



CORPORATE GOVERNANCE COMMITTEE

23 APRIL 2018

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

PEER REVIEW OF THE COUNCIL'S INTERNAL AUDIT SERVICE

Purpose of Report

1. The purpose of this report is to inform the Committee of the outcome of the recently conducted peer review of the Council's Internal Audit Service.

Background

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the internal audit function, which is provided by Leicestershire County Council's Internal Audit Service (LCCIAS).
3. The Committee was informed at its meeting on 29 January 2018 that in line with requirements of the Public Sector Internal Audit Standards (PSIAS), which aim to promote continued improvement in the professionalism, quality and effectiveness of the internal audit function, as part of the internal audit quality management programme, each internal audit function should be subjected to an external assessment of its overall conformance with the standards, once every five years by a qualified, independent assessor or assessment team from outside the organisation. A review of Leicestershire County Council's Internal Audit Service (LCCIAS) was due to be carried out by the end of March 2018.
4. The types of review were explained and reasons given for a preferred option, a self-assessment of conformance with independent validation being carried out through peer review. The Committee supported this approach.
5. Veritau Limited was chosen to undertake an independent validation of the self-assessment. Veritau is a local authority shared service company which provides internal audit and other governance related services to its member councils and other public sector organisations. Veritau is independent of Leicestershire County Council and has had no previous involvement with the provision of internal audit services at the council.

Scope and methodology of the review

6. The Head of Internal Audit & Assurance Service and his team compiled a self-assessment against the PSIAS and submitted it along with supporting evidence to the review team.
7. The review team were on site at County Hall for two days and conducted interviews with the Chair of Corporate Governance Committee, the Council's Chief Executive and six County Council Directors (Corporate Resources, Finance, Law & Governance, Environment & Transport, Adults & Communities and Public Health). To establish the views from other organisations that LCCIAS provides service to, the reviewers also interviewed the Chief Fire and Rescue Officer and the Head of Finance (Leicester City Council). In addition the HoIAS and seven staff from the Internal Audit Service were interviewed. At the end of the two days, verbal feedback was provided to the Director of Corporate Resources and the HoIAS.
8. Internal audit electronic work files were provided to allow the reviewers to evaluate consistency and diligence in processes.

Outcome of the review

9. The reviewer's draft report was received on 11th April 2018 and is contained as the Appendix. The HoIAS has shared the report with the Director of Corporate Resources and it will be accepted without alteration.
10. Paragraphs 15 to 17 of Veritau's report inform that, *'It is our overall opinion that Leicestershire County Council generally conforms to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards. The review team found a number of areas of good practice as well as a number of areas which merit further attention. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards'*.
11. It is pleasing to have received the top rating which will now be able to be quoted in internal audit documentation and communication. Nevertheless, the HoIAS will determine an action plan to improve those areas which Veritau has suggested merit further attention.

Resources Implications

12. The cost of the review is likely to be as quoted, £3,500. The cost was within budget and satisfied Leicestershire County Council Contract Procedure Rules

Equality and Human Rights Implications

13. There are no discernible equality and human rights implications resulting from the peer review undertaken.

Recommendation

14. That the outcome of the peer review contained in Veritau's report be noted

Background Papers

The Constitution of Leicestershire County Council

Report to the Corporate Governance Committee on 29 January 2018 - Internal Audit Service Progress Report

The Public Sector Internal Audit Standards

Circulation under the Local Issues Alert Procedure

None.

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Appendices

Appendix Veritau report on its external independent validation of LCCIAS' self-assessment on conformance to PSIAS

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