and control arrangements during 2018-19. I have drawn on all of these sections in reaching my final conclusion regarding the effectiveness of governance in the Agency.

### Operation of governance structure

The Agency has in place a formal governance structure, as outlined in the Directors' Report.

The Chair of the Board and its two sub-committees have each produced an annual report, summarising the activities of the Board or committee, and noting that the Board or committee had discharged its responsibilities.

#### Agency Board

The Board has ensured oversight and governance of our strategy, plans, performance and risks. The non-executive

board members have continued to play an important role in advising and challenging the executive. The Board met 5 times in 2018-19 and considered a range of issues, including:

- overall performance and strategic risks, including financial reports;
- development and delivery of our 2018-19 corporate plan and key performance indicators;
- feedback from customers and other stakeholders;
- implications of EU Exit for the provision of our services;
- the results of the 2018 People Survey and the action plan developed by our "360 people group"; and
- development of our new vision and strategy.

#### Audit and Risk Assurance Committee

ARAC supported the Board and myself as Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment, and the integrity of financial statements and the annual report. Throughout the year, the committee considered the following:

- the 2017-18 draft Annual Report and Accounts and outcomes of external audit reviews;



- progress of the annual audit plan and the outcomes of work by the internal auditors; and
- risk management, GDPR implementation and fraud risk assessments.

### Nominations and Remuneration Committee

NRC met twice in 2018-19 and covered SCS pay awards, our nominations process, and our gender pay gap.

### Executive Committee

During the year, ExCo met monthly to monitor and make decisions on performance, strategic risks, corporate plan delivery, and our approach to a range of significant issues including quality assurance, audit planning, customer engagement, pay strategy and GDPR. ExCo also received regular updates from the People Committee.

## Risk management

GIAA's strategic risks are ongoing risks inherent to an audit delivery organisation.

The key risks to GIAA are:

- We miss a serious control issue that we should reasonably be expected to identify resulting in, reputational and financial damage to the customer and ourselves.
- Customers are not content with our internal audit services resulting in poor value for our customers, loss of customer and/or lack of openness and honesty in our customer relationships.
- Engagement plans are not achieved on time or within budget resulting in, customer outcomes suffering and risks persisting leading to dissatisfaction.
- GIAA does not develop, retain or recruit the right people skills in the right locations to meet the Agency's requirements resulting in inability to deliver high quality, impactful engagements on time and within budget.
- A break down in our own internal controls, risk management or governance arrangements resulting in, financial and reputational loss to the Agency.

Our 2018-19 corporate plan priorities of: putting customers at the heart of what we do; improving specialist services; working together to deliver better services; making GIAA a great place to work; and strengthening our foundations, were designed to address these strategic risks. Our actions in these areas will lessen the likelihood and/or impact but not eliminate these ongoing risks.

Throughout the year, regular performance management and risk reports are reviewed by ExCo and our Board to ensure that actions to address the risks are on track. Operational risks and mitigating actions are also discussed monthly at directorate management team meetings.

Full details of our performance against our priorities (and therefore related strategic risks) are outlined in the performance report. Our highlights include:

- Successful delivery of 90% of client audit programmes. However, we are considering a range of measures to smooth the delivery of audits through-out the year.
- Implementing a new audit management system and methodology to ensure all audit teams are delivering consistently high quality audit services.

- Progressing our counter fraud and investigation and data digital and technology service lines.
- Operating an EU Exit coordination group throughout the year.
- Continuing to focus on people engagement, development, recruitment and retention.
- Completing our GDPR implementation project.
- Improving our relationships with service providers.

ARAC provides a challenge function to the risk management arrangements. Our own internal audit team last reviewed the risk management processes in December 2017 and provided a moderate opinion. All actions raised were addressed and a further internal audit review is planned for 2019-20.

## Whistleblowing arrangements

We have an established whistleblowing policy which is shared with our people on our intranet and has been promoted through an awareness campaign. Employees confirmed in the annual people survey that they are aware of how to raise concerns.

There have been no whistleblowing instances during 2018-19.

## Physical, information and data security

With the implementation of a single audit methodology and planned changes to the government IT network, considerable work has gone into reviewing the adequacy of our data systems and how they will operate in future. A user awareness and understanding campaign has been conducted to ensure

that our people are aware of security policy and procedures, including their own responsibilities. The security of customer data remains of critical importance throughout audit and corporate operations.

We align to HM Treasury policy and plans for business continuity. We did not undertake an Agency-wide test of our business continuity plan in 2018-19 but will look to do so in 2019-20. We have reviewed and developed our local business continuity plans in all locations where we operate. We have merged business continuity arrangements, where appropriate, for our headquarters in London.

## Data quality

During the year we have improved our collection of financial, human resources and performance information from our new audit management and financial reporting systems. We will continue to focus on data quality to deliver consistent and consolidated management information (MI) reports from these systems, introducing a new MI team during 2019-20. This team will take forward work to improve end-user data entry into both systems and to ensure MI is used effectively to improve our management of work.

## Review of corporate governance

The Agency seeks to comply with HM Treasury and Cabinet Office's [Corporate Governance in Central Government Departments: Code of Good Practice](#) insofar as the provisions are relevant to us.



We have conducted a review of our compliance with the code and concluded that we meet requirements except:

- It was not considered necessary for the Head of Internal Audit to attend our Board, although he receives the papers for all Board meetings and there is a standing invitation for specific items of interest.
- There are no non-Board non-executives on ARAC because the non-executive members of the Board are considered to have the appropriate level of skills and experience, as reflected in the annual effectiveness review of ARAC.
- We have not included a separate Non-Executives' Report in our Accountability Report. In line with corporate governance good practice, the Chairs of our Board, ARAC and NRC have each produced an annual report. The main points of these reports have been included in the Governance Statement to avoid duplication.
- Due to the change of ARAC chair and CEO, we have only partially undertaken an ARAC effectiveness review. ARAC agreed to consider fully the Committee's effectiveness in August 2019.
- We will update our Board operating framework in 2019-20 to ensure our governance arrangements support delivery of our new strategy.
- An annual self-assessment management assurance exercise which asks all SCS in the Agency to provide assessments on compliance with a range of internal controls.
- Audit quality 'cold' reviews on samples of completed work, and undertaking both compliance and qualitative checks. These reviews are co-ordinated by our professional practice team.
- Assurance from the Operations and Finance Directors of HM Treasury as our supplier of finance, human resources, information technology and security services.
- Our own internal audit team.

We are developing a full map of our assurance sources using the 3 lines of defence model to identify gaps or duplication in the use of our assurance resources more clearly. We are also preparing for an external quality assurance review in 2020.

The primary outcomes from these assurances are set out below.

## Governance effectiveness reviews

### Agency Board

The review was a self-assessment exercise, based on the NAO's board evaluation questionnaire. The results showed a broadly positive trend with improvements in most areas since last year. Two main areas were identified for improvement: first, clarifying and strengthening the Board's understanding of the significant risks to achieving our new vision and strategy; second, ensuring that the Board continues to develop into an effective and cohesive group to support the Agency through a period of sustained change.

## Assurance arrangements

Main sources of assurance for the Agency during 2018-19 are:

- Effectiveness reviews of our governance groups.

### Audit and Risk Assurance Committee

An initial review of the NAO Audit Committee effectiveness checklist, which considers compliance with responsibilities as outlined in the Audit Committee Handbook, has highlighted some procedural actions that are being addressed. This includes inviting a representative from our HM Treasury sponsor team to attend the committee meetings.

### Nominations and Remuneration Committee

The review was a self-assessment exercise, based on relevant sections of the NAO's board evaluation questionnaire. Overall, there was positive feedback on the effectiveness of the NRC. The results suggested that the committee's effectiveness could be further improved by earlier involvement in SCS talent management and succession planning discussions, particularly as the Agency's new strategy develops and additional focus is placed on delivering change. The assessment also highlighted the need to keep the remit of the committee under review to ensure it supports strategy delivery.

### Attendance

#### Overview of Board and sub-committee members' attendance for 2017-18

	Non-executives				Others**		Executives							
	Mike Ashley	Steve Burnett	Jo Clift	Paul Boyle	James Bowler	Mike Driver	Elizabeth Honer	Jon Whitfield	Matt Armstrong	Chris Westwood*	Linda Costello	Liz Corrin	Jo Rowley	Tim LeMare
<b>Board</b>	2/2	5/5	5/5	2/2	4/5	4/5	3/3	2/2	5/5	4/5	5/5	2/2	3/3	
<b>ARAC</b>	2/2	4/4	4/4	1/1										
<b>NRC</b>		2/2	2/2	1/1			1/1	1/1						
<b>EMT/ExCo</b>							5/5	3/3	10/10	10/10	9/9	5/7	5/7	5/7

\* Debbie Moorhouse represented Chris Westwood at the Board meeting he was absent for.

\*\* Both James Bowler and Mike Driver receive no additional remuneration from GIAA as they are employees of other government departments.

## Management assurance

The management assurance process provided a comprehensive self-assessment of control within the Agency. Areas identified for improvement are:

- Further progress is needed in developing consistent and consolidated management information reports from Oracle and TeamMate, both in terms of improving the system and compliance in inputting data. Further work is underway to improve end-user data entry into systems, and to ensure management information is used to improve our management.
- Consistent application of our new methodology and internal audit standards including quality assurance aspects needs to be improved. Testing compliance with methodology will be developed further with the implementation of a new quality assurance framework.
- Staff development and completion of personal development plans by all staff. Additional communications are planned around this requirement.
- Inconsistencies with the use of our records management systems which should be addressed by an upgrade of our records management software in 2019-20.

## Audit quality assurance

Completion of the New Audit Methodology and Management System (NAMMS) project allows for systematic compliance checking across the Agency's internal audit work. 92% of engagements checked, fully met the supervision requirements of Public Sector Internal Audit Standards (PSIAS) (target 97%).

Our quality assurance and improvement programme includes actions intended to improve performance in this area.

Our quality assurance efforts in the next 12-months will focus on preparation for GIAA's next external quality assessment (EQA). The EQA is an independent, external assessment of how well the Agency applies PSIAS against HM Treasury's Internal Audit Quality Assurance Framework.

## Assurances from HM Treasury

Appropriate assurances regarding the effectiveness of controls in respect of our HR, IT and security services were received from HM Treasury. No issues of concern were raised.

## Internal audit

The Agency has an internal audit function that operates to PSIAS, appointing a Head of Internal Audit (HIA) from within the Agency. The HIA has provided me with the following opinion:

*I am providing an overall **MODERATE** opinion on the framework of governance, risk management and control within GIAA for 2018-19. While this headline opinion remains the same as last year, I am pleased to report that the Agency has continued throughout the year to make improvements to the governance, risk management and control environment.*

Key areas outlined in the HIA opinion were:

### **New Audit Methodology and Management System**

A major achievement for the Agency this year was the delivery of the NAMMS project. However, more work still needs to be done to fully realise the benefits of the project.

### **Improving corporate processes**

Actions taken by to strengthen GIAA's financial management have led to improvements in GIAA's understanding of its financial position and ability to make effective decisions. Management recognise that there is further scope for improvement.

### **Culture of compliance**

Examples of non-compliance were observed by internal audit, such as, with the methodology and some corporate policies. The Agency needs to develop a strong compliance culture by identifying the root-causes behind non-compliance.

### **People**

GIAA has launched several initiatives to develop its people and improve the offer to them. However, the internal audit review of the 2020 People Plan highlighted the need for the Agency to consider whether an organisational people change programme is required. Management intends to focus on people in implementing its vision and strategy during 2019-20.

### **Customer Relationships**

GIAA's approach to customer relationship management could benefit from clearer direction and structure. This has resulted in inconsistencies in approach across the Agency. There are some good examples of teams taking a structured approach, supported by comprehensive documentation, which other teams might benefit from. Management intends to focus on customer relationships in implementing its vision and strategy.

## **Conclusion**

Whilst I am pleased with the progress we have made over the year, the evidence included in this section suggests that our controls need to be stronger in the following areas:

- management information;
- compliance culture;
- developing and engaging our people;
- records management; and
- customer relationship management.

Improvements in these areas will be addressed in our 3-year plan.

## 4 Remuneration and staff report

### Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit based on fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme

### Remuneration policy

Senior Civil Service (SCS) pay and conditions are not delegated to individual departments. The SCS is a corporate resource, employed with a common framework of terms and conditions.

Recommendations on SCS remuneration are provided by the Review Body on Senior Salaries (SSRB) in an annual report to the Prime Minister. Further information about its work and copies of the annual reports can be found on SSRB's website: <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>.

The government's response to the recommendations of the SSRB is communicated to departments and organisations by the Cabinet Office, and the remuneration of GIAA's senior civil servants is determined by our Nominations and Remuneration Committee in accordance with central guidance.

### Senior management remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior management (i.e. Board members) of the Agency.

Table 1: Single total figure of remuneration (Subject to audit)

Name and Role	2018-19					2017-18				
	Salary (£000s)	Performance Bonus (£000s)	Benefits in kind (to nearest £100)	Pension Benefits (£000s)	Total (£000s)	Salary (£000s)	Performance Bonus (£000s)	Benefits in kind (to nearest £100)	Pension Benefits (£000s)	Total (£000s)
Elizabeth Honer Chief Executive Officer (from 1 Oct 2018)*	70-75 (FYE 140-145)	–	–	22	90-95					
Jon Whitfield Chief Executive Officer (to 31 Aug 2018)	40-45 (FYE 100-105)	5-10	–	12	55-60	95-100	10-15	–	29	135-140
Matt Armstrong Chief Operating Officer**	85-90	5-10	–	92	190-195	20-25 (FYE 85-90)	–	–	21	40-45
Chris Westwood Operational Director*** (interim CEO 1 Sep-31 Sept 2018)	110-115	10-15	–	15	135-40	100-105	5-10	–	–	105-110
Linda Costello Acting Operational Director	95-100	5-10	–	38	140-35					
Mark Ripley Operational Director	–	–	–	–	–	90-95	5-10	–	18	110-115
Liz Corrin Corporate Services Director (To 31 July 2018)	25-30 (FYE 80-85)	–	–	28	55-60	80-85	–	–	12	90-95
Jo Rowley Professional Practice Director**** (To 30 Nov 2018)	65-70 (FYE 90-95)	–	–	19	85-90	100-105	–	–	28	130-135

\* The Chief Executive Officer post was regraded to Director-General level prior to Elizabeth Honer's appointment.

\*\* The Chief Operating Officer was a new post created in 2017-18. The pension benefits for 2017-18 have been updated.

\*\*\* Chris Westwood participates in a partnership pension.

\*\*\*\* Salary includes dual workplace expenses. The salary for 2017-18 has been restated.

## Salary

'Salary' includes gross salary, taxable benefits and any allowance to the extent that it is subject to UK taxation. This report is based on payments made by the Agency and thus recorded in these accounts.

## Benefits in kind

The monetary value of benefits in kind covers any benefit provided by the Agency and treated by HM Revenue and Customs as a taxable emolument. The estimated monetary value of benefits in kind which relate solely to the provision of interest free loans for the purchase of season tickets for home to office is not included. These are disclosed in the salary, allowances and taxable benefit table.

## Performance bonus

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

There were 9 non-consolidated performance related bonus payments for our SCS awarded during the 2018-19 appraisal year (5 awards in 2017-18).

## Pay multiples (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid executive in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid executive in the Agency in the financial year 2018-19 was £140-145,000 (2017-18: £105-110,000). The increase is due to the regrading of the CEO to director-general. This was 3.32 times the median remuneration of the workforce, which was £42,859 (full time equivalent) (2017-18: 2.65 times and £41,428). In 2018-19, no employee received remuneration in excess of the highest paid director (2017-18: 1). Remuneration salaries in the Agency ranged from £22,771 to £140-145,000 (2017-18: £21,779 to £120,000).

Total remuneration includes base salary, allowances, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pension.

## Consolidated awards

The 2018-19 SCS annual pay award was decided by our Remuneration and Nominations Committee which was attended by the HM Treasury Director General Public Spending and the GIAA Head of Human Resources.



**Table 2: Pension entitlements for Directors (Subject to audit)**

Name	Cash Equivalent Transfer Values (CETV)				Real increase in CETV as funded by employer in year (£000)
	Real increase in pension and related lump sum at pension age during year (£000)	Total accrued pension at pension age and lump sum at 31 March 2019 (£000)	As at 31 March 2019 – (£000)	As at 31 March 2018 (£000)	
Elizabeth Honer	0–2.5	0–5	18	0	13
Jon Whitfield	0–2.5 plus a lump sum of 0–2.5	45–50 plus a lump sum of 145–150	1,119	1,065	11
Matt Armstrong	2.5–5.0 plus a lump sum of 5–7.5	25–30 plus a lump sum of 60–65	430	318	57
Chris Westwood*	-	-	-	-	-
Linda Costello	0–2.5	5–10	56	27	18
Liz Corrin	0–2.5	40–45	698	667	20
Jo Rowley	0–2.5	5–10	106	81	9

\* Chris Westwood participates in a partnership pension.

### The cash equivalent transfer value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They

also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### The real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



## Civil service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has 4 sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and 1 providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of

their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the members' earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer

will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### Staff Costs

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes but GIAA is unable to identify its share of the underlying assets and liabilities.

The scheme actuary valued the Civil Service pension arrangements as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation [here](#).

For 2018-19, employers' contributions of £4,115k were payable to the Civil Service Pension arrangements at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands (2017-18: £4,010k).

The Scheme Actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £41k were paid to one or more of the panel of three appointed stakeholder pension providers (2017-18: £38k). Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1k (0.5% of pensionable pay from 1 October 2015) were payable to the Civil Service Pension arrangements to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees (2017-18: £1k).

Contributions due to the partnership pension providers at the balance sheet date were £nil (2017-18: £nil). Contributions pre-paid at that date were £nil (2017-18: £nil).

**Table 3: Agency Board Non-Executive members' remuneration (subject to audit)**

Name	Role	2018-19 Total remuneration (£000)	2017-18 Total remuneration (£000)
Steve Burnett	Non-executive Board member (Chair from Oct 2018)	15-20	10-15
Mike Ashley	Non-executive Board member and Chair (until Sep 2018)	05-10	15-20
Jo Clift	Non-executive Board member (Appointed January 2018)	10-15	0-5 (FYE 10-15)
Paul Boyle	Non-executive Board member (Appointed December 2018)	0-5 (FYE 10-15)	–
Margaret Edwards	Non-executive Board member (until March 2018)	–	10-15

## Reporting of Civil Service and other compensation schemes – exit packages

**Table 4: Exit Packages**  
(subject to audit)

Exit package cost band	2018-19			2017-18		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	–	–	–	–	–	–
£10,000 – £25,000	–	–	–	–	2	2
£25,000 – £50,000	–	–	–	–	1	1
£50,000 – £100,000	–	–	–	–	1	1
Total number of exit packages	–	–	–	–	4	4
Total resource cost	–	–	–	–	£137,000	£137,000

## Agency composition

The Agency's authorised headcount was set at the start of the year at 493 full time

**Table 5: Agency composition**  
(subject to audit)

Category	2018-19		2017-18	
	Number (FTE)	Cost (£000)	Number (FTE)	Cost (£000)
Staff with a permanent UK employment contract	422	27,560	441	25,993
Other staff engaged on the objectives of the entity (consisting of interim and temporary workers)	29	137	28	319
<b>Total</b>	<b>451</b>	<b>27,697</b>	<b>469</b>	<b>26,312</b>

Including the Chief Executive Officer, the Agency employs 22 SCS – 1 at Pay band 3, 3 at Pay Band 2 (including 1 temporary promotion) and 18 at Pay Band 1 (3 of which are temporary promotions).

Our complement of SCS posts is primarily driven by the needs of our customers in delivering the agreed audit programmes and reflects the expansion that the organisation has undergone over the past 3 years.

### Sickness absence

The average working days lost to sick absence during 2018-19 was 5.3 days (2017-18 5.3 days). We continued to develop sickness absence management strategies, with a well-being plan in place, including Employee Assistance Programme support, resilience workshops, stress management training and monitoring of absence rates and the reasons behind them. Senior management will continue to monitor the success of this strategy and future trends in our sickness data to identify interventions required.

equivalents (FTEs). GIAA has remained within headcount throughout the year, and as at 31 March 2019 employed the following staff:

### Diversity

We are committed to the principles of equality, diversity and inclusion, and aim to ensure that nobody receives less favourable treatment including on the basis of age, disability, gender, religion or belief, race, or sexual orientation. GIAA recognises the importance of compliance with anti-discrimination legislation, but more than that, we also recognise that having a diverse talent pool enables us to provide the best possible services to our customers.

The Agency encourages applications from disabled people and we guarantee to interview all disabled applicants who meet the minimum criteria of the role. We work with specialist recruiters to ensure that our roles are promoted in a way which appeals equally to people with different backgrounds and abilities.

We also make workplace adjustments to help when people join the Agency or to help people who become disabled stay in their current role or find a suitable alternative. We require our managers and interview panel members to complete unconscious bias training.

When promotion opportunities arise, everyone is equally encouraged to apply and to discuss any adjustments they require to the selection arrangements in order to remove any disadvantage resulting from disabilities or protected characteristics.

The following table summarises the composition of the Agency as at 31 March 2019.

**Table 6: Diversity**

Grade	2018-19				2017-18			
	Male	Female	BAME	Disabled	Male	Female	BAME	Disabled
SCS	56%	44%	6%	13%	73%	27%	None declared	None declared
SCS & G6	58%	42%	8%	10%	59%	41%	7%	2%
Agency Total	51%	49%	11%	8%	53%	47%	11%	6%

The Agency is committed to transparent reporting and has for the second year published its gender pay gap at [www.gov.uk](http://www.gov.uk). Our gap remains lower than both the Civil Service and wider public sector average, but we will continue to focus on reducing the gap further.

specialist audit resources and to temporarily fill resource gaps in our team. The Agency has a framework contract with multiple high quality private sector resources to give us the flexibility to meet peaks in demand and to deploy specialist skills when needed to work alongside our own people. The 7 firms on that framework are Deloitte, Grant Thornton, KPMG, Mazars, Moore Stephens, PwC and RSM. We engaged specialist audit contractors during the year at a cost of £5,460k (2017-18: £6,709k).

## Consultants and contingent labour

We utilise contingent labour to provide project management support to supplement short term development activities for generalist and

**Table 8: Consultants and contingent labour**

Category	2018-19 £000	2017-18 £000
Specialist Contractors: Internal Audit	5,460	6,709
Framework Contract Interim and Temporary Workers	137	319
Consultants	79	114

The 'interim workers' and 'temporary workers' categories include individuals who are not paid through the Agency's payroll. In line with the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, we are required

to publish the following details for all off-payroll arrangements as of 31 March 2019, where the individual is paid more than £245 per day and the engagement has lasted for longer than six months:

**Table 9: Off payroll arrangements**

	2018-19	2017-18
Number of engagements at year end, and risk assessed	2	1
Of which:		
number of engagements existing for less than a year at the time of reporting	1	–
number of engagements lasting for one to two years at the time of reporting	1	1
Number of engagements paying more than £245 per day or lasting longer than six months, all of which include contractual clauses giving the Agency the right to request assurance in relation to income tax and NI obligations, all of which have been contacted, and all of which have provided confirmation. There were no new engagements during the year.	2	5
Number of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	–	–
Total number of individuals on the payroll and off-payroll that have been deemed “Board members and/or, senior officials with significant financial responsibility” during the financial year.	13	7

## Facility time for trade union representatives

We recognise 3 trade unions for the purposes of collective bargaining, consultation and to provide representation and support to

individual employees. There are currently no local trades union representatives within the Agency; subsequently no facility time has been agreed or recorded.

# 5 Parliamentary accountability and audit report

## Financial performance

Our Agency's income primarily comes from fixed fees with customers. The financial strategy of the Agency is to break even on our customer facing operations, offsetting costs with income generated through our contracts. HM Treasury continues to provide funding for our government internal audit policy work which supports our Operational Director Chris Westwood in his role as Head of the Internal Audit Profession.

While we are still undergoing development, and bringing in new departmental customers and their teams, we receive additional funding through the Supply Estimate.

### Income

The Agency is primarily funded through the fees we charge our customers for internal audit and assurance services. We agree the level of audit services required by each of our customers, setting these out in Memoranda of Understanding and agreeing an appropriate fee. GIAA also received funding from HM Treasury for the internal audit policy work that it undertakes on its behalf and for the development costs of the Agency.

Total operating income for the year was £36,292k (2017-18: £34,049k) arising from fees for services to our customers.

## Expenditure

Our total costs this year were £39,041k (2017-18: £38,380k), consisting of staff costs of £27,577k (2017-18: £26,104k) and non-staff costs of £11,464k (2017-18: £12,276k).

Increases in our administration costs year on year reflect the continued expansion of the Agency, as well as expenditure on our new audit methodology and management system.

Permanent staff costs of £27,560k (2017-18: £25,993k) directly relate to the employment of our auditors and other assurance professions, the internal audit policy function, and a small team providing corporate services and delivering our development programme. More information on our staff numbers and costs can be found in the remuneration and staff report above.

We engaged several firms under our internal audit framework to deliver additional specialist and general audit services to our customers on our behalf, incurring expenditure of £5,460k (2017-18: £6,709k). The Agency additionally employed contingent labour totalling £137k (2017-18: £319k) outside the core framework to provide further audit resources and to fill temporary gaps primarily in our corporate teams.

We incurred £1,270k (2017-18: £1,249k) in travel and subsistence costs, the majority of which were directly related to audit services delivered to our customers, and reimbursed through our audit fees.



The Agency also incurred a number of administrative costs, which primarily consisted of recharges from other governmental bodies of £2,943k (2017-18: £2,561k) for services including finance, HR and ICT services received from our parent body, HM Treasury and legal advice from Government Legal Department. In order to support the strategic objective of recruiting and retaining high calibre staff, we invested £178k (2017-18: £205k) and £312k (2017-18: £466k) in recruitment and staff support and related costs respectively.

There were no significant transfers into the Agency during 2018-19 hence no cost of annual leave balances transferred to GIAA (Note 3.2).

On customer-facing activities, we generated revenue of £36,292k (2017-18: £34,049k) from customers against total expenditure of £38,691k (2017-18: £37,137k). The net deficit was £2,399k (2017-18: net deficit of £3,088k) and was met by HM Treasury supply funding as explained in Note 5 to the accounts.

When authorised spending of £350k (2017-18: £1,243k) on the internal audit policy function and our development programme is taken into account, we recorded net operating expenditure of £2,749k (2017-18: £4,331k). In accordance with government accounting rules, the corresponding funding for this work is recorded as a movement in the General Fund, rather than as income.

The balance on the General Fund of £340k (2017-18: - £25k) represents the balance of our operating activities and HM Treasury funding.

### Financial position

The Agency's balance sheet consists of receivables of £14,742k (2017-18: £14,870k) and payables of £14,402k (2017-18: £14,895k).

Our strategy is to utilise existing arrangements with other parts of government to meet our accommodation and ICT requirements. As such, we do not own any property, plant and equipment.

Receivables primarily consist of amounts due from our customers, with £11,971k (2017-18: £12,087k) relating to amounts invoiced but not paid at 31 March, and £2,612k (2017-18: £2,738k) relating to services delivered in 2018-19 but not invoiced until the new financial year.

Included in trade and other payables and accruals, totalling £14,402k (2017-18: £14,895k), are advance receipts from customers of £279k (2017-18: £595k).

The Agency does not hold its own bank account, but shares an account with our parent department, HM Treasury – this mechanism provides us with working capital to allow us to pay people and suppliers while waiting for customers to pay our invoices. As a result, we owed HM Treasury £9,104k (2017-18: £8,543k) which is the difference between the cash received from customers and expenditure funded by HM Treasury during the year.

## Parliamentary accountability disclosures

The following parliamentary accountability disclosures are made in accordance with relevant guidance issued by HM Treasury.

### Fees and charges (subject to audit)

The Agency is largely funded through the fees we charge customers for internal audit and assurance services. Our fees are set in accordance with *Managing Public Money* to recover the full costs of service provision using a charging model that we have developed.



Table 10: Fees and charges

	Income (£000)	Expenditure (£000)	Surplus/ (deficit) (£000)
<b>2018-19</b>			
Audit and assurance work	36,292	(39,041)	
Total	36,292	(39,041)	(2,749)
<b>2017-18</b>			
Audit and assurance work	34,049	(38,380)	
Total	34,049	(38,380)	(4,331)

### Remote contingent liabilities

(subject to audit)

We do not have any remote contingent liabilities that are required to be disclosed under parliamentary reporting requirements. The Agency's contingent liabilities disclosed under IAS 37 are included in Note 11 to the Financial Statements.

### Regularity of expenditure

(subject to audit)

Our expenditure relates to routine administration costs such as employment costs and the purchase goods of services, and as such does not require any further specific legislation. We do not undertake any specific policy or service that requires Parliamentary approval for bespoke legislation, and had no expenditure during the year that relies on the sole authority of a Supply and Appropriation Act.

### Losses and special payments

(subject to audit)

There were no losses or special payments made during the year. The Agency has not made any gifts during the year.

### Long-term expenditure trends

2018-19 was our fourth year of operation but the first year in which we did not complete any major migrations and as such it is difficult to establish any steady state long-term expenditure trends with prior year performance. We will report this information in future years.



**Elizabeth Honer**

Chief Executive and Accounting Officer

11 July 2019

## The Certificate and Report of the Comptroller and Auditor General to the House of Commons

### Opinion on financial statements

I certify that I have audited the financial statements of Government Internal Audit Agency for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Government Internal Audit Agency's affairs as at 31 March 2019 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

### Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Government Internal Audit Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK.

My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Government Internal Audit Agency's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained

up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government Internal Audit Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to

the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on other matters

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or

- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

### **Gareth Davies** **Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria, London  
SW1W 9SP

15 July 2019

# Annual Accounts 2018-19

The financial statements for Government Internal Audit Agency, alongside supporting and explanatory notes



# Statement of comprehensive net expenditure for the year ended 31 March 2019

	Note	At 31 March 2019 (£000)	At 31 March 2018 (£000)
Income from sales of services	4,5	(36,292)	(34,049)
<b>Total operating income</b>		<b>(36,292)</b>	<b>(34,049)</b>
Staff costs	2	27,577	26,104
Purchase of goods and services	3	11,464	12,276
<b>Total operating expenditure</b>		<b>39,041</b>	<b>38,380</b>
<b>Net expenditure for the year</b>		<b>2,749</b>	<b>4,331</b>
Other comprehensive net expenditure			
Cost of annual leave balances of staff transferred to GIAA		–	66
<b>Comprehensive net expenditure for the year</b>		<b>2,749</b>	<b>4,397</b>

The notes on pages 60 to 68 form part of these accounts.

# Statement of financial position as at 31 March 2019

	Note	At 31 March 2019 (£000)	At 31 March 2018 (£000)
<b>Current assets</b>			
Trade and other receivables	7	14,742	14,870
<b>Total current assets</b>		<b>14,742</b>	<b>14,870</b>
<b>Current liabilities</b>			
Trade and other payables	8	(14,402)	(14,895)
<b>Total current liabilities</b>		<b>(14,402)</b>	<b>(14,895)</b>
<b>Total assets less total liabilities</b>		<b>340</b>	<b>(25)</b>
<b>Taxpayers' equity</b>			
General Fund		340	(25)

The notes on pages 60 to 68 form part of these accounts.



**Elizabeth Honer**  
Chief Executive and Accounting Officer

11 July 2019

# Statement of cash flows for the year ended 31 March 2019

Note	2018-19 (£000)	2017-18 (£000)
<b>Cash flows from operating activities</b>		
Comprehensive net expenditure	(2,749)	(4,397)
(Increase)/Decrease in trade and other receivables	128	(3,288)
Increase/(Decrease) in trade and other payables	(493)	3,280
<b>Adjustment for non-cash transactions:</b>		
Notional expenditure: auditor remuneration	55	55
<b>Net cash outflow from operating activities</b>	<b>(3,059)</b>	<b>(4,350)</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund (Supply) – current year	<b>3,059</b>	<b>4,350</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>–</b>	<b>–</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>–</b>	<b>–</b>



# Statement of changes in Taxpayers' equity

	General Fund (£000)	Taxpayers' equity (£000)
<b>Balance at 1 April 2018</b>	(25)	(25)
Net parliamentary funding	3,059	3,059
Comprehensive net expenditure for the year	(2,749)	(2,749)
Notional charges Auditors Remuneration	55	55
Balance at 31 March 2019	340	340
	General Fund (£000)	Taxpayers' equity (£000)
<b>Balance at 1 April 2017</b>	(33)	(33)
Net parliamentary funding	4,350	4,350
Comprehensive net expenditure for the year	(4,397)	(4,397)
Notional charges Auditors Remuneration	55	55
Balance at 31 March 2018	(25)	(25)

# Notes to the Accounts

## Note 1 – Accounting Policies

### 1.1 Basis of Preparation

The annual set of financial statements for the Government Internal Audit Agency (GIAA) is prepared in accordance with the Government's Financial Reporting Manual (FReM) and is prepared under the Accounts Direction issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context.

Where the FReM permits a choice of accounting policies, those that are judged the most appropriate to the particular circumstances of the GIAA, for the purpose of giving a true and fair view, have been selected. The particular accounting policies adopted by the GIAA are applied consistently in dealing with items that are considered material to the accounts and they are described below.

Certain IFRS have been issued or revised, but are not yet effective. Those issues or revisions expected to be relevant in subsequent reporting periods are:

- IFRS16 Leases (effective from January 2020) – this standard will require lessees to account for all leases on their balance sheets, including those which had previously been treated as operating leases and accounted for in the Statement of Comprehensive Net

Expenditure as an “in-year” expense. As the Agency currently occupies many properties under quasi-operating leases arrangements with other government departments, and receives an ICT service from HM Treasury under a quasi-operating lease, the changes in the accounting for leases is likely to have an effect on the Statement of Financial Position for 2020-21 onwards.

- Other changes due to come into effect after 2018-19 are considered to have no impact on the Agency.

The GIAA is an executive agency of Her Majesty's Treasury; all estimates and forward plans include provision for its continuation. It has therefore been considered appropriate to prepare these accounts on a going concern basis.

### 1.2 Accounting Convention

These accounts have been prepared on an accruals basis, under the historical cost convention, modified to account for certain financial instruments to fair value, as determined by the relevant accounting standards.

### 1.3 Transfer of Functions

On 1 October 2018, 1 April 2017, 1 October 2016 and 1 April 2016, Internal Audit teams from other Government Departments were transferred to the GIAA. This has been treated as a transfer by absorption and, accordingly comparative figures for 2017-18

for the transferring functions are not adjusted. The net expenditure of those transferred has been accounted for from the date of transfer.

#### 1.4 Property, Plant and Equipment and Intangible Fixed Assets

GIAA follows HM Treasury Accounting Group Policy in respect of the recognition of Property, Plant and Equipment and Intangible Fixed Assets. Under this policy, Property, Plant and Equipment and Intangible Fixed Assets are initially recognised at cost. The threshold used by HM Treasury for capitalising these assets is £5,000. No such assets were held by GIAA during 2018-19.

#### 1.5 Income

All income is accounted for in line with IFRS 15 Revenue from Contracts with Customers which came into effect on 1 January 2018 and became effective during 2018-19.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised using a five step model; identification of the contract, identification of the performance obligations within the contract, determination of the transaction price, allocation of the price to the performance obligations, then revenue is recognised as the performance obligations are fulfilled.

In practice there has been no change in recognition from the policy followed under IAS18 as the previous patterns of revenue recognition adopted by the Agency are consistent with the requirements of IFRS 15.

Work in progress is recognised as operating income is earned. This represents unbilled time charges which are valued at the appropriate rate, for the financial year in which the work was undertaken.

Operating income relates directly to the operating activities of the Agency. It principally comprises fees and charges for audit and assurance services provided during the year on a full-cost basis to customers external to the Agency (central government departments, agencies and arms' length bodies), and recovery of disbursements incurred in delivering services to them.

Charge-out rates are set in accordance with HM Treasury's guidance on fees and charges set out in Managing Public Money to achieve full cost recovery of chargeable services.

#### 1.6 Value Added Tax

The Agency is not separately registered for Value Added Tax (VAT) and VAT collected or paid is accounted for centrally by HM Treasury as our parent department. Irrecoverable VAT is charged to the relevant expenditure category in the statements of comprehensive net expenditure. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

#### 1.7 Employee Benefits

##### *Pension and superannuation costs*

Pension benefits are provided through Civil Service pension arrangements as detailed in the Remuneration report from page 39.

GIAA recognises the expected cost of future pension liabilities in a systematic and rational basis over the period during which it benefits from employees' service by payment to Civil Service pension schemes of amounts

calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

### **Early retirement costs**

No early retirement costs were paid during the accounting period.

### **Other employee benefits**

This includes the value of untaken holiday leave at the financial year-end, which is recognised on an accrual basis.

## **1.8 Financial instruments**

As the cash requirements of the Agency are primarily met from income from clients (other government departments) and a limited amount through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The requirements of IFRS 9: Financial Instruments have been considered; however, changes from IAS 39 are not considered to be applicable or material in the case of the Agency, so no change has been made to the presentation or disclosures in the financial statements.

### **Trade and other receivables**

Trade and other receivables have fixed or determinable payments that are not quoted on an active market. Trade and other receivables do not carry any interest and GIAA recognises them initially at their face value then subsequently measured at amortised cost using the effective interest method. GIAA recognises appropriate allowances (provisions or write-offs) for estimated irrecoverable sums (bad debts) in the Statement of Comprehensive Net Expenditure when there is objective evidence that the asset is impaired. GIAA measures the allowance recognised as the difference

between the assets' carrying value and the estimated future recoverable value. The carrying amount of the asset is reduced in the Statement of Financial Position and the loss is recognised in the Statement of Comprehensive Net Expenditure.

## **1.9 Notional Charges**

Certain costs are charged on a notional basis and included in the accounts. The only notional cost in 2018-19 was the auditor remuneration. Notional costs are recorded in the Statement of Comprehensive Net Expenditure and recorded as a movement on the General Fund.

## **1.10 Segmental Reporting**

Under HM Treasury guidance in the FReM, the GIAA is expected to meet the requirements of IFRS 8 to report information concerning operating segments where the criteria under IFRS 8 are met. GIAA audit work for customers is classified in one operating segment. GIAA manages its assets and liabilities at the entity level and therefore the distribution of assets and liabilities to programmes and administration is not disclosed.

## **1.11 Accounting Estimates and Judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions about the reported amounts of assets, liabilities, income and expenditure that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to

accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

### *Income Recognition*

In calculating accrued income and deferred income (income in advance) for audit services, the Agency makes judgements as to the stage of completion of our services and/or work:

- for fixed fee customers, we evaluate the services delivered; and

- for time and material customers, we evaluate the stage of completion of individual reviews to determine the proportion of work completed in the year, recognising the remainder in the subsequent year.

In doing so, estimates are made on the remaining costs to be incurred in completing contracts, and includes a provision for foreseen unrecoverable amounts. These estimates are included in trade receivables, accrued income and deferred income at the year end.

## Note 2 – Staff costs

	2018-19			2017-18		
	Permanent Staff (£000)	Other Staff (£000)	Total (£000)	Permanent Staff (£000)	Other Staff (£000)	Total (£000)
Salaries including allowances	21,058	137	21,195	19,739	319	20,058
Social security costs	2,346	–	2,346	2,199	–	2,199
Other pension costs	4,156	–	4,156	4,055	–	4,055
<b>Total staff costs</b>	<b>27,560</b>	<b>137</b>	<b>27,697</b>	<b>25,993</b>	<b>319</b>	<b>26,312</b>
Less recoveries from outward secondments	(120)	–	(120)	(208)	–	(208)
<b>Net cost</b>	<b>27,440</b>	<b>137</b>	<b>27,577</b>	<b>25,785</b>	<b>319</b>	<b>26,104</b>

The average number of full-time equivalent persons employed during the year was 461 (2017-18: 431).

## Note 3 – Purchase of Goods and Services

### 3.1 Analysis of total goods and services purchased

	2018-19 (£000)	2017-18 (£000)
Contractors costs	5,539	6,823
Support services from other Government Depts.	2,943	2,561
Travel and Subsistence costs	1,270	1,249
IT and telecommunications costs	662	564
Training costs	470	304
Auditor's remuneration	55	55
Staff support and staff related costs	312	466
Recruitment costs	178	205
Office costs	35	49
<b>Total other goods and services</b>	<b>11,464</b>	<b>12,276</b>

GIAA has paid £104k of Apprenticeship Levy in 2018/19 and is included in Staff support and staff related costs of £312k. £11k has

been applied to apprenticeship training costs in 2018-19.

### 3.2 Analysis of annual leave accrual

	2018-19 (£000)	2017-18 (£000)
<b>Total cost of staff transferred</b>	<b>–</b>	<b>66</b>

The Agency has assumed the liabilities for the cost of untaken annual leave for staff transferred from other Government Departments as part of their continuous employment in the Civil Service. In the period

to 31 March 2019, 3 employees joined the Agency from Historic England. The balance related to these staff is deemed not to be material and therefore no separate disclosure made.

## Note 4 – Income

The income for the year of £36,292k (2016-17: £34,049k) relates to audit and related advisory or investigation fees.

## Note 5 – Income and expenditure by type of work

	2018-19				2017-18			
	Internal Audit Customers (£000)	Supply funded: Agency Expansion and Development (£000)	Supply funded: IA Policy (£000)	Total Per SOCNE (£000)	Internal Audit Customers (£000)	Supply funded: Agency Expansion (£000)	Supply funded: IA Policy (£000)	Total Per SOCNE (£000)
Audit fee income	(36,292)	–	–	(36,292)	(34,049)	–	–	(34,049)
Expenditure	38,691	–	350	39,041	37,137	793	450	38,380
<b>Net expenditure for the year</b>	<b>2,399</b>	<b>–</b>	<b>350</b>	<b>2,749</b>	<b>3,088</b>	<b>793</b>	<b>450</b>	<b>4,331</b>
Cost of annual leave balances of staff transferred to GIAA	–	–	–	–	66	–	–	66
<b>Comprehensive net expenditure for the year</b>	<b>2,399</b>	<b>–</b>	<b>350</b>	<b>2,749</b>	<b>3,154</b>	<b>793</b>	<b>450</b>	<b>4,397</b>

GIAA has a performance objective to break even on its customer facing operations, and has developed a financial model to recover the full cost of delivering the services to customers through audit fees. The cost of staff transferred to GIAA is deemed to be a non-operating cost as the annual leave was earned by staff in previous employments. In addition to the income from audit fees, the GIAA receives supply funding for two

areas; the expansion and development of the Agency to take on more Government departments and agencies and provision of the Government's Internal Audit Policy function. This analysis is not intended to comply with IFRS 8.

The net expenditure for the year of £2,749k has been offset by HM Treasury funding of £3,059k, the Agency had a surplus of £310k.

## Note 6 – Financial Instruments

As the cash requirements of the Agency are primarily met from income from clients (other government departments) and a limited amount through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The requirements of IFRS 9: Financial Instruments have been considered; however,

changes from IAS 39 are not considered to be applicable or material in the case of the Agency, so no change has been made to the presentation or disclosures in the financial statements. Trade receivables are valued according to invoice values and a provision for doubtful debts will be reviewed each year. There is a nil provision for doubtful debts.

## Note 7 – Receivables

	At 31 March 2019 (£000)	At 31 March 2018 (£000)
<b>Amounts falling due within one year</b>		
Trade receivables	11,971	12,087
Accrued Income	2,612	2,738
Prepayments	153	17
Staff loans and other receivables	6	28
<b>Total falling due within one year</b>	<b>14,742</b>	<b>14,870</b>

## Note 8 – Payables and other current liabilities

	At 31 March 2019 (£000)	At 31 March 2018 (£000)
<b>Amounts falling due within one year</b>		
Amounts due to HMT	9,104	8,543
Accruals	3,863	3,893
Trade and other payables (incl Tax and Social Security)	1,156	1,864
Receipts in advance	279	595
<b>Total falling due within one year</b>	<b>14,402</b>	<b>14,895</b>



## Note 9 – Commitments and leases

### 9.1 Capital and Other financial commitments

The Government Internal Audit Agency has neither entered into any capital commitments nor any non-cancellable contracts.

### 9.2 Commitments under operating leases

The Government Internal Audit Agency has a recharge arrangement with HM Treasury for a number of support services including ICT running costs and transactional services for HR and finance. As at 31 March 2019, these arrangements were based on an annual recharge to the Agency from HM Treasury.

The arrangements are subject to an annual review and as the Agency expands longer term arrangements will be sought which may result in operational leases.

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

Obligations under operating leases for the following periods comprise	2018-19 (£000)	2017-18 (£000)
Buildings		
Not later than one year	219	–
Later than one year and not later than five years	438	–
Later than five years	–	–
<b>Total commitments</b>	<b>657</b>	<b>–</b>

GIAA moved into a new site in November 2018 (10 Victoria Street). These premises are leased from the Government Property Agency. IFRS16 Leases (effective January 2020) will apply in respect of these lease

arrangements, which are reportable from 1 April 2020 and any adjustments will be made to the accounts for the year to 31 March 2021.

## Note 10 – Related party transactions

HM Treasury is the sponsoring department of the Government Internal Audit Agency and as such is regarded as a related party. GIAA acquires services from HMT including the provision of ICT support, accommodation and other support services. Additionally, the Agency provides internal audit services to HM Treasury and some of its agencies.

The Government Internal Audit Agency has had a number of transactions with a number of other government departments and other central government bodies associated with its provision of internal audit services. The largest of these in terms of income earned are:

- Department of Work and Pensions
- Ministry of Justice
- Home Office
- Department for Education
- DVLA
- Department of Health and Social Care
- Department for Transport
- NS&I
- Department for Business, Energy and Industrial Strategy
- Rural Payments Agency

Board member and senior staff remuneration will be disclosed in the Remuneration report which will form part of the annual statement of accounts. No board member or senior manager has undertaken any material transactions with the Government Internal Audit Agency in the twelve months to 31 March 2019.

## Note 11 – Contingent Liabilities

There are no contingent liabilities as at 31 March 2019.

## Note 12 – Events after the reporting period

There were no significant events occurring after the reporting period. The accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's Audit Certificate.

CCS0419961200

978-1-5286-1215-9