



Government
Internal Audit
Agency

Government Internal Audit Agency

Annual Report and Accounts 2019-20

Better insights, better outcomes

HC 493

Government Internal Audit Agency (GIAA)

Annual Report and Accounts 2019-20

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 21 July 2020.



© Crown copyright 2020

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.

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.

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

Government Internal Audit Agency
10 Victoria Street,
London SW1H 0NB
United Kingdom

Email: Correspondence@giaa.gov.uk

We may be unable to respond to letters sent via postal services due to remote working as a result of the COVID-19 pandemic. Please use the email address provided above to ensure we can respond to your enquiry as quickly as possible.

ISBN 978-1-5286-1966-0
CCS0220094378 07/20

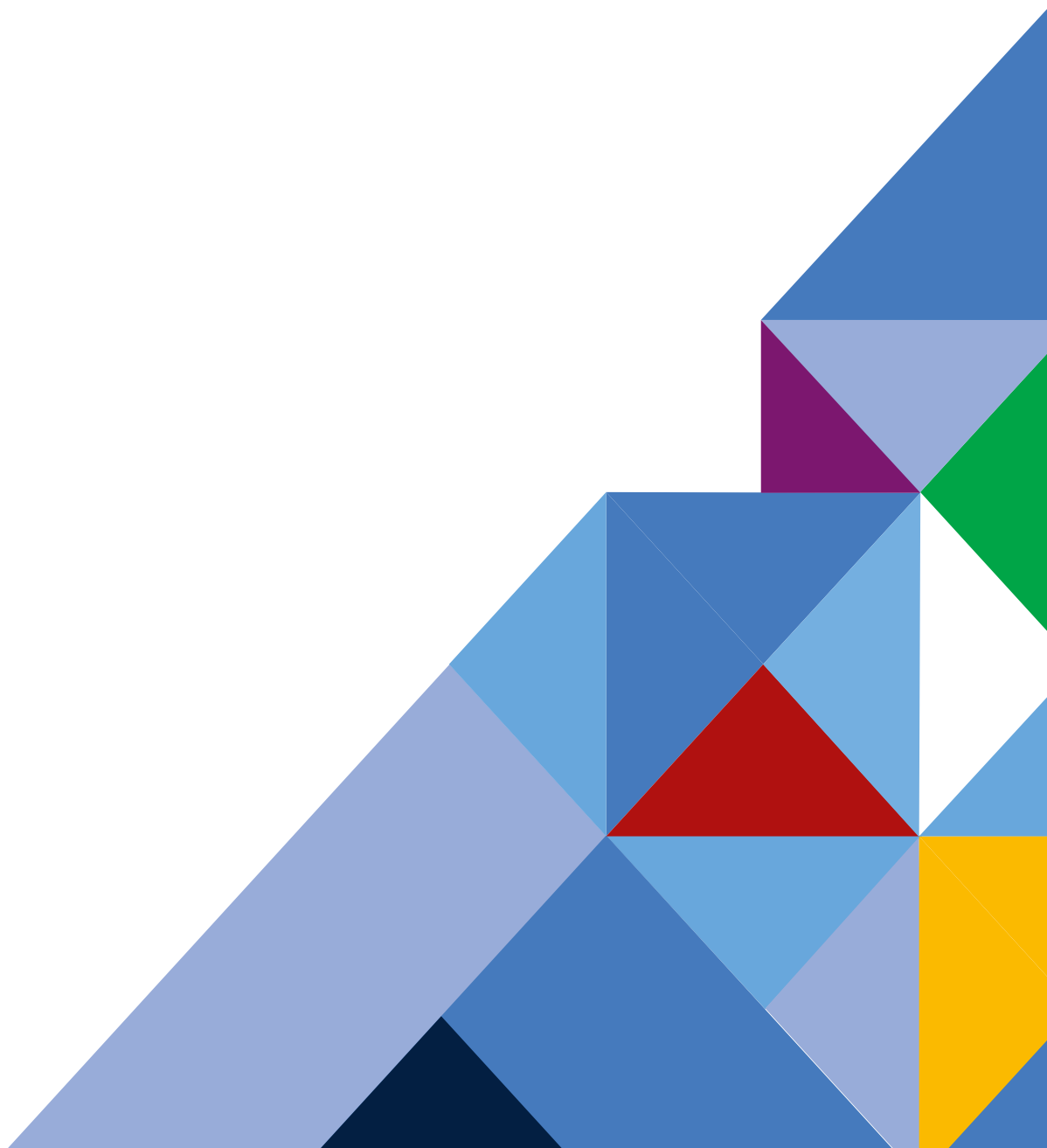
Printed on paper containing 75% recycled fibre content minimum

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

Contents

1. Performance report	4	3. Financial Statements.....	76
Chief Executive’s foreword	5	Statement of comprehensive net expenditure for the year ended 31 March 2020	77
Chair’s foreword.....	7	Statement of financial position as at 31 March 2020	78
Agency overview.....	9	Statement of cash flows for the year ended 31 March 2020	79
Our strategic framework	10	Statement of changes in Taxpayers’ equity...80	
Our services	13	Notes to the Accounts	81
Our customers.....	16		
Our wider government role	17		
Our organisation structure	19		
Performance analysis.....	21		
Demanding on customer impact.....	22		
Unleashing our people’s talent and confidence.....	24		
Uncompromising on quality	26		
Ambitious on innovation.....	28		
Built on firm foundations	30		
Our COVID-19 pandemic priorities	32		
Tailored Review of the Agency	34		
All-Agency Conference 2019.....	35		
Our people’s success	36		
Our other achievements.....	38		
Next steps in delivering our vision	40		
2. Accountability report.....	42		
Corporate governance report	43		
• Director’s report.....	43		
• Statement of Accounting Officer’s responsibilities	47		
• Governance statement	48		
Remuneration and staff report.....	57		
Parliamentary accountability and audit report	68		

1. Performance report





Chief Executive's foreword

Elizabeth Honer
Chief Executive

At the start of my first full year as our Chief Executive we set out a new vision and strategy for the GIAA, ambitious to fulfil our mission to deliver 'better insights, better outcomes'. Looking back a year on, we can be really proud of the progress we've made, through the commitment of our people and the engagement of our customers.

Highlights include:

- Refreshing our **values and the behaviours** underpinning them, with 22 regional workshops and a lively launch at our **first all-Agency conference** in Manchester. These are now integral to the way we work and hold ourselves and each other to account. Through this and other activities we saw an increase of 6 points overall in our people survey results, with double-digit increases in 17 areas.
- Implementing a **new look and feel to our products**, as part of our **quality** strand, training our auditors to craft crisper, more insightful content. We've also **improved compliance** with our audit management system, with refresher training and guidance reinforcing the advantages to our people and our customers of a consistent way of working. Customer Satisfaction has increased now up to an average of almost 90%.
- Strengthening our Central Government role in **Counter Fraud and Investigations (CF&I)**, where we saw additional demand for our services from new customers alone increase from 71 activities in 2018-19 to 101 in 2019-20. As well as delivering high quality and sensitive investigation and counter fraud activities, our team have provided advice to customers to help them meet the Government Standard for Fraud, Bribery and Corruption.
- Developing our **cross-Government work** to support all departments with best practice given our unique position. During 2019-20 we supported the Cabinet Office in improving the control arrangements for Grants across central Government, which we cover in more detail later in the Report. Our role in providing **functional and professional leadership** for Internal Audit continues to develop through the cross-Government 'Internal Audit Leadership Group'.
- Underpinning all of our work, we have improved our approach to **internal management assurance** giving me greater confidence as Accounting Officer. You will see the fruits of that in this report, with further actions arising from our findings to be implemented in the coming year.

We ended the year, as did we all, facing the implications of COVID-19, with a move to working from home from 19 March 2020, swiftly changing our ways of working and establishing two COVID-19 priorities: supporting our people and supporting our customers. This impacted on our year-end financial position (increasing our underspend slightly) as well as on our work plans for the first quarter of 2020-21.

I would like to thank all our people, and our customers, for their continued commitment to the Agency, taking us from strength to strength. Finally, I thank our non-executive directors who have provided me and my fellow executive directors with invaluable support, guidance and challenge. Despite our significant achievements in 2019-20 we are not complacent. We have more to do to become the Agency we wish to be, for our customers and for our people. We are looking forward to another productive year, responding with agility to the rapidly changing external environment.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Elizabeth Honer



Chair's foreword

Steve Burnett

Our strategy, developed by a great many people inside GIAA and informed by conversations with our customers, sets the direction for the coming years up to 2022. Like all switched on organisations, we keep our strategy under constant review. Demands on us are changing as our momentum grows and we must demonstrate real agility and responsiveness if we are to increase our relevance amongst our customers. Having established our credentials as a major cross government agency with the opportunity to provide cross government insight, we are now being called upon to exploit our privileged position to deliver 'better outcomes from better insights'.

During the year the board once again left the office to meet our customers, spending a couple of days in Swansea to visit DVLA. There is no better way to gain a real sense of the strength of the relationship our local teams have with their customers. We enjoyed hearing from the DVLA senior management team and in particular their reflections on, and ambitions for, the service they receive from the agency. Lockdown has subsequently clipped our wings and subsequent planned trips to spend time with colleagues and customers in both Birmingham and Leeds have had to be temporarily postponed.

Towards the end of the year GIAA was put under the spotlight with our 'Tailored Review'. Conducted by an independent team from the Treasury, we were challenged on all aspects of our governance, structure and strategy.

They reflected on our progress since 2015 and we look forward to some valuable feedback on the future development of the Agency when the report is published.

In recent months we have challenged ourselves, under the 'building on firm foundations' theme, on the quality of our own assurance framework and risk management. These are basic building blocks of our governance, and if we are to practise what we preach, we need to be exemplars and set the standard. Our work highlighted issues which we will be addressing in the coming year. This is a good example of the organisation having the humility to question its own approach, to use the best practice it sees elsewhere, to listen and to learn. Similarly, our 'External Quality Assessment' is underway and we have opened our doors to the Chartered Institute of Internal Auditors to test us on the quality of our work.

My personal highlight of the year was our Manchester staff conference. An event we thought long and hard about. We were cautious but hopeful going in, but exhilarated and confident coming out. I was only on stage briefly on the day but, looking down the hall at the huge GIAA team, almost everyone together in one room, buzzing with relaxed conversation, seizing the opportunity to engage and make new friends, was a symbolic moment for me. Since 2015 we had talked about having such an event, but it was never the right time. The organising team

of staff from different areas of the agency delivered an event that hit all the right notes and changed our perceptions of who we are.

2020-21 has a busy agenda for GIAA and a heightened pressure to accelerate our program. Elizabeth, surrounded by her new senior team, are relying on everyone, in all areas of GIAA to step forward and play their part. Our customers quite rightly have high expectations of us all.

A handwritten signature in black ink that reads "Steve Burnett". The signature is written in a cursive, flowing style.

Steve Burnett

Agency overview

This section provides an overview of the Government Internal Audit Agency (GIAA), including its strategic framework and the services it offers.

About us

The Government Internal Audit Agency (GIAA) was established on 1 April 2015 and is an executive agency of Her Majesty's Treasury. We provide internal audit services to three quarters of central government, and we have an award-winning counter fraud and investigation service which operates across the same customer base.

GIAA leads the government internal audit profession on behalf of Her Majesty's Treasury. We offer two main services to our customers: internal audit and counter fraud and investigation.

In line with Articles 137 and 138 of the "Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community", we continue to act as an Audit Authority to provide the European Commission with assurances on the management and payment of grants for several programmes funded through the EU's multiannual financial framework for the years 2014-2020. This work is expected to conclude in 2024-25.



464

full time equivalent people



57

office locations across the UK



13

Central Government Department customers



119

government body customers



67

counter fraud customers



1,364

audit engagements to at least draft report stage delivered in 2019-20



Our strategic framework

Our strategic framework was developed with the enthusiastic involvement of our customers and our people. It provides a comprehensive picture of our purpose and our ambition for the future.

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**.

Our vision

We have an ambitious vision for the Agency. By 2022 we want to have made a step-change in the value we add for our customers, in the respect that we command, and in the engagement of our people. We will achieve this by maintaining a relentless focus on the five themes of our vision. Our full vision can be found on www.gov.uk/giaa.

The five themes of our vision are as follows:



Demanding on customer impact



Unleashing our people's talent and confidence



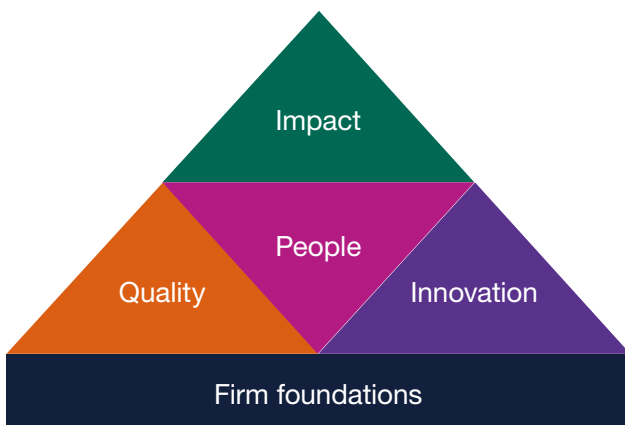
Uncompromising on quality



Ambitious on innovation



Built on firm foundations



Our 2019-2022 strategy

Our strategy sets out how we will achieve our vision, with our people at the centre of what we do and our customers at the centre of why we do it. The strategy document and supporting Corporate Plan are designed to enhance the Agency's value to government and the public. In light of the changed external environment arising from COVID-19, and its impact on society and on our customers, we are conducting a light touch review of our strategy in June 2020. Initial work suggests the five themes of our vision and strategy remain sound, with some adjustment to the detailed priorities and sequencing of activities. Our Corporate Plan can be found on www.gov.uk/gjaa.

Our strengths



By government, for government



Unrivalled access



Trust and independence



Cross government insight



Public service values



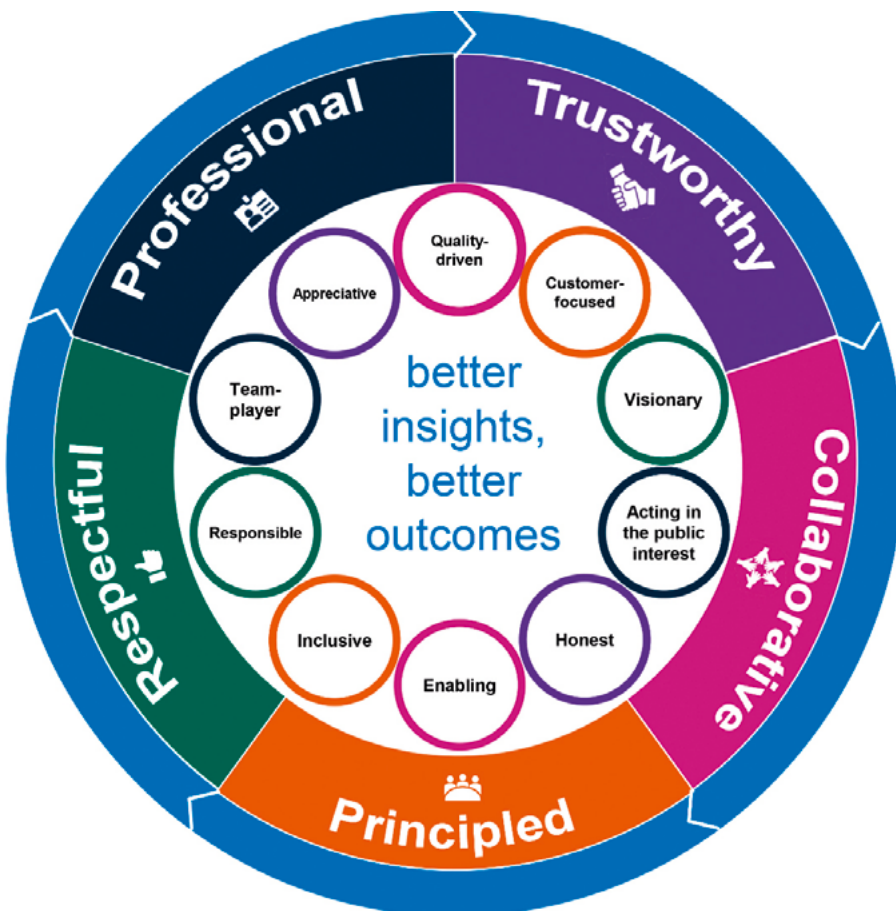
**Responsive to the
external context**

Our values and behaviours

During 2019, in an extensive exercise with our people, we revisited the values that we want to live by as an Agency, and refreshed the individual behaviours required to support them.

Our values underpin everything that we do and 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*.

PROFESSIONAL	TRUSTWORTHY	COLLABORATIVE	PRINCIPLED	RESPECTFUL
We take pride from a quality job well done and strive to exceed expectations.	We can be relied upon to act with honesty and integrity, enabling our people to be confident in their abilities and decisions.	We are inclusive and team-focused, exploiting knowledge and skills from across the Agency and beyond	We act in the public interest, role-modelling the best of our behaviours to make a valuable contribution to our colleagues, customers, communities and the wider public.	We treat everyone fairly and as we wish to be treated ourselves, celebrating our diversity and our successes so everyone can give their best.



Our 'Values Wheel' showing our values, with their underpinning behaviours, which were developed in 2019-20.

Our services

Internal audit

We provide central government with independent and objective assessments, as well as advice and insight, designed to add value and improve operations, leading to better outcomes.

Our unrivalled access enables us to build trusted relationships with senior leaders right across government, allowing us to respond in an agile way to requests for advice and embedded real-time assurance. We deliver our services both to individual organisations and by completing cross-cutting reviews across departmental boundaries.

In line with the Public Sector Internal Audit Standards, our internal audit offer will normally involve delivery of an annual programme of work, culminating in an annual report and opinion which evaluates the adequacy and effectiveness of each customer's framework of governance, risk management and control, and which identifies examples of good practice and areas for improvement.

To provide this annual opinion we undertake a range of audit and advisory engagements and take account of other sources of assurance and our understanding of customers' business objectives, operating context and risks.

We apply a risk-based approach when developing our annual programme so that we focus our work on areas which will add the most value for our customers and which will allow us to be as responsive as possible to changes in the risk environment.

We deliver:

.....
Risk-based audit – Assessing the effectiveness of risk management processes in the area under review, in relation to the risk appetite.

.....
Programme assurance – Evaluating the effectiveness of programme and project management for the delivery of major change.

.....
Systems development audit – Examining the effectiveness of the management of design and development of new systems and processes.

.....
Systems audit – Assessing the effectiveness of the design of controls and the extent to which they operate in practice.

.....
Compliance audit – Determining the extent to which controls already known to be effectively designed operate in practice.

Specialist services

Our specialist internal audit services are an important part of strengthening our quality and impact, through better insights and better outcomes for our customers. Our specialist internal audit services focus on:

- Commercial
- Digital, Data and Technology
- Finance
- HR
- Project & Programme Management

Our specialists work across Departments and in the most challenging and complex areas of central government.

Consulting services

Our consulting services are intended to add value and improve our customers' governance, risk management and control processes. Examples could include advice and facilitation.

We can provide consulting services on a wide range of business areas, but they might typically focus on new systems or areas undergoing significant change where there is no system of risk management or control framework to assure.

Counter fraud and investigation

Our customers have access to an award-winning team of accredited counter fraud professionals who deliver independent specialist counter fraud services to government departments, agencies and the wider public sector.

Our unique position at the centre of government enables us to offer a truly cross cutting perspective on the internal threats that organisations face. Since its formation in 2016, the team has supported more than 60 customer organisations and has helped to save £4 million for the taxpayer.

The Agency is a recognised centre of excellence for supporting organisations in their implementation of the Government Functional Standard *GovS 013: Counter Fraud, Bribery and Corruption*, providing specialist advice and access to best practice on all aspects of this standard, including preparations for the annual assurance assessment led by the Cabinet Office.

We provide:

.....
Prevention & Deterrence – Providing education and awareness activities, intelligence, insight, collaborative working across boundaries.

.....
Investigation – Delivering professionally accredited, security cleared investigators to deliver at pace and to criminal prosecution standards.

.....
Risk Assessment – Enabling organisations to identify, understand, assess and categorise their fraud risks.

.....
Intelligence & Analysis – Understanding the current and emerging ‘fraudscape’ and vulnerabilities.

.....
Detection – Conducting proactive fraud detection exercises and providing whistle blowing services.

.....
Data & Analysis – gathering and using fraud data to identify patterns, trends and anomalies and to support deterrence and investigation activities.

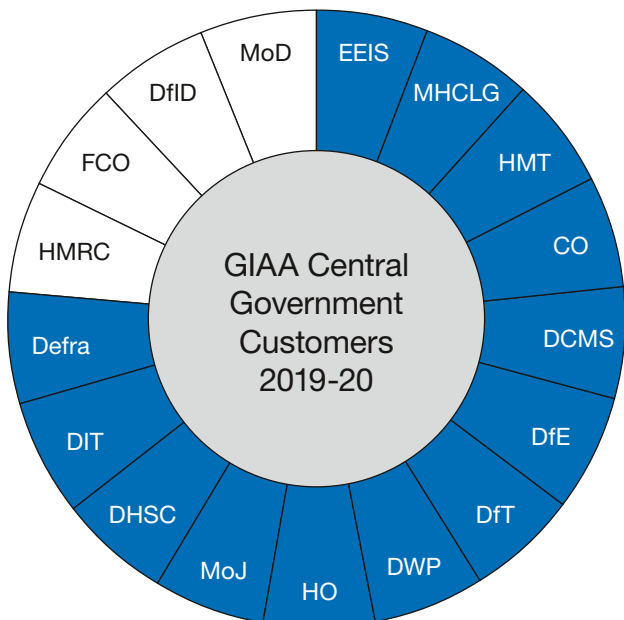
Our customers

During 2019-20 our customer base included 13 of the 17 Central Government Departments. We also provided assurance services to the Department for Exiting the European Union (DExEU) which merged into Cabinet Office at the end of January 2020. The FCO and DfID will be merging into a single Department in 2020-21.

We appoint a qualified Senior Civil Servant as Group Chief Internal Auditor (GCIA) for each Department that we provide services for. They provide direct support to Accounting Officers as well as overseeing the services provided to the Department and its Arm's Length Bodies.

Our GCIA's form part of our 'Senior Leadership Team' which meets regularly

to share learning and experiences to help improve our services for customers. For example, towards the end of the year the team worked closely together in developing a response to support our customers in dealing with the COVID-19 pandemic. GCIA's also act as a portal for providing support to customers from our specialist functions mentioned in the 'Our Services' section above.



CUSTOMER FEEDBACK

“.....a really positive experience which not only met the explicit objectives but also honoured the original commitment to genuinely assist as a fresh pair of eyes on something which was set up at pace under difficult circumstances”.

“Phenomenally clear and helpful. Very many thanks, indeed. Really useful analysis”

“We were impressed by the flexibility shown, in terms of availability for the interviews and in finalising the draft report with a very quick turnaround time. It was a pleasure to deal with GIAA on this review and we have come out with helpful recommendations for us to act upon.”

“They have demonstrated considerable professionalism, a practical, insightful approach and quickly gained the confidence of the audit committee and senior management.”

Our wider government role

We recognise that our privileged position within Central Government affords us the ability to provide support from a cross-Government perspective, including to those Central Government organisations who are not yet direct customers of the Agency. We do this through two separate roles which sit within the senior leadership of the Agency – Head of Internal Audit Function and Head of Profession. We have a seat, representing the UK Government, on the Internal Audit Standards Advisory Board (IASAB) and lead the ‘Internal Audit Leadership Group’, a cross-Government Internal Audit forum.

Internal audit function

Our Chief Executive, Elizabeth Honer, is Head of Central Government’s Internal Audit Function, providing leadership across all Government Departments on matters impacting on the role of internal audit.

The Internal Audit Function is one of several core specialist functions operating across the Civil Service. The functions represent areas of common, cross-departmental activity for which central leadership is required and include many of the Government professions. However, the professions include a wider set of expertise including both niche areas (for example, legal and veterinary) and broad areas (for example, policy and operational delivery). We work closely with the Government Finance Function, particularly on people development, with the Head of the

Finance Function sitting on the GIAA Board and our Chief Executive being a member of the Finance Function Strategy Board.

Internal audit profession

Our Operational Director for Economic and Business Affairs, Chris Westwood, is Head of the Government’s Internal Audit Profession providing leadership on the professional standards expected of internal auditors across Central Government.

As part of his role, the Head of Profession maintains close links with external professional standard setters; the Chartered Institute for Public Finance and Accountancy (CIPFA), who maintain the Public Sector Internal Audit Standards (PSIAS) and the Chartered Institute of Internal Auditors (Chartered IIA). He also issues regular Professional Bulletins to spread best practice across the Central Government Internal Audit profession.

Internal Audit Leadership Group (IALG)

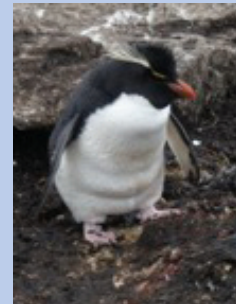
The Internal Audit Leadership Group comprises senior representatives from the Agency along with representatives from the internal audit teams of the four (soon to be three) non-GIAA Central Government Departments and the devolved UK administrations. This is an important forum for sharing experience and best practice across the function and profession.

GIAA Case Study: Supporting the Wider Public Sector



Since 2016, GIAA has partnered with the Commonwealth Parliamentary Association UK and the National Audit Office on the UK Overseas Territories (UKOTs) Project. The project aimed to build finance, risk and governance related capacity and capability in the UKOTs. The Agency has developed long-lasting ties that will outlive the project, leaving a legacy of mutual support between internal audit professionals. In 2019-20 GIAA had three areas of focus within the project:

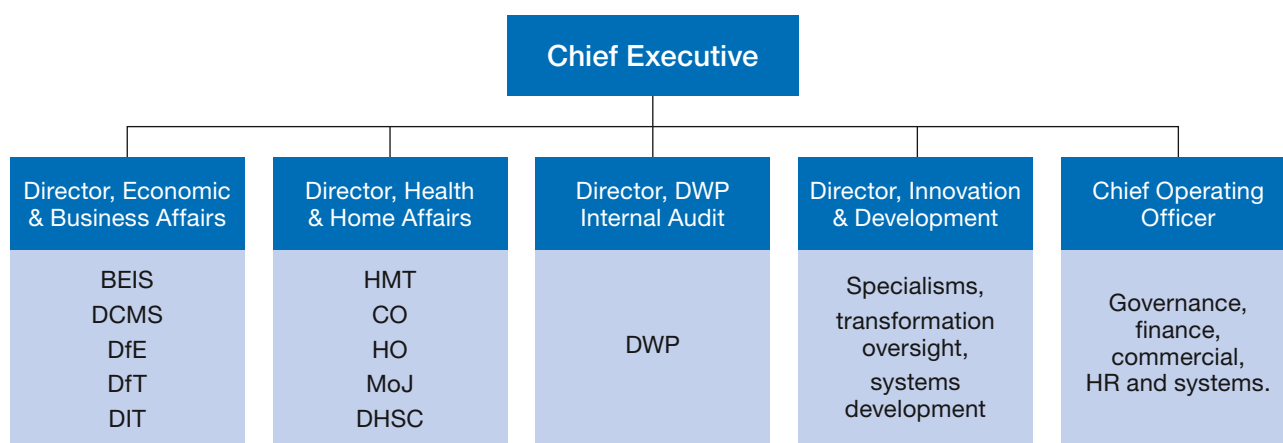
- **Internal Audit Leaders Group** – We provided secretariat support for the UKOTs Internal Audit Leaders Group, which we suggested and helped establish the year before. One of the members spoke of the group as a “stroke of genius and allows us to discuss topics of interest... it shows a willingness to share and learn together.”
- **UKOTS Forum 2019-20** – We ran the internal audit workstream at the December 2019 project forum held in London. We were delighted to receive support from senior colleagues in the Agency, the Government Finance Function, the Chartered Institute of Internal Auditors (Chartered IIA) and the Chartered Institute of Public Finance and Accountants (CIPFA) in doing this.
- **Falkland Islands Government internal audit service EQA** – We conducted an external quality assessment (EQA) for the Falkland Islands Government internal audit service. While we performed much of the work remotely, the highlight involved two of the team travelling to the South Atlantic for a week’s work. The trip involved an 18-hour, 7,864-mile journey via the Falklands Airbridge flying from RAF Brize Norton to RAF Mount Pleasant. During the week we learned much about the unique risk management and governance challenges faced by a territory with only 3,377 inhabitants, where over 80% of people have close connections to government. As well as the Head of Internal Audit, we met the government’s CEO and key stakeholders from the islands’ assembly, public accounts committee, fisheries, finance, HR, and legal departments. Feedback on the EQA said it would enable the audit service “to do what they were going to do anyway, but quicker and better.” Our hosts were fantastic, ensuring that we covered our work as planned and got to see some of the main sights in and around Stanley.



It is a positive reflection of the Project’s work that its sponsors, the Foreign and Commonwealth Office, have funded a second phase of activity. An independent review of the project said it “has made important steps forward over the last four years in terms of more and better capacity of UKOTs to achieve better scrutiny and oversight of public finances” and credits it with “increasing the size and quality of relationships and networks between UKOTs and key institutions and individuals in the UK, between UKOTs themselves and between the three areas targeted.” In addition, the project made it onto awards shortlists at Chartered IIA, CIPFA and the Government Finance Function events in 2019-20.

Our organisation structure

Our organisational structure is set out below:



Our performance environment and status as a 'Going Concern'

We deliver our work in accordance with Public Sector Internal Audit Standards (PSIAS) and our audit methodology is very much honed to ensuring that we meet those standards. We undertake regular quality assessments of our work and, in 2020, we will be subject to an External Quality Assessment (EQA). Our work is also much dependent upon forming strong partnership working arrangements with our customer Departments. Details about the risk environment within which the Agency operates can be found in the Governance Statement.

We have recently been subject to a Tailored Review by our Sponsor Department, HM Treasury, which has yet to report formally. Early indications suggest that the review team fully expect that the Agency will continue to operate and further develop its role, all of which supports our status as a 'going concern'.

Summary of our 2019-20 performance

2019-20 was the first full year of implementing our vision to 2022 and the related strategy, against priorities set out in our 2019-22 Corporate Plan. This described an ambitious three-year programme aimed at realising our vision by March 2022. We made an excellent start in delivering this programme in 2019-20.

We also delivered three of our five key performance indicators. We missed our financial target of delivering an underspend of between 0-1%, finishing instead with an underspend of 2%. The second missed target related to the implementation of higher priority recommendations by our customers within agreed timescale. Whilst delivery of these recommendations is outside our control, we will be considering how we can assist our customers to improve the level of implementation in future.

We were pleased that we delivered against our target for completing internal audit engagements, with customer satisfaction feedback well above target, at the same time as increasing our own people's level of engagement with the Agency during the year.

Further details about our performance is included in the following section.

Performance analysis

Our key performance indicators

The following table shows our 2019-20 performance against our 5 key performance indicators.

Indicator	2019-20 Result
 Deliver a year-end financial position within 1% surplus and breaking even on our budget.	 We finished 2019-20 with an underspend of 2%, rather than our targeted 1%.
 Achieve an average of 70% for overall customer satisfaction with individual pieces of work	 Based on 381 Customer Satisfaction Questionnaires on engagements in the 2019-20 programme, we achieved an average of 90% for overall satisfaction.
 Aim that 75% of higher importance recommendations we make are actioned on time by customers.	 During 2019-20, 61% of higher importance recommendations were actioned on time by our customers. This is less than we had aimed for. Whilst delivery is outside our control, we will be considering how we can assist our customers in improving this in future.
 Deliver 90% of planned audits to at least 'draft report issued' stage by end of year	 We delivered 91% of audits on plans to at least 'draft report issued' stage, despite the impact of the COVID-19 pandemic.
 Improve our engagement score in the People Survey	 The People Survey that took place in October 2019 showed an increase in our engagement score of 6 points to 56%.

Demanding on customer impact

Our performance in 2019-20	
We said success would be if:	How we delivered it:
<ul style="list-style-type: none"> • Our customers are clear about what we can offer and are feeling the benefits. 	<ul style="list-style-type: none"> ✓ We developed a service catalogue which formally defines our range of services. ✓ We led the Internal Audit function in defining customer support best practice during the COVID-19 early stages. ✓ Delivered more than 90% of our planned audits, achieving an average customer satisfaction score of nearly 90%. ✓ Delivered 1,364 internal audit engagements to at least draft report stage and 101 counter-fraud and investigation activities.
<ul style="list-style-type: none"> • We have completed at least one assignment that provides impactful and useful insights on a cross-departmental risk. We have sought feedback on this, refined our approach, and are resourced for wider roll-out imminently. 	<ul style="list-style-type: none"> ✓ We completed cross-government work in relation to grants and shared insights through Accounting Officer Bulletins. ✓ We defined the suite of services and approach to cross government assurance which we will offer to our customers in 2020-21.
<ul style="list-style-type: none"> • Our people and our customers are aligned in understanding the value of all our work and how this will be delivered in the future. 	<ul style="list-style-type: none"> ✓ We embedded cross-government work into customer plans for 2020-21, with over 130 engagements scheduled.

Case study: Weaknesses in payment controls



A planned audit of a service contract identified significant weaknesses in control and a potential number of duplicate payments which, if extrapolated across the life of the contract, could have been a loss in the region of £1m.

Following discussions with senior leaders, GIAA was asked to help with an additional piece of work, in quick time, to provide insight to support a more accurate assessment of the potential loss. The customer did not feel it had the forensic skills to do this. The audit team ran an interrogation, using audit software, creating work programs using formulae to identify multiple claims covering the same or overlapping periods, working closely with customer contract managers. The additional work, which considered all invoices from launch of the contract on 31 October 2016 up to 31 December 2019 identified over 7000 instances of duplicate or overlapping claims with a value of £989k. The analysis was used directly by the customer in negotiations with the contractor to secure a repayment.

The work was extremely well received by both the customer and its Audit and Risk Assurance Committee.

*We were **Demanding on customer impact***

Case study: Counter Fraud and Investigation

During 2019-20, GIAA's Counter Fraud & Investigation (CF&I) team reacted swiftly to an allegation of a bogus company submitting false invoices for payment.

Within 24 hours we had secured evidence indicating that an employee was responsible and arranged to have them arrested. The individual had fraudulently received in excess of £1.7 million. A substantial amount is being recovered under the Proceeds of Crime Act. The employee was dismissed, successfully prosecuted and sentenced to two and a half year's imprisonment.

GIAA worked collaboratively with the customer organisation to identify control weaknesses. The customer's Finance Director General gave unprompted thanks to CF&I for taking control and dealing with the matter so professionally and quickly.



*We were **Demanding on customer impact***

Unleashing our people's talent and confidence

Our performance in 2019-20

We said success would be if:	How we delivered it:
<ul style="list-style-type: none"> We have refreshed our values and there has been a cross-Agency effort to ensure that they are embedded. 	<ul style="list-style-type: none"> ✓ We developed and launched our new values and behaviours, following a series of interactive workshops across all our locations. Our refreshed values have become core to how we assess our meetings and relationships, becoming embedded in our people processes and how we have responded to COVID-19.
<ul style="list-style-type: none"> Our people survey scores have increased, there is buy-in to the strategic implementation programme, and our people are acting to drive improvements and be involved at all levels. 	<ul style="list-style-type: none"> ✓ Our work on our values and engagement in our strategy, along with other activities, have been recognised in the 6-point increase in the overall engagement score in the most recent People Survey, with double-digit increases in 17 areas and +29 on clarity of direction. Our 360 group representing our people were active in leading our response and communicating “you said, we did”.
<ul style="list-style-type: none"> We have held the first all-Agency conference, bringing our people together and further enhancing our GIAA identity. 	<ul style="list-style-type: none"> ✓ We delivered a successful all-Agency staff conference in Manchester at the end of September 2019, bringing most of our people together for the first time. “A turning point for the Agency” many said.

Our performance in 2019-20

We said success would be if:	How we delivered it:
<ul style="list-style-type: none"> We have a plan in place to harmonise terms and conditions. 	<ul style="list-style-type: none"> ✓ We commenced a programme of revising and rationalising all HR policies to deliver a firm foundation for managers, aligning these to Civil Service best practice. Work to harmonise our legacy terms and conditions has not progressed as far as we would have liked, and we will pick up the pace in 2020-21 as we continue to develop our workforce strategy. ✓ We have also undertaken initial development of five people-related products, including detailed skills and learning frameworks for our audit staff, which will form the building blocks of our workforce strategy.

Case study: Weaknesses in payment controls



Feedback from our people told us that they wanted a clearer definition of skills, learning and development for their roles within GIAA.

As a result, GIAA has developed and launched an Agency skills framework which identifies and defines 10 key skills that everyone requires in order to deliver their role effectively.

To complement the Skills Framework, a set of GIAA learning frameworks have been developed for each grade or role which signpost staff to the learning they should undertake to develop these skills. A learning passport has also been launched which offers individuals a record of their skill levels, learning undertaken, and progress made, and can be taken with them through changes in role, grade or line management and be used as a basis for their development discussions.

Frameworks for our auditors were developed and released first, but the project will continue to develop these products until all roles in the agency are covered.

We are *Unleashing our people's talent and confidence*

Uncompromising on quality

Our performance in 2019-20	
We said success would be if:	How we delivered it:
<ul style="list-style-type: none"> The second phase of our New Audit Methodology and Management System, focusing on benefits realisation, is progressing well with increased compliance by operational and corporate teams. 	<ul style="list-style-type: none"> ✓ We carried out a range of quality assessments internally to evaluate the continuing quality of our assurance work under our New Audit Methodology and Management System. ✓ We delivered refresher training on our audit system reinforcing the advantages of a single way of working to over 200 of our people. ✓ We developed new engagement reports, providing customers with easier-to-understand products rigorously tested by representatives from five customer organisations.
<ul style="list-style-type: none"> We have seen a smoothed delivery cycle, with assignments being delivered at greater pace and to a higher standard. 	<ul style="list-style-type: none"> ✓ We launched a new planning approach, focusing on fewer engagements with larger teams, thereby reducing time taken to deliver individual reports. 2019-20 still saw a spike in work being conducted in the final quarter, showing that we still need to find ways to smooth delivery across the year further.
<ul style="list-style-type: none"> Our customers are commenting on the difference in quality they see both in the products we deliver and the insights they contain. 	<ul style="list-style-type: none"> ✓ We received very positive comments on our work. We achieved an average of almost 90% customer satisfaction in 2019-20, significantly over our target of 70%, and 8% above that achieved in the previous year.

Case study: GIAA Grants Centre of Excellence



Our partnership with the Cabinet Office Grants Management Function supports the Government response to the impact of the COVID-19 pandemic on public health and the economy.

Following a series of announcements about grants funding to help affected businesses, charities, and others through this crisis, we are helping our customers deliver grants to those who most need help whilst also working to reduce the risk of fraud.

To ensure efficient, effective and safe payments, we are supporting customers to gather intelligence and identify possible areas of weakness around due diligence and counter fraud. This is through offering advice on essential preventative and detective controls while signposting services such as the new 'Spotlight' due diligence tool. We are making sure controls are built into grant funding arrangements at the development stages to protect the public purse. We are working in partnership with our customers to highlight the importance of methodologies to ensure funds are safely targeted and paid to the correct recipients.

We were *Uncompromising on quality*

Ambitious on innovation

Our performance in 2019-20	
We said success would be if:	How we delivered it:
<ul style="list-style-type: none"> The Director of Innovation and Development has a team in place to begin developing the innovation strategy. 	<ul style="list-style-type: none"> ✓ Having recruited our first Director of Innovation and Development, we have set up the GIAA Innovation Hub where we come together from across GIAA to work with partners to deliver innovation activities in support of the innovation strategy. ✓ We developed our innovation plan based on inputs from colleagues across GIAA.
<ul style="list-style-type: none"> The team has begun to forge relationships with potential partners in innovation both within government and across the private sector. 	<ul style="list-style-type: none"> ✓ We have met with potential partners from a range of organisations both within central Government and beyond, with pilots starting using data analytics and artificial intelligence.
<ul style="list-style-type: none"> We are progressing our current areas of innovation, including data analytics, and assessing their impact. 	<ul style="list-style-type: none"> ✓ We started activities in all three elements of the innovation plan: improving IT systems, developing our audit management system, use of artificial intelligence and other technologies to identify cross government insights.
<ul style="list-style-type: none"> We are encouraging incremental innovation from all people across the Agency, empowering them to make their own changes. 	<ul style="list-style-type: none"> ✓ Our development of the Innovation Hub, mentioned above, aims to empower staff. We know that we have more to do to drive innovation across the Agency.

Case study: Improving the Connectivity of Our People



In October 2019, we appointed a Director of Innovation and Development to drive innovation, not just within the Agency, but as we work across organisational boundaries to deliver better insights and better outcomes for our customers.

During 2019-20, the Innovation and Firm Foundation workstreams collaborated to roll out several solutions to improve the mobility and reliability of our IT systems, including the tethering of laptops to mobiles, enhanced wi-fi and wi-fi calling.

The improvement in connectivity has allowed our people to be much more flexible in responding to the changing needs of our customers. Our systems have been rigorously tested as all our people have worked from home in response to the COVID-19 pandemic, and, responding at pace, we have tested and rolled out new ways of virtual working – both within the Agency and with our customers. Work has also started in the use of artificial intelligence to analyse our audit reports to enable GIAA to identify cross government insights in real-time. This research will continue in 2020, working collaboratively with data specialists from across government.

We were *Ambitious on Innovation*

Built on firm foundations

Our performance in 2019-20

We said success would be if:	How we delivered it:
<ul style="list-style-type: none"> We have established a coherent strategy implementation programme. A programme team is in place, and we have dedicated executive directors responsible for driving forward each of our vision's five priorities. 	<ul style="list-style-type: none"> ✓ We have a Transformation Strategy programme, with a Senior Responsible Owner identified for each of our vision's five strands. ✓ As part of the Firm Foundations Strand we have already implemented a rigorous new bi-annual management assurance regime, commenced improvement to our risk management framework, implemented a new information management system and are reconfiguring our corporate services directorate with an emphasis on partnership and raising standards.
<ul style="list-style-type: none"> We have an agreed medium-term resource plan. 	<ul style="list-style-type: none"> ✓ We are developing our medium-term resource plan to support our Spending Review 2020 bid.
<ul style="list-style-type: none"> We have achieved a positive outcome from our Tailored Review. 	<ul style="list-style-type: none"> ✓ We successfully engaged with the HMT governance team in their delivery of the Tailored Review of the Agency, and now await their formal report.

Case study: Developing and implementing new assurance tools



In 2019-20 we made significant improvements in our own governance and internal control environment through the bespoke development of two assurance tools. Since their implementation, we have been approached by a number of customer organisations seeking to adopt and develop them for their own use.

First, we developed and improved our 'Management Assurance Framework'. This lays out our objectives and the associated risks to their successful delivery. It then provides a detailed means by which we ensure that we have adequate assurance that those risks are being mitigated using the 'Three Lines of Defence' model:

- 1st line of Defence: Local management checks
- 2nd Line of Defence: Internal secondary checks
- 3rd Line of Defence: Independent assurance

We used this model to help us to identify any gaps in assurance which the GIAA Head of Internal Audit has fed into the 2020-21 plan for the Agency's internal audit team.

We then developed a new, more efficient, 'Management Assurance Reporting' regime. This lays out some 60 control statements against which we assess ourselves twice a year, at mid-year and year-end. Each statement has clear criteria for rating how well we are doing, which provides a consistent evidence-based picture of the state of our governance and control environment. All of our Directorates are involved and self-assessments are subject to a rigorous 'check and challenge' process.

This new regime has really helped us to identify where our control weaknesses are and what we must do to improve them. We also used the outcome of the year-end exercise to support the contents of the Accounting Officer's 2019-20 Governance Statement.

We are being Built on Firm Foundations

Our COVID-19 pandemic priorities

New priorities

In the final quarter of the year, the COVID-19 pandemic has had a far-reaching effect on the Agency and the way it provides services to its customers. Following the declaration of a global pandemic by the World Health Organisation on 11 March 2020, we set up a formal Gold-Silver-Bronze Command structure to lead our response for our people and our customers. This structure has helped us actively to manage the emergency from the Agency's perspective, keep our people safe, and ensure a rapid, flexible response to all ongoing developments both internally and for our customers.

By the time the UK lockdown measures were announced by the Government on 23 March 2020, we had already stress tested our IT platforms and connectivity solutions with a high degree of success. Consequently, when we implemented mandatory homeworking from 19 March, we saw a smooth transition to a new way of working. On 27 March we convened our Board for a special meeting where we formally agreed that the main priorities for the Agency during the pandemic would be:

- Supporting our people;
- Supporting our customers; and
- Preparing for our External Quality Assessment (EQA).

We also agreed that, as far as possible in the current circumstances, we should continue work on the wider set of Agency priorities, but that it was reasonable to slow the pace of delivery, especially in cases where it was necessary to divert resources towards achieving the three COVID-19 priority areas.

Supporting our people

As part of our COVID-19 response for our people, we introduced, over a very short space of time, a range of practical measures, including:

- Information and advice to staff through two Coronavirus hubs on the Agency's intranet site, focused respectively on our people and our customers. Reviewed and updated daily, these hubs include detailed HR guidance on matters such as flexible working and special leave as well as detailing the support available for the purchase of home working equipment.
- The introduction of a fortnightly "checking-in" survey to gauge the physical and mental well-being of our people. Results from these surveys allowed us to respond positively and quickly to particular concerns and to develop a responsive rolling programme of wellbeing-related initiatives.
- Advice on the best use of a range of tools to support homeworking, such as videoconferencing and the delivery of any related training.

- A dedicated email inbox to capture all matters related to the pandemic, including notifications from people diagnosed with COVID-19 or who were self-isolating or shielding.
- Scenario planning and practical preparations for an eventual return to office-based working when it is safe to do so, but also considering how the Agency can optimise smarter working in the future.

Supporting our customers

As part of our COVID-19 Customer response, we are:

- Engaging with customers and quickly re-developing our work plans to support them in managing the risks associated with COVID-19.
- Providing support to chairs of Audit and Risk Assurance Committees to help them consider the questions to be asked in relation to their role as assurance providers to their Accounting Officer.
- Supporting our work to customers by improving our remote working capability.
- Gathering professional auditing guidance in relation to the COVID-19 pandemic for distribution both within and beyond GIAA.

Whilst our response has been targeted at managing the impact of the pandemic on our staff and customers, it has also presented us with an opportunity to develop our capabilities in relation to new, more responsive ways of working which will benefit both the GIAA and our customers in the future.

Preparing for our External Quality Assessment

Our third priority stems from recognition that some of our people may have less engagement activity during the pandemic. This affords us the opportunity of commencing preparation for our mandatory EQA, due to take place in 2020-21, which will provide independent assurance that we work in accordance with Public Sector Internal Audit Standards (PSIAS) and thus on the quality of our work.

Tailored Review of the Agency

In late 2019-20, the Agency was subject to a Tailored Review which was led by our sponsor Department, HM Treasury, and we are now awaiting the conclusions of the formal report.

A Tailored Review is an appraisal of a public body, commissioned by the Cabinet Office, to ensure that it is fit for purpose, set up correctly, well governed, and that it observes high standards of both transparency and efficiency. These reviews generally take place once every five years.

Through a process of evidence gathering, customer interview and robust challenge, the principal aim of the review is to provide assurance that the organisation being reviewed should continue to exist and deliver the type of service for which it was created. Where it is agreed that an organisation should be retained, the review then considers its capacity for delivering more efficiently and the control and governance arrangements in place.

More information can be found in [Tailored Reviews: Guidance on Reviews of Public Bodies 2019](#).

All-Agency Conference 2019



In September 2019 we held our first all Agency conference in Manchester. It was two days of engagement, discussion, and celebration.

We had a variety of speakers, from both inside and outside the Agency which put our work in a wider context. Discussions ranged across all five priority areas of our Strategy, starting with a presentation from a Permanent Secretary in one of our customer Departments. We explored our culture and what we would like it to be, using the 'cultural web'. Relating to impact and quality, we heard four case studies, showcasing the difference we have made for our customers through our work in internal audit, CF&I and our European assurance work, bringing to life "better insights, better outcomes".

We launched our new values and behaviours at the conference, following a series of consultative workshops across the country. This was only the first step, as we are now working to firmly embed and live these values. Finally, we ended the conference by considering the challenges and opportunities arising from artificial intelligence, encouraging ourselves to be ambitious on innovation.

Our people's success

Awards

We are proud when our people are successful – whether by passing exams and gaining their professional qualifications, by representing the Agency or their professional body at a conference in the UK or overseas, contributing to an academic study, or when they simply receive positive feedback for a job well done from our customers or other external stakeholders. The impact is even greater when our work is recognised and rewarded in a wider arena.

The GIAA Visionary Awards 2019

In 2019-20, we introduced the GIAA Visionary Awards to recognise excellence and celebrate the contributions made by our people towards realising our vision and our commitment to diversity and inclusion. Awards were given for the following categories:

- **Demanding on customer impact:** The DWP Vulnerable Claimants Engagement team for their work on a very high-profile review and the European Team for their high-quality work despite the uncertainties of Brexit (joint winners).
- **Unleashing our people's talent and confidence:** Hannah Plowman, from our DEFRA team, for coaching and mentoring her new colleague and her overall focus on supporting the team's trainees.
- **Uncompromising on quality:** The Quality Assurance Compliance Check Team for creating a lasting legacy for the Agency through their total quality management approach, which has improved the quality of the Agency's audit work.
- **Ambitious on innovation:** ICT and Estates Team for embracing innovation in areas such as; the creation of the 10 Victoria Street office space, pioneering IT developments and knowledge management and delivering cost savings and service improvements.
- **Built on firm foundations:** Kim Cowell, from our Centre of Government team, for working tirelessly to ensure that clients get the best service they can and supporting colleagues to be the best they can.
- **Diversity and inclusion:** Abdul Choonka and Sandeepka Pensom for their work as joint chairs of the GIAA Ethnic Minority (GEM) Network, striving to ensure that ethnic minority colleagues are represented, respected and recognised corporately. Glyn Ellis Hughes for going over and above to ensure diversity is a regular, visible and valuable part of our communications. (joint winners)

Government Finance Function Awards 2020

- **The Iain Rolland Award for Outstanding Contribution:** Joanne Adamczyk, Programme & Project Management Centre of Excellence for her work on the HS2 Improvement Project review, informing readiness for HS2's notice to proceed. Her findings were well received by all parties involved.

IIA Audit and Risk Awards 2019

- **Outstanding Team Public Sector:** GIAA BEIS/DCMS Team for overcoming the challenges of a new, unfamiliar, fast moving government environment preparing for EU Exit through new flexible approaches to auditing, along with improved supporting governance and communications.

GIAA Charity Committee



Charity Committee



Led by a team of volunteers, our committee organises fundraising and volunteering activities by GIAA colleagues across the country by promoting and coordinating charity, awareness and volunteering campaigns and organising GIAA volunteering days.

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

- Supporting Jeans for Genes at our first GIAA conference.
- Our Head Office held its own bake-off competition, in support of a number of cancer charities.
- Our Central Area team had a cake eating event for Crisis.
- Our team in Bootle held a coffee morning in aid of MacMillan Cancer Support.
- Our Centre of Government Team all wore yellow to work, to support the Charity for Civil Servants.

Many of our teams took part in various volunteering days, cleaning up beaches, gardens and woodlands in various locations across England and Wales, and a number of our colleagues supported other areas of the public sector, for example by acting as school governors, academy trust board members and hospital or social care volunteers.

Our other achievements

Correspondence

During 2019-20 we received the following correspondence:

Correspondence by type	Total received	Late response
Freedom of Information Requests	43	2
Data Protection Act Requests	7	0
Complaints	11	0
Other Correspondence/ Enquiries	134	0
Grand Total	195	2

All correspondence requiring a response was handled within time requirements, except for two Freedom of Information Requests, one of which was one day late due to a systems access issue. The other was 19 days late as it had not been correctly recorded in the Agency’s correspondence tracker, resulting in a failure to follow-up with the team dealing with the response. The tracking system has since been improved to prevent similar tracking errors in future.

Payment of suppliers

We are committed to paying all invoices not in dispute within agreed contracted timescales or 30 days of presentation of a valid invoice, whichever is earlier. During 2019-20, we paid 92% of all undisputed invoices within 5 days of receipt and 99% within 30 days (2018-19: 85% 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, the data for the GIAA is included in the consolidated Treasury Group Annual Report and Accounts.

We do not own or operate our own estate. In 2019-20, 20% of our people were based in 10 Victoria Street, London, (10VS) and the remainder were based in customer buildings in various locations across England, Wales and Scotland. We use services in these locations under memoranda of understanding arrangements with BEIS (in the case of 10VS) and other customer departments, and these include services such as printer consumables, waste services and water. Whilst not owning or managing our own estate, we are committed to supporting our customers in meeting their greening government targets for 2019-20. Examples include:

- Embedding the use of MS Teams, Skype and virtual meeting rooms within the Agency has reduced the need for colleagues to travel for meetings internally and with clients. This has been of particular importance given that all GIAA staff transferred to working from home in March 2020 as a result of the lockdown caused by the COVID-19 pandemic. In 2019-20 we spent £1,216k on travel and subsistence, travelling 2,406k km and accumulated a 100k CO₂/KG carbon footprint for land, rail and air travel.
- Recyclable waste and utensils. For example, within 10VS 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, reducing reliance on paper and overall paper consumption. An awareness campaign took place during the period to remind staff of the impact of using paper and championed the benefits of paperless working. In 2020 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 the wider government estate.

Next steps in delivering our vision

Here we report our progress in 2019-20 and outline the next steps to fully deliver our vision in 2022.

2019-20

2019-20 was a year of consolidation and focused action. As well as continuing to deliver a high-quality service to our customers, we have developed a strategy implementation programme that will continue to guide our activity over the next year as we work to deliver our vision. Putting us on a firm footing, this year we have introduced our new values, which we are working to embed across the Agency. We have defined our customer offer, having developed a service catalogue which presents our range of services. To better develop our people, we have progressed our workforce strategy, beginning work on developing our skills framework and learning passport, as well as work on harmonising legacy terms and conditions brought across to the Agency by teams when they joined from different departments.

To improve the quality of our service to customers, we have identified indicators which allow us to baseline what we mean by quality. This has been harnessed, along with results of the Function Quality Survey, to develop a strategy to strengthen our relationships with our partners. In addition, we progressed our aim to deliver deeper, more relevant insights on a cross-government level. Through undertaking a pilot engagement exercise, we have set our approach to introduce more cross-government insight during 2020-21.

2020-21

2020-21 will build on the progress we made in 2019-20, with many of our programmes seeing continued development. We will further develop our cross-government insight strategy by testing our offer with customers to demonstrate how these services are adding value. Our workforce strategy will produce a pipeline of talent through furthering our apprenticeship scheme and interchange opportunities across government, as well as raising professional standards by developing our current workforce through embedding our skills framework and learning passport. We will begin to implement our long-term innovation strategy, developing our data analytics abilities to use within our audit and counter fraud work. Our people will feel fully part of delivering our vision and our customers will feel the benefits. Diversity & inclusion will be at the heart of our people offer, with practical action to unleash the talent of everyone in GIAA.

2021-22

2021-22 will see us move closer to delivering our vision. Our work in the previous two years will allow us to implement in full our cross-government assurance and insight strategy, ensuring our work is targeted at the full range of customer needs. We will further raise our people's skills through continuous development and training, to deliver high-quality engagements and ensuring our customers feel an increasingly positive impact year on year. Having worked hard to innovate and raise quality, we will further develop our expertise in all sources of assurance in government. We will also continue to make our internal processes more efficient and effective. We will be considered as an organisation that is exceeding expectations with exemplary supporting frameworks. Our people will be proud of the work they do, and the organisation they represent.

More Information

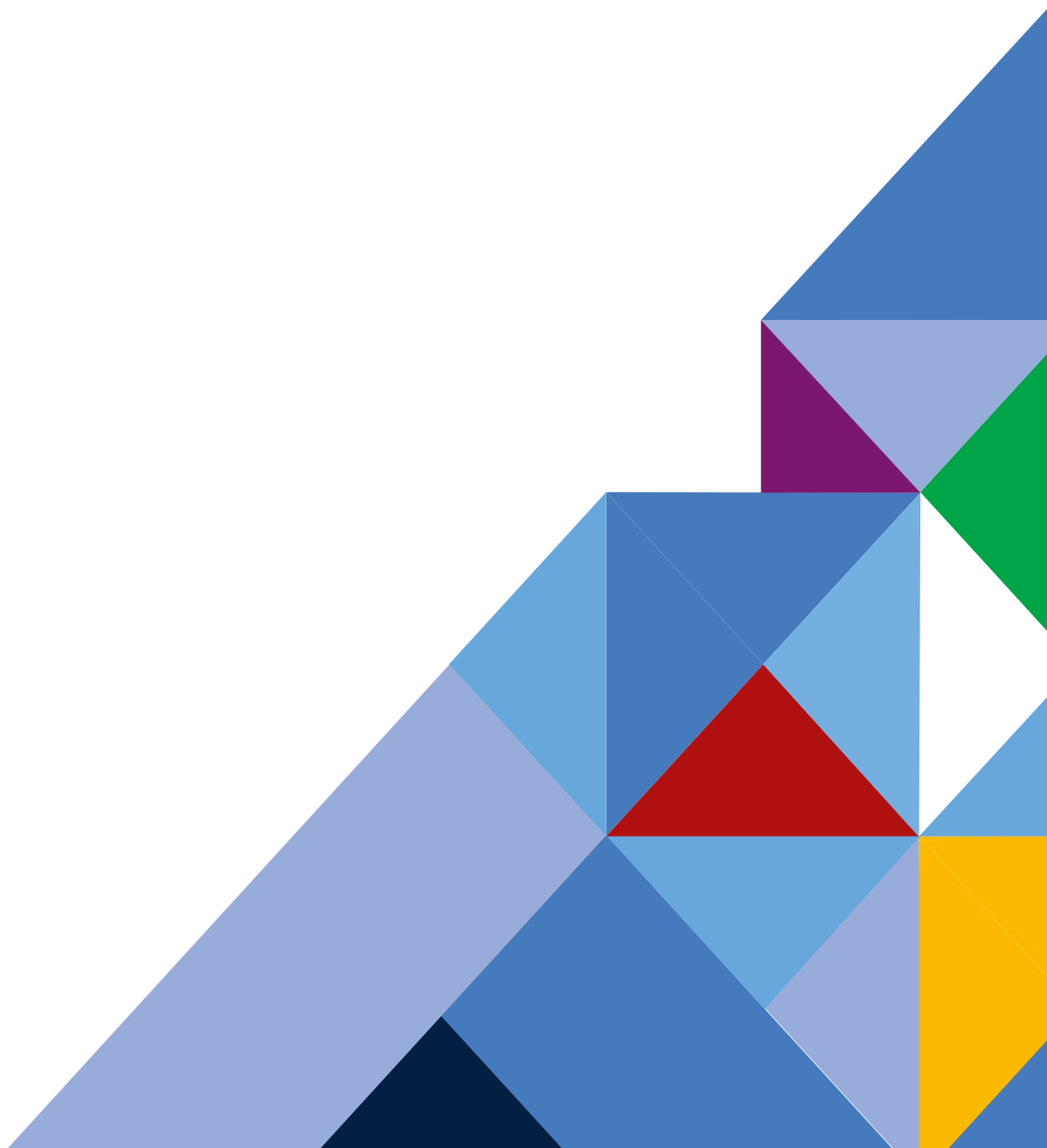
Further details about our vision and Corporate Plan, and links to other GIAA publications, can be found on www.gov.uk.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Elizabeth Honer
Chief Executive

13 July 2020

2. Accountability report



Corporate governance report

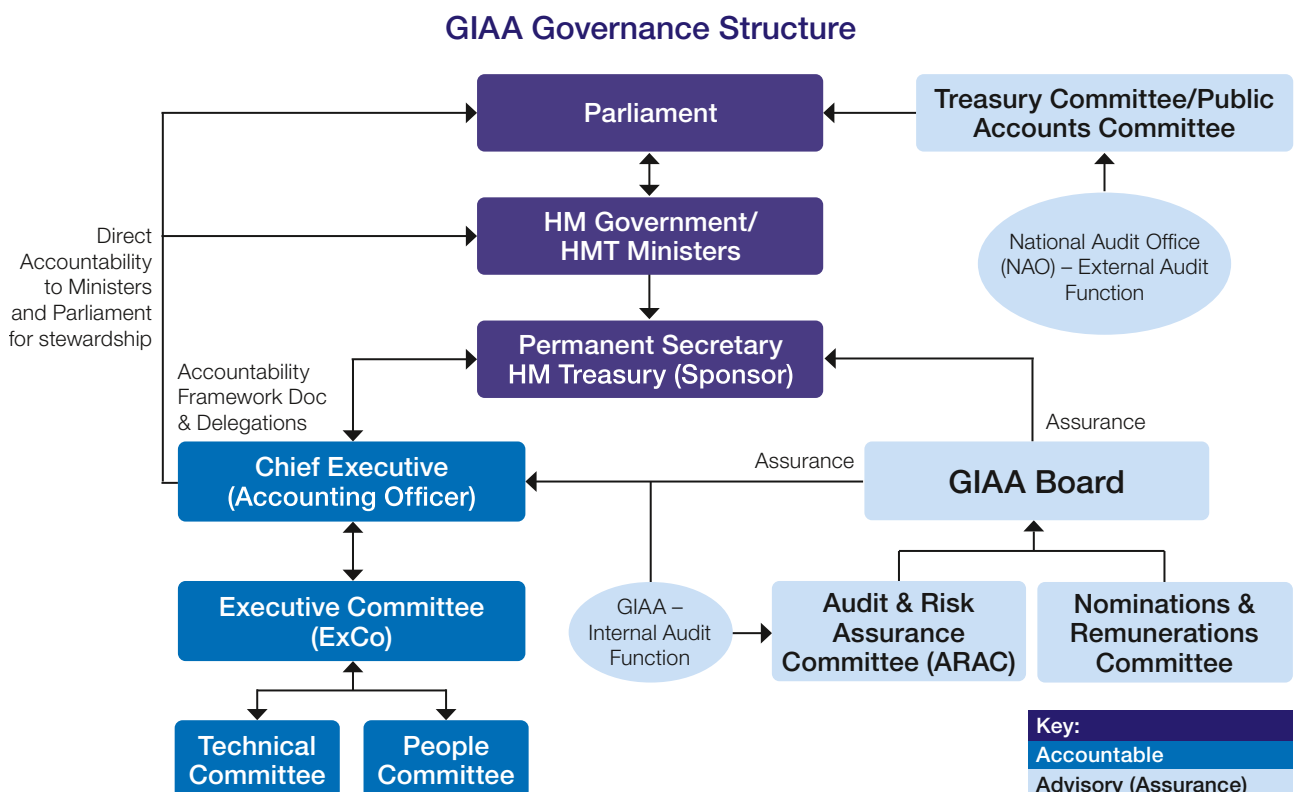
Director's report

Our governance framework

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

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

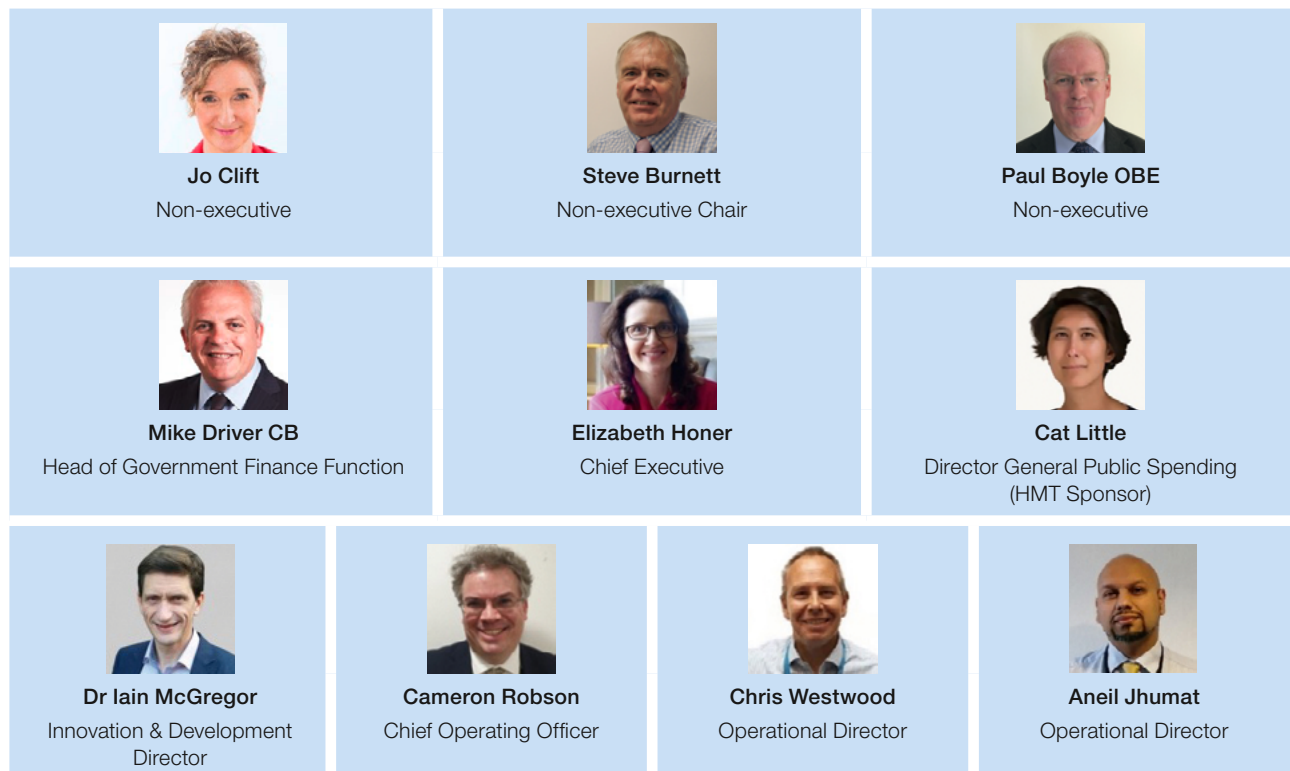
Our top-level governance structure is depicted below, and includes an Agency Board, Audit and Risk Assurance Committee (ARAC) and Nominations and Remuneration Committee (NRC). Second tier governance consists of the Executive Committee (ExCo) supported by the Technical Committee and the People Committee.



Agency Board

Our Board, which is led by Steve Burnett as Non-Executive Chair, provides advice to the Chief Executive on the strategies and governance of the Agency, with a view to its long-term health. The Board also supports the Accounting Officer in discharging her obligations set out in HM Treasury's *'Managing Public Money'* document, which sets out the requirements for the proper conduct of business.

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. Membership of the Agency's Board, as at 31 March 2020, is shown below.



Cat Little was appointed as HMT Sponsor in March 2020, succeeding James Bowler. Iain McGregor was appointed to the new role of Director for Innovation & Development in October 2019.

Aneil Jhumat was appointed as Operational Director for Health & Home Affairs Directorate in September 2019, succeeding Linda Costello who is now Director of Internal Audit for Department for Work & Pensions.

Cameron Robson was appointed as Chief Operating Officer in September 2019, following the death of Emily Collett who was appointed as Chief Operating Officer in June 2019, succeeding Matt Armstrong.

Biographies of each board member are available on www.gov.uk/giaa.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) comprises the three Non-Executive Board Members, chaired by Paul Boyle.

The purpose of ARAC is to provide assurance to the Accounting Officer and Board that the Agency's system of governance, internal control and risk management is sufficiently robust to support the Agency in the delivery of its objectives. The Chief Executive, Chief Operating Officer, Head of Internal Audit (HIA), a representative from our HMT Sponsor Division and representatives of the National Audit Office (NAO) also attend each meeting.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee (NRC) also comprises the three Non-Executive Board Members, with Jo Clift as chair. The purpose of the NRC is to provide independent oversight of Senior Civil Servants (SCS) pay and incentives, and nominations within the Agency. The Chief Executive, Chief Operating Officer and Head of Human Resources are ex officio attendees at meetings of the NRC. The HM Treasury Senior Sponsor and Operational Directors also attend some meetings, as required.

Executive Committee

The Executive Committee (ExCo) is the top-level decision-making governance body within the Agency. Chaired by the Chief Executive, 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.

People Committee

The People Committee reports to ExCo and its purpose is to provide strategic oversight of our workforce strategies and policies. The committee also helps our Human Resources team formulate and implement policies, and provides a forum for consultation with our people. Meetings are chaired by the Chief Operating Officer and are attended by the Head of Human Resources 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 and longer-term workforce strategy.

Technical Committee

The purpose of the 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 Professional Practice. During 2019-20 the Technical Committee's role was superseded by the work of a Quality Project Board which will be formally subsumed into the Governance Structure in 2020-21.

Register of interests

The Agency maintains a register of interests for non-executive board members and Senior Civil Servants in the Agency, which is updated at least annually.

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

We also maintain a gifts and hospitality 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 are held securely within the Agency where it pertains to its people. In the context of audit services, we hold some additional customer data. Measures have been implemented during the period to improve the way GIAA transmits, stores and manages information, including migration to Microsoft SharePoint. With the decommissioning 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 will continue throughout 2020-21.

To prepare for the introduction of the General Data Protection Regulation (GDPR), we completed a preparatory assessment against the requirement and found no significant issues. We continue to develop our GDPR processes, around subject access requests (SAR's) and the introduction of data protection impact assessments for systems which hold personal data. We continue to develop our staff knowledge by delivering mandatory training to all staff.

In 2019-20, there were two security incidents raised to HM Treasury due to lost laptops. There were no personal data breaches during the period.

Auditors

We are audited by the Comptroller and Auditor General, with a notional audit fee of £60k (2018-19: £55k).

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 appointed the Chief Executive 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.

As Accounting Officer, I confirm that:

- as far as I am aware, there is no relevant audit information of which the Agency's auditors are unaware;
- I have taken all steps that I ought to have taken to make myself 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
- I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

Governance statement

As the Accounting Officer for the Government Internal Audit Agency, I acknowledge my responsibilities for ensuring that there is a sound system of governance, risk management and internal control that supports the Agency's aims and objectives and operates in accordance with the responsibilities laid out by HM Treasury in *Managing Public Money*.

This governance statement explains how I have discharged these responsibilities and 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 2019-20. 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.

Agency Board

The Board has provided advice on the delivery 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 7 times in 2019-20 and considered a range of issues, including:

- Overall performance and strategic risks, including financial reports;
- Performance against the priorities laid out in the Agency's Corporate Plan 2019-22;
- Budget setting for 2019-20, and later in the year for 2020-21;
- A Tailored Review of the Agency by the Cabinet Office and HM Treasury;
- Implications of EU Exit for the provision of our services;
- Preparation for the Agency's External Quality Assessment in 2020-21;
- Case studies in customer insight;
- The appointment of three new Directors to the Board;
- Customer feedback; and
- A new Board Operating Framework.

Towards the end of the year, in March 2020, the Board provided support and assurance to me concerning urgent arrangements developed within the Agency to deal with the impact of the COVID-19 Pandemic on our staff and customers. A Special Board Meeting was convened specifically to discuss the impact of the pandemic.

The pandemic resulted in a delay to the production of an Annual Report from the Board along with its annual effectiveness survey, both of which will be taking place in Autumn 2020. We also chose to delay

publication of our Corporate Plan pending a review of our priorities in light of the changed external environment. This will be published in the Autumn of 2020.

Audit and Risk Assurance Committee

ARAC provided support to both the Board, and to me 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.

The Committee met 5 times during 2019-20, and considered the following:

- The 2018-19 draft Annual Report and Accounts, and associated outcomes of external audit reviews;
- The 2018-19 Governance Statement and associated assurance mechanisms;
- Progress against the annual internal audit plan and the outcomes of work by the internal auditors; and
- Executive reports on developments in governance, management assurance and risk management within the Agency.

The Committee will agree its Annual Report to the Board and will be undertaking a survey of its own effectiveness in Autumn 2020.

Nominations and Remuneration Committee

The Agency's Nominations and Remuneration Committee (NRC) met once in 2019-20 to consider matters related to Senior Civil Service remuneration.

Executive Committee

During 2019-20, the Executive Committee (ExCo) convened substantively on 21 occasions (including two people-specific meetings) to monitor and make decisions on performance, strategic risks, corporate plan delivery, and our approach to a range of significant issues including our impact on customers' control environments, ensuring the quality of our engagements, monitoring and influencing delivery, agreeing the Agency's operating budget, and other governance matters.

Attendance by directors at governance meetings

Table 1, below, provides an overview of Members' attendance at meetings of our principal Governance bodies.

Table 1: Directors' Attendance at Governance meetings in 2019-20

	Non-executives				HMT Reps		Executives							
	Steve Burnett	Paul Boyle	Jo Clift	Mike Driver	James Bowler	Cat Little	Elizabeth Honer	Matt Armstrong	Emily Collett	Linda Costello	Aneil Jhumat	Iain McGregor	Cameron Robson	Chris Westwood
Board	7/7	7/7	6/7	4/7	3/6	1/1	7/7	2/2	1/1	2/2	4/4	3/3	4/5	7/7
ARAC	5/5	5/5	5/5				5/5	2/2	1/1				2/2	
NRC	1/1	1/1	1/1		1/1		1/1		1/1	1/1				1/1
ExCo*							21/21	4/4	3/3	19/21	12/12	11/11	13/14	20/21

* ExCo meetings includes two people-specific meetings in 2019-20.

Risk management

Our ExCo and our management assurance self-assessment exercise recognised that improvements were required to our risk management system. I also agreed that this area should be reviewed by our own internal auditors. We now have an improvement plan in place and a new Strategic Risk Register and assurance map using a fresh approach. Further improvements, including a completely refreshed risk management policy, will be rolled out during 2020-21.

Our refresh confirmed that our risks include those that would be expected in any audit delivery organisation, along with those pertinent to our role across government:

- **Audit Delivery.** A failure to ensure that internal audit engagements are delivered consistently across the year

resulting in customers not receiving timely recommendations and in unmanageable workloads at year-end.

- **Quality.** The GIAA fails to adopt quality standards and ways of working in delivering its engagements leading to a major breakdown in risk management/controls in a customer which GIAA did not detect/predict or systemic issues being identified in an external quality assessment which results in reputational damage.
- **Insights.** The GIAA fails to identify and communicate key insights from its work in relation to individual customers and the cross-Government perspective, including those areas related to the EU Exit and COVID-19, resulting in a perception of poor value leading to reputational damage.

- **Customer Relationships.** The GIAA fails to manage its customer relationships leading to poor engagement which results in an inability of customers to consider us as a relevant, proactive partner who adds value to their outcomes.
- **Capability.** A failure to plan future workforce requirements properly and implement sound recruitment and retention strategies, which also meets our ambitions on diversity and inclusion, leading to a gap in the necessary skills, capability, capacity of people in the right locations for delivery in the future.
- **Governance.** Inadequate/ineffective governance leading to a failure in internal control resulting in reputational damage and qualified accounts.
- **Technology.** Ineffective information technology leading to inefficient and ineffective processes resulting in loss of staff engagement and difficulties in retaining and attracting the capability we need.
- **Financial control.** Poor financial control of expenditure and/or reductions in income leading to financial deficit or inappropriate surplus resulting in breach of Accounting Officer delegations and/or qualified accounts.
- **Commercial.** Lack of robust commercial and contract management resulting in supplier agreements not being in place when required or poor value for money/quality being received from suppliers.

Our Strategy, supported by our Corporate Plan, has been designed to address these strategic risks. While it will go some way to mitigate the likelihood and impact of these risks, it will not eliminate them entirely. 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 each month at directorate management team meetings.

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

Whistleblowing arrangements

We have an established whistleblowing policy which is shared with our people on our intranet. 81% of our employees confirmed in the annual people survey that they were aware of how to raise concerns under the Civil Service Code. There were no whistleblowing instances during 2019-20.

Counter fraud arrangements

We have made good progress towards meeting the requirements of the Government Functional Standard for Counter Fraud in establishing clear governance arrangements and accountabilities to ensure that the necessary structure, resource and capability is in place. The Chief Operating Officer is the accountable officer at Board level, being responsible for the Agency's counter fraud response and performance in combatting fraud.

The accountable officer is supported by a senior lead for counter fraud who is responsible for the day-to-day management of the fraud, bribery and corruption risk. This role is undertaken in the Agency by a member of the Government Counter Fraud Profession as required by the Government Counter-Fraud Standards. This ensures that the role is carried out by someone with the expected level of counter fraud experience, competency and understanding, including

a detailed knowledge of fraud and the associated risk, prevention, detection and deterrence techniques.

During 2019-20 the Agency also developed and implemented a new Counter Fraud Strategy. Informed by GIAA's fraud risk assessment, this establishes the Agency's approach to countering fraud over the next 3 years and strengthens GIAA's ability to manage the fraud, bribery and corruption risk, and comply with the requirements of the Government Functional Standard.

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 policies and procedures, including their own responsibilities. The security of customer data remains of critical importance throughout audit and corporate operations.

We align to the HM Treasury policy and plans for business continuity. We undertook a business continuity exercise in December 2019 and will perform another exercise in 2020-21. We also successfully tested the resilience of our IT and telephony systems in March 2020 in preparation for the imminent government instruction to work from home as a result of COVID-19. We have reviewed and developed our local business continuity plans in all locations where we operate.

Our IT and HR teams have worked together to embed the technology and processes needed to perform the overwhelming majority of operational work and all corporate back

office activities remotely. We have initiated a Safe Return to Office project to consider the longer-term options for repatriation of our office space at an appropriate time. The health and wellbeing of all involved is the Agency's first priority, and we are consulting with staff, landlords and clients to keep staff safe while delivery quality and productivity is unaffected.

Management information and data quality

During the year we further improved our management information relating to operational delivery and financial performance. Information taken from our audit management and financial reporting systems is relatively robust, although issues are still occurring in relation to timeliness of data entry. This will be tackled further during 2020-21.

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 regularly attend Board or Executive Committee meetings, although he receives the papers for all meetings and there is a standing invitation for specific items of interest. He meets regularly with me, with our Chief Operating Officer and with the Chair of the GIAA ARAC.

- There are no non-Board non-executives on ARAC because the non-executive Board Members are considered to have the appropriate level of skills and experience.
- 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 will each produce an annual report covering 2019-20, although these will be delayed due to the COVID-19 Pandemic. However, principal activities, taken from the minutes of meetings, have been included in this Statement.
- Neither the Board nor ARAC undertook a review of effectiveness during 2019-20 due to a temporary reduction in support caused by staff turnover in the Board Secretariat and, latterly, the COVID-19 pandemic. These reviews are planned to take place during 2020-21 subject to priorities related to the impact of the COVID-19 pandemic.

Assurance arrangements

The main sources of assurance for the Agency during 2019-20 were:

- A new management assurance exercise involving all Executive Directors which will take place twice a year. This involves challenge sessions led by the Chief Operating Officer and me with each Director to go through their own self-assessment reports. These reports are now supported by consistent evidence criteria with a set ratings scale. The final challenge session for the year was led by the ARAC Chair. This has provided me with more robust assurance about Directors' individual areas of responsibility and a better understanding of cross-Agency areas for improvement.
- Internal Quality Assessment exercises based on sample reviews of completed work to check compliance with audit methodology. These reviews are led 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 led by the Head of Internal Audit for the Agency.

We have developed a full map of our assurance sources using the three lines of defence model to identify gaps or duplication in the use of our assurance resources more clearly.

The primary outcomes from these assurances are set out below.

Management assurance

The management assurance process provided a comprehensive self-assessment of control within the Agency at year-end. This helped to confirm areas of compliance as well as identify some areas for improvement, the themes of which were:

- Risk Management – the need to improve the risk management framework so that risks are actively identified and managed and that risk processes are properly embedded across the Agency.
- Corporate Policies – the need for our policies and guidance to continue to be reviewed and developed so that we have sound points of reference as a building block to improved compliance.

- Information Management – the need to improve knowledge and information management across the Agency, with clear roles and responsibilities for all staff, embedded through training and communication.

Audit quality assurance

The Agency has an audit methodology in place that aligns with PSIAS. We operate a robust quality assurance regime internally, which follows the three lines of defence model. Local audit managers, our Professional Practice team and our Internal Audit team all have roles in assuring the quality of our work. We undertake an annual internal quality assessment, which considers our adherence to the requirements of PSIAS. The Agency is also required to receive an independent External Quality Assessment (EQA) every five years. This is next due to take place in 2020. In terms of assessing progress with audit delivery against agreed plans, ExCo receives monthly management information that enables it to check and challenge progress and agree any remedial actions in-year.

Assurances from HM Treasury

Appropriate assurances regarding the effectiveness of controls in respect of our HR, IT and security services were received from HMT. 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.

In 2018-19 our Internal Auditors reported areas for improvement as follows:

- Further embedding our New Audit Methodology and Management – during 2019-20 we have undertaken regular quality assessments with positive outcomes, and we have also further improved our methodology to provide greater impact through improved customer reporting templates.
- Improving corporate processes – we improved a number of processes in 2019-20 and will continue strengthening corporate controls in 2020-21.
- Culture of compliance – this is an area that still requires focus for 2020-21.
- Customer relationships – we have developed our methodology further in 2019-20 but our work in strategic customer relationship management remains an area that needs to improve further.

For 2019-20 the HIA has provided an overall ‘Moderate’ opinion on the framework of governance, risk management and control within GIAA. The HIA reported that the Agency continued to make improvements to the governance, risk management and control environment. His report recognised that there were some aspects of control where further improvement could be made as outlined below:

- Embedding change – Work needs to be done to embed changes more effectively once processes are implemented so that they are consistently applied across the organisation and can help the Agency to improve as a result.
- Building firm foundations – There is still some scope to continue to increase the effectiveness of the Agency’s processes

and systems such as those supporting robust management information, health and safety and cyber security.

- Compliance culture – Several issues were identified around guidance, communications, learning and consistency that hindered our people’s ability to comply fully with corporate processes and the audit methodology. Refresher training for our auditors helped to address compliance with the methodology. Some progress has been made in improving compliance with corporate processes through clearer communications about what needs to be done by staff and why, but more work remains to be done.
- Developing and engaging our people – we have focussed considerable attention on this over the year and, as a result, have increased our engagement score on the Civil Service People Survey by 6 points. We will look for further improvement in this area.
- Records management – we introduced a new electronic documents and records management system in 2019-20 that has gone some way to improve record keeping. We are not complacent in this area and will continue to ensure that improvements are properly embedded.
- Customer Relationship Management (CRM) – we continue to develop our approach to CRM. Our ‘service catalogue’ is in development to support a consistent offer to customers. We are also developing our communication activities with customers.

Improvements since the 2018-19 Governance Statement

Looking back on my conclusions in the 2018-19 Governance Statement, I highlighted five priority areas as follows, with good progress having been made:

- Management information – as previously mentioned, we have made good progress in improving management information in the Agency. We still need to tackle elements of timeliness and data quality as part of continuous improvement. We are also developing a framework of performance indicators to assess whether the actions we are taking to implement our strategy are leading to the improvements intended.
- Compliance culture – this continues to be recognised as an issue which we will be tackling further in 2020-21.

Conclusion

We have made significant progress in tightening our governance and controls during 2019-20. I am determined that we will continue to drive forward improvements to ensure that we are an exemplar of the standard we would expect to see when we audit our customer organisations.

Many of the areas for improvement are already included as deliverables in our 2019-22 Corporate Plan and are the subject of considerable work. Looking across the areas identified in this report, I have identified the following improvement priorities for specific focus during 2020-21:

- Compliance culture – improving compliance with our agreed processes and quality standards, both in our core operations and in our corporate processes. The priority we are giving

to preparing for our External Quality Assessment will help here, which includes clear communication of responsibilities and expectations, training and development and internal quality reviews. In terms of corporate requirements, including such areas as health and safety, I am looking to our more robust internal management assurance and related action plan to make a significant contribution.

- Risk management – ensuring active risk management across the Agency through roll out of our new risk management framework and related policy and processes.
- Change management – giving focused attention to how we really embed the changes we are making to achieve our vision, so that new ways of working, new systems and new processes deliver the processes and improved outcomes intended.

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.

As at 31 March 2020, all Executive Board Members, other than the Director of Innovation and Development who is on a fixed term contract, 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 the work of the Review Body and copies of their

annual reports can be found on the SSRB 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. The remuneration of GIAA's senior civil servants is determined by the Agency's 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.

Executive Board Members Remuneration

Table 1, below, details the elements making up the total remuneration for Executive Board Members of the Agency. Further information about each of the separate elements is detailed later in this section.

Table 1: Executive Board Members remuneration (this information is subject to audit)

Name and Role	2019-20				2018-19			
	Salary (£000s)	Performance Bonus (£000s)	Pension Benefits (£000s)	Total (£000s)	Salary (£000s)	Performance Bonus (£000s)	Pension Benefits (£000s)	Total (£000s)
Elizabeth Honer* Chief Executive	140-145	5-10	56*	200-205	70-75 (140-145 FYE)	–	22*	90-95
Cameron Robson** Interim Operational Director and Chief Operating Officer (8 Jul 19-31 Mar 20)	65-70 (90-95 FYE)	5-10	87	160-165				
Emily Collett*** Chief Operating Officer (24 Jun 19-24 Aug 19)	15-20 (90-95 FYE)	5-10	12	35-40				
Matt Armstrong Chief Operating Officer (1 Apr 19 to 9 Jun 19)	15-20 (90-95 FYE)	–	8	25-30	85-90	5-10	92	190-195
Chris Westwood Operational Director	100-105	10-15	15****	130-135	110-115	10-15	15***	135-140
Linda Costello Interim Operational Director (1 Apr 19-14 Jun 19)	20-25 (100-105 FYE)	5-10	8	30-35	95-100	5-10	38	140-145
Aneil Jhumat Operational Director (16 Sep 19-31 Mar 20)	55-60 (105-10 FYE)	–	22	75-80				
Iain McGregor Director of Innovation (14 Oct 19-31 Mar 20)	60-65 (130-135 FYE)	–	24	80-85				

* Elizabeth Honer pension relates to the Alpha scheme contributions whilst employed by GIAA. Employer Pension Note 597 states that pension rights related to prior service should only be disclosed once an option to aggregate current and past rights has been made. The paperwork to do so was completed after 1 April 2020, and accordingly these will be disclosed next year.

** Cameron Robson was Interim Operational Director for the period 8 July 2019 – 6 October 2019; Interim Chief Operating Officer 7 October 2019 -31 December 2020; Permanent Chief Operating Officer 1 January 2020 – 31 March 2020.

*** Emily Collett was employed by the Cabinet Office prior to joining GIAA in June 2019. During 2019/20 Emily Collett was also paid a bonus of £8532 in relation to her previous role before she joined GIAA. This payment is not included in this table as it does not relate to her time as Chief Operating Officer in GIAA.

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

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 accrued 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 in Table 1. These are instead included in the salary, allowances and taxable benefit table. None of the Executive Board members received any benefits in kind which require disclosure in Table 1.

Performance bonus

Bonuses for the Senior Civil Service are based on performance levels attained and are made as part of the appraisal process under central guidance. Bonuses relate to the recipient's performance in the year in which they become payable to that individual.

The Agency awarded ten non-consolidated performance-related bonus payments to its SCS during the 2019-20 appraisal year (compared to 9 awards in 2018-19).

Pay multiples (this information is 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 2019-20 was £140-145,000 (2018-19: £140-145,000). This was 3.20 times the median remuneration of the workforce, which was £44,583 (full time equivalent) (2018-19: 3.32 times and £42,859). In 2019-20 no employee received remuneration in excess of the highest paid director (2018-19: nil). Remuneration in the Agency ranged from £22,885 to £140-145,000 (2018-19: £22,771 to £140-145,000).

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 2019-20 SCS annual pay award was decided by our Remuneration and Nominations Committee in line with the government's response to the SSRB recommendations. This Committee was attended by the HM Treasury Director General Public Spending and the GIAA Head of Human Resources.

Executive Board Members Pension Entitlements

Table 2, below, details the pension entitlements for each Executive Board Members. Further information about each of the separate elements is detailed later in this section.

Table 2: Pension entitlements for Executive Board Director (this information is 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 2020 (£000)	As at 31 March 2020 – (£000)	As at 31 March 2019 (£000)	
Elizabeth Honer**	2.5-5.0	0-5	64	18	35
Cameron Robson	2.5-5 plus a lump sum of 7.5-10	25-30 plus a lump sum of 60-65	490	407	64
Matt Armstrong	0-2.5 plus a lump sum of 0-2.5	25-30 plus a lump sum of 60-65	448	430	4
Emily Collett	0-2.5	15-20	184	177	6
Chris Westwood*	–	–	–	*	–
Linda Costello	0-2.5	5-10	61	56	4
Aneil Jhumat	0-2.5	0-5	11	0	7
Iain McGregor	0-2.5	0-5	19	0	15

* Chris Westwood participates in a partnership pension.

** Elizabeth Honer pension relates to the Alpha scheme contributions whilst employed by GIAA. Employer Pension Note 597 states that pension rights related to prior service should only be disclosed once an option to aggregate current and past rights has been made. The paperwork to do so was completed after 1 April 2020, and accordingly these will be disclosed next year.

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. 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).

In December 2018, the Court of Appeal ruled that 'transitional protection' offered to some PCSPS scheme members gave rise to unlawful discrimination. The Chief Secretary to the Treasury has confirmed that the difference in treatment will need to be removed. What this means in practice has not yet been determined.

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. 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 PCS or **alpha** – as appropriate).

Further details about the Civil Service pension arrangements can be found at www.civilservicepensionscheme.org.uk

Staff Costs

The Principal Civil Service Pension Scheme (PCS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes but Government Internal Audit Agency 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. In March 2020, the

government confirmed that alongside its proposals later in the year for addressing discrimination, it will also provide an update on the cost control mechanism relating to Scheme valuation.

For 2019-20, employers' contributions of £5,482k (2018-19: £4,115k) were payable by GIAA to the Civil Service Pension arrangements at one of four rates in the range 26.6% to 30.3%; (2018-19 20.0% to 24.5%) of pensionable earnings, based on salary bands.

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 2019-20 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 £48k in 2019-20 (2018-19: £41k) were paid to one or more of the panel of three appointed stakeholder pension providers. 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 £2k (0.5% of pensionable pay from 1 October 2015) in 2019-20 (2018-19: £1k) 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.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2018-19: £nil). Contributions pre-paid at that date were also £nil (2018-19: £nil).

Non-Executive Board Members' Remuneration

The Agency has five Non-Executive Board Members, two of whom are members of the Senior Civil Service and therefore unpaid by the Agency.

Table 3, below, details the total remuneration for each of the Agency's three paid Non-Executive Board Members.

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

Name	Role	Total Remuneration £0 (000's)	
		2019-20	2018-19
Steve Burnett	Non-executive Board member	20-25	15-20
Jo Clift	Non-executive Board member	15-20	10-15
Paul Boyle	Non-executive Board member	15-20	0-5 (FYE 10-15)

Reporting of Civil Service and other compensation schemes – exit packages

Table 4: Exit Packages* (this information is subject to audit)

Exit package cost band	2019-20			2018-19		
	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	-	1	1
£50,000 – £100,000	-	-	-	-	1	1
Total number of exit packages	-	1	1	-	4	4
Total resource cost	-	49,978	49,978	-	£137,000	£137,000

* Footnote to Table 4: Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. One ex-gratia payments was agreed with HM Treasury in line with the criteria for such payments.

Agency composition

The Agency's authorised headcount was set at the start of the year at 493 full time equivalents (FTEs). GIAA has remained within this authorised headcount value throughout the year. The Agency's composition as at 31 March 2020 is shown in Table 5 below. Including the Chief Executive, the Agency employed 20 SCS (FTE) as at 31st March

2020 – one at Pay band 3, five at Pay Band 2 and 14 at Pay Band 1 (two of which were temporary promotions).

Our complement of SCS posts is primarily driven by the needs of our customers in delivering the agreed audit programmes and reflects further expansion and restructure required by the Agency's Chief Executive in the last 18 months.

Table 5: Agency composition by Full Time Equivalent (FTE) (this information is subject to audit)

Category	2019-20		2018-19	
	Number (FTE)	Cost (£000)	Number (FTE)	Cost (£000)
Staff with a permanent UK employment contract	441	29,145	422	27,560
Other staff engaged on the objectives of the entity (consisting of interim and temporary workers)	23	196	29	137
Total	464	29,341	451	27,697

Note: FTE Numbers rounded to nearest whole FTE.

Sickness absence

The average number of working days lost to sick absence during 2019-20 was 5.43 days (2018-19: 5.3 days). We continued to develop robust 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 the Agency's sickness data to identify and implement further interventions that may be required.

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 is a proud signatory of the Race at Work Charter.

The Agency encourages applications from disabled people, and we guarantee to interview all disabled applicants who meet the minimum criteria for a 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 to stay in their current role or find a suitable alternative, offering a Workplace Adjustments

Passport Scheme 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 be made to the selection arrangements in order to remove any disadvantage resulting from disabilities or protected characteristics.

Table 6 summarises the composition of the Agency as at 31 March 2020.

The Agency is committed to transparent reporting and its gender pay gap is published as part of HM Treasury's Gender Pay Gap Report at www.gov.uk¹. 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.

Table 6: Diversity

Grade	2019-20				2018-19			
	Male	Female	BAME	Disabled	Male	Female	BAME	Disabled
SCS	57%	43%	10%	19%	56%	44%	6%	13%
SCS & G6	57%	43%	8%	11%	58%	42%	8%	10%
Agency Total	50%	50%	17%	12%	51%	49%	11%	8%

Consultants and contingent labour

We utilise contingent labour for a number of purposes:

- (1) to provide project management support to supplement short term development activities;
- (2) for generalist and specialist audit resources; and
- (3) to temporarily fill resource gaps in our teams.

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, BDO, PwC and RSM. We engaged specialist audit contractors during the year at a cost of £4,788k (2018-19: £5,460k). This contract will be replaced in 2020-21.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/860302/Gender_Pay_Gap_report_-_2018_19.pdf

Table 8: Consultants and contingent labour

Category	2019-20 £000	2018-19 £000
Specialist Contractors: Internal Audit	4,769	5,460
Framework Contract Interim and Temporary Workers	196	137
Consultants	19	79

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 2020, 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

	2019-20	2018-19
Number of engagements at year end, and risk assessed	2	2
Of which:		
number of engagements existing for less than a year at the time of reporting	1	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.	2	2
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.	11	13

Facility time for trade union representatives

We recognise three trades unions for the purposes of collective bargaining, consultation and to provide representation and support to individual employees. There

are two local trades union representatives within the Agency who are eligible to record facility time within agreed guidelines, totalling no more than 0.1% of the Agency’s pay bill. In 2019-20 our trade union representatives recorded no facility time, but full disclosures are included below for completeness.

Table 10: Relevant Union Officials

Number of employees who were relevant Union Officials during the relevant period	Full time equivalent employee number
2	2

Table 11: Percentage of time spent on facility time

Percentage of Time	Number of Employees (FTE)
0%	2
1-50%	0
50-100%	0

Table 12: Percentage of pay bill spent on facility time

	Figures
Total cost of facility time	£0
Total Pay Bill 2019-20 (does not include off-payroll costs of contracted interim and temporary workers)	£29,145k
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0%

Table 13: Paid trade union activities

Paid Trade Union activities	£0
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	0%

Parliamentary accountability and audit report

Financial performance

The primary source of the Agency's income is fees from 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 and our leadership of the Internal Audit profession.

While the Agency continues to develop and bring 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, counter-fraud and investigation and assurance services. We agree the level of audit and counter fraud 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 continuing development costs of the Agency.

Total operating income for the year was £37,666k (2018-19: £36,292k) arising from fees for services to our customers.

Expenditure

Our total costs this year were £39,990k (2018-19: £39,041k), consisting of staff costs of £29,157k (2018-19: £27,557k) and non-staff costs of £10,561k (2018-19: £11,464k) and £272k of provisions (2018-19: £0k). Increases in our administration costs year on year reflect the continued expansion of the Agency, as well as further expenditure on our audit methodology and management system.

Permanent staff costs of £29,145k (2018-19: £27,560k) directly relate to the employment of our auditors, counter fraud investigators and other assurance professions, the internal audit policy function, and a team providing corporate services and delivering our development programme. This includes the additional contingent labour employed by GIAA to fill permanent audit resources. 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 £4,789k (2018-19: £5,539k). The Agency additionally employed contingent labour totalling £196k (2018-19: £137k) outside the core framework to provide further audit resources and to fill temporary gaps, primarily in our corporate teams.

We incurred £1,261k (2018-19: £1,270k) in travel and subsistence costs, the majority of which were directly related to audit and counter fraud services delivered to our customers and reimbursed through fees paid to the Agency.

The Agency also incurred a number of administrative costs, which primarily consisted of recharges from other government bodies of £3,078k (2018-19: £2,943k) for services including transactional finance, HR, payroll and ICT services received from our parent body, HM Treasury, and legal advice from the Government Legal Department. In order to support the strategic objective of recruiting and retaining high calibre staff, we invested £174k (2018-19: £178k) and £282k (2018-19: £312k) in recruitment and staff support and related costs respectively.

In relation to customer-facing activities, we generated revenue of £37,666k (2018-19: £36,292k) from our customers against total expenditure of £39,990k (2018-19: £39,041k). The net deficit was therefore £2,324k (2018-19: net deficit of £2,749k) and the difference was met by HM Treasury supply funding as explained in Note 5 to the accounts. As a result, the Agency ended the year with an overall surplus of £976k.

When authorised spending of £350k (2018-19: £350k) on the internal audit policy function and our development programme is taken into account, we recorded net operating expenditure of £2,324k (2018-19: £2,749k). 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 £1,376k (2018-19: £340k) represents the balance of our operating activities and HM Treasury funding.

Financial position

The Agency's balance sheet consists of receivables of £16,677k (2018-19: £14,742k), payables of £15,029k (2018-19: £14,402k) and provisions of £272k (2018-19: £0k).

Our strategy is to use existing arrangements with our customers in other parts of government to meet the majority of our accommodation requirements, and with our parent department to meet most of our ICT needs. As such, the Agency does not own any property, plant and equipment.

Receivables primarily consist of amounts due from our customers, with £11,332k (2018-19: £11,971k) relating to amounts invoiced but not paid at 31 March, and £5,170k (2018-19: £2,612k) relating to services delivered in 2018-19 but not invoiced until the new financial year.

Included in trade and other payables and accruals, totalling £15,029k (2018-19: £14,402k), are advance receipts from customers of £65k (2018-19: £279k). The Agency owed £638k (2018-19: £2k) in taxation, social security and pension payments relating to the March 2019 payroll. The value of untaken holiday leave at 31 March 2020 was £1,045k (2018-19: £998k).

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 which allows us to pay people and suppliers while waiting for customers to pay our invoices. As a result, we owed HM Treasury £9,935k (2018-19: £9,104k) 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

(this information is subject to audit)

The Agency is largely funded through the fees we charge customers for internal audit, counter fraud and investigation 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)
2019-20			
Audit and assurance work	37,666	(39,990)	
Total	37,666	(39,990)	(2,324)
2017-18			
Audit and assurance work	36,292	(39,041)	
Total	36,292	(39,041)	(2,749)

Remote contingent liabilities

(this information is 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 13 to the Financial Statements. There were no contingent liabilities reported in 2019-20.

Regularity of expenditure

(this information is subject to audit)

Our expenditure relates to routine administration costs such as employment costs and the purchase of 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 incurred no expenditure during the year that relies on the sole authority of a Supply and Appropriation Act.

Losses and special payments

(this information is subject to audit)

There was a special payment made for an exit package outside of the terms of CSCS but the value of this was below the reporting threshold. There were no losses incurred or other special payments made during the year. The Agency has not made any gifts during the year.

Long-term expenditure trends

2019-20 was our 5th year of operation but the second 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

A handwritten signature in black ink, consisting of several vertical strokes and a horizontal line at the bottom, representing Elizabeth Honer.

Elizabeth Honer

Chief Executive and Accounting Officer

13 July 2020

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 the Government Internal Audit Agency for the year ended 31 March 2020 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 the Government Internal Audit Agency's affairs as at 31 March 2020 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 related to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Government Internal Audit Agency's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Government Internal Audit Agency have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Government Internal Audit Agency's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Government Internal Audit Agency'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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events

or conditions may cause the Government Internal Audit Agency to cease to continue as a going concern.

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.

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report but does not include 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.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

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.

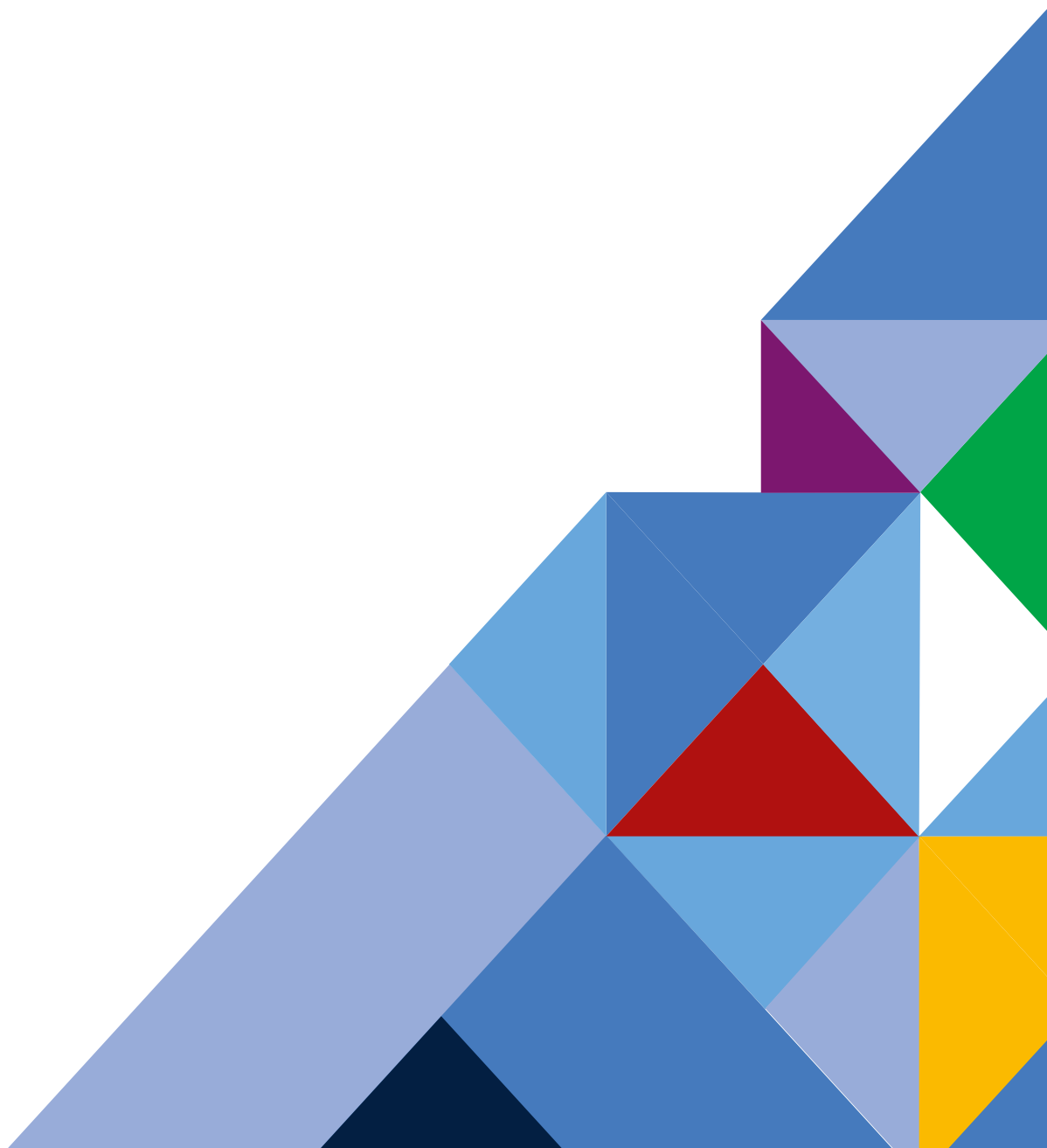
Gareth Davies

16 July 2020

Comptroller and Auditor General

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

3. Financial Statements



Statement of comprehensive net expenditure for the year ended 31 March 2020

	Note	Year to 31 March 2020 (£000)	Year to 31 March 2019 (£000)
Income from sales of services	4,5	(37,666)	(36,292)
Total operating income		(37,666)	(36,292)
Staff costs	2	29,157	27,577
Purchase of goods and services	3	10,561	11,464
Provision Expense	10	272	–
Total operating expenditure		39,990	39,041
Net expenditure for the year		2,324	2,749
Other comprehensive net expenditure			
Cost of annual leave balances of staff transferred to GIAA		–	–
Comprehensive net expenditure for the year		2,324	2,749

The notes on pages 81 to 90 form part of these accounts.

Statement of financial position as at 31 March 2020

	Note	As at 31 March 2020 (£000)	As at 31 March 2019 (£000)
Current assets			
Trade and other receivables	7	16,677	14,742
Total current assets		16,677	14,742
Current liabilities			
Trade and other payables	9	(15,029)	(14,402)
Provisions	10	(250)	–
Total current liabilities		(15,279)	(14,402)
Non-current liabilities			
Provisions	10	(22)	–
Total assets less total liabilities		1,376	340
Taxpayers' equity			
General Fund		1,376	340

The notes on pages 81 to 90 form part of these accounts.



Elizabeth Honer
Chief Executive and Accounting Officer

13 July 2020

Statement of cash flows for the year ended 31 March 2020

	Note	2019-20 (£000)	2018-19 (£000)
Cash flows from operating activities			
Comprehensive net expenditure		(2,324)	(2,749)
(Increase)/Decrease in trade and other receivables		(1,935)	128
Increase/(Decrease) in trade and other payables		627	(493)
Adjustment for non-cash transactions:			
Notional expenditure: auditor remuneration		60	55
Provisions		272	–
Net cash outflow from operating activities		(3,300)	(3,059)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		3,300	3,059
Net increase/(decrease) in cash and cash equivalents		–	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		–	–

Statement of changes in Taxpayers' equity

	General Fund (£000)	Taxpayers' equity (£000)
Balance at 1 April 2020	340	340
Net parliamentary funding	3,300	3,300
Comprehensive net expenditure for the year	(2,324)	(2,324)
Notional charges Auditors Remuneration	60	60
Balance at 31 March 2020	1,376	1,376
	General Fund (£000)	Taxpayers' equity (£000)
Balance at 1 April 2019	(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

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 all items that are considered material to the accounts and these are described below.

The issues or revisions to IFRS expected to be relevant to GIAA in subsequent reporting periods are:

- IFRS 16 *Lease Accounting* (adoption deferred by HMT and now effective from April 2021) – this standard will require lessees to account for all leases on their Statement of Financial Position 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 lease arrangements with other government departments and receives an ICT service from HM Treasury under a quasi-operating lease, the changes introduced by IFRS16 in relation to the accounting for leases is likely to have an effect on the Statement of Financial Position for 2021-22 onwards.

The GIAA is an executive agency of Her Majesty's Treasury; all estimates and forward plans include provision for its continuation. The Agency has therefore determined that it is appropriate for these accounts to be prepared 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 at fair value, as determined by the relevant accounting standards.

1.3 Transfer of Functions

On 1 April 2019, Internal Audit teams from other Government Departments were transferred to the GIAA. These have been treated as a transfer by absorption and, accordingly, comparative figures for 2018-19 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 or acquired by GIAA during 2019-20.

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 reflect the transfer of promised goods or services to customers in an amount that indicates 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 with the customer, identification of the performance obligations within the contract, determination of the transaction price, allocation of the price to the performance obligations, then recognition of revenue as the performance obligations are fulfilled.

In practice there has been no change in recognition from the policy followed under IAS18.

Work in progress represents unbilled time and/or time & materials which are valued at the appropriate rate and recognised as operating income for the financial year in which the work was completed.

Operating income relates directly to the operating activities of the Agency. It principally comprises fees and charges for audit, assurance, counter-fraud and investigation services provided during the year on a full-cost basis to customers external to the Agency (central government departments, agencies and Arm's 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 Statement 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 on page 61 in the Remuneration Report

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 annual 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, as per FREM balances with government bodies are excluded from the requirement for impairments.

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 this type of 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. As with previous years, the only notional cost in 2019-20 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, GIAA is expected to meet the requirements of IFRS 8: *Operating Segments* to report information according to different operating segments where the criteria under IFRS 8 are met. GIAA audit and assurance 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 senior managers 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, assurance, counter-fraud and investigation 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
- for time and material customers, they are charged for the work that has been done on their audit plan up to 31 March.

This would include all time charged to the customer by GIAA staff, the contractor costs attributable to that customer and any Travel and Subsistence undertaken on the customers audits.

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

	2019-20			2018-19		
	Permanent Staff (£000)	Other Staff (£000)	Total (£000)	Permanent Staff (£000)	Other Staff (£000)	Total (£000)
Salaries including allowances	21,240	196	21,436	21,058	137	21,195
Social security costs	2,375	–	2,375	2,346	–	2,346
Other pension costs	5,530	–	5,530	4,156	–	4,156
Total staff costs	29,145	196	29,341	27,560	137	27,697
Less recoveries from outward secondments	(184)	–	(184)	(120)	–	(120)
Net cost	28,961	196	29,157	27,440	137	27,577

The average number of full-time equivalent persons employed during the year was 464 (2018-19:461).

Note 3 – Purchase of Goods and Services

3.1 Analysis of total goods and services purchased

	2019-20 (£000)	2018-19 (£000)
Contractors costs	4,789	5,539
Support services from other Government Depts.	3,078	2,943
Travel and Subsistence costs	1,261	1,270
IT and telecommunications costs	442	662
Training costs	416	470
Auditor's remuneration	60	55
Staff support and staff related costs	282	312
Recruitment costs	174	178
Office costs	59	35
Total other goods and services	10,561	11,464

GIAA has paid £105k of Apprenticeship Levy in 2019-20 and this is included in Staff support and staff related costs of £282k.

Note 4 – Income

The income for the year of £37,666k relates entirely to audit and counter-fraud & investigation fee income (twelve months 2018-19: £36,292k).

Note 5 – Income and expenditure by type of work

	2019-20			2018-19		
	Internal Audit Customers (£000)	Supply funded: IA Policy (£000)	Total Per SOCNE (£000)	Internal Audit Customers (£000)	Supply funded: IA Policy (£000)	Total Per SOCNE (£000)
Audit fee income	(37,666)	–	(37,666)	(36,292)	–	(36,292)
Expenditure	39,640	350	39,990	38,691	350	39,041
Net expenditure for the year	1,974	350	2,324	2,399	350	2,749
Comprehensive net expenditure for the year	1,974	350	2,324	2,399	350	2,749

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 both audit and counter-fraud and investigation fees. The annual leave 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 and counter-fraud & investigation fees, the GIAA receives supply funding for two areas; the expansion and development of the Agency so it is in a strong position to take on additional Government departments and agencies and for the provision of the Government's Internal Audit Policy function. This analysis is not intended to comply with IFRS 8: Operating Segments.

The net expenditure for the year of £2,324k has been offset by HM Treasury funding of £3,300k, the Agency had a surplus of £976k.

Note 6 – Financial Instruments

As the cash requirements of Agency Pink are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk. There is a nil provision for doubtful debts.

Note 7 – Receivables

	2019-20 (£000)	2018-19 (£000)
Amounts falling due within one year		
Trade receivables	11,332	11,971
Accrued Income	5,170	2,612
Prepayments	160	153
Staff loans and other receivables	15	6
Total falling due within one year	16,677	14,742

Note 8 – Cash

GIAA does not hold any cash, and any cash transactions are made by HMT through the year.

Note 9 – Payables and other current liabilities

	2019-20 (£000)	2018-19 (£000)
Amounts falling due within one year		
Amounts due to HMT	9,935	9,104
Accruals	3,693	3,863
VAT	0	0
Trade and other payables (incl Tax and Social Security)	1,336	1,156
Receipts in advance	65	279
Total falling due within one year	15,029	14,402

Note 10 – Provisions for liabilities and charges

	SLC Pension Provision (£000)	Dilapidations Provision (£000)	Total (£000)
Balance at 1 April 2019	0	0	0
Provided in the year	250	22	272
Provisions not required written back			
Provisions utilised in the year			
Change in discount rate			
Unwinding of discount			
Balance at 31 March 2020	250	22	272

	SLC Pension Provision (£000)	Dilapidations Provision (£000)	Total (£000)
Analysis of expected timing of discounted flows	0	0	0
Not later than one year	250		250
Later than one year and not later than five years			
Later than five years		22	22
Balance at 31 March 2020	250	22	272

There is a provision of £250k for a potential pension liability for a small group of transferees into the Agency on 1st April 2019. This group is currently considering whether to transfer their past service from their previous pension provider into the Civil Service pension schemes, the financial impact of which is currently being considered by the Government Actuary's Department (GAD).

There is a second provision for the dilapidation charges for 10VS as/when the lease expires as per the terms of the MOTO. This has been estimated on an average charge/m² and will be reviewed annually.

Note 11 – Commitments and leases

11.1 Capital and Other financial commitments

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

11.2 Commitments under operating leases

Although the implementation of IFRS 16: *Lease Accounting* has been deferred by HMT by one year to April 2021, the following disclosure is consistent with the requirements of IAS 17. 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 2020, 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 in future years, 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	2019-20 (£000)	2018-19 (£000)
Buildings		
Not later than one year	219	219
Later than one year and not later than five years	874	438
Later than five years	84	–
Total commitments	1,177	657

GIAA moved into a new site in November 2018 (10 Victoria Street). These premises are leased from the Government Property Agency. IFRS 16 *Lease Accounting* (effective April 2021) applies in respect of these lease arrangements, which are reportable from 1 April 2021 and any adjustments will be made to the accounts for the year to 31 March 2022. The difference from 2018-19 to

2019-20 is that the Memorandum of Terms of Occupation (MOTO) specifies that the lease for 10 Victoria Street will expire in 2025 hence there are extra years included.

GIAA has considered peppercorn leases but due to the nature of occupation by GIAA staff in these sites has deemed that it is not within the scope of IFRS 16 and does not need to be disclosed.

Note 12 – 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 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 for Work and Pensions
- Ministry of Justice (including ALBs)
- Ministry of Housing, Communities and Local Government
- Home Office
- Department for Education
- Department of Health and Social Care
- DVLA
- HS2
- Department for Transport
- Department for Business, Energy and Industrial Strategy

Board member and senior staff remuneration is disclosed in the Remuneration report which forms 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 2020.

Note 13 – Contingent Liabilities

There are no contingent liabilities as at 31 March 2020.

Note 14 – 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 C&AG's Audit Certificate.

