



**CORPORATE GOVERNANCE COMMITTEE**  
**26 JANUARY 2024**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**EXTERNAL QUALITY ASSESSMENT OF THE INTERNAL AUDIT SERVICE AND THE REVISED INTERNAL AUDIT CHARTER**

**Purpose of Report**

1. The purpose of this report is to:
  - a. inform the Corporate Governance Committee (the Committee) of the plans for an External Quality Assessment (EQA) of the Council's Internal Audit Service
  - b. seek approval of the revised Internal Audit Charter which is a key governance document.

**Background**

2. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of the Council's Internal Audit function.
3. The Public Sector Internal Audit Standards (the PSIAS) were introduced in April 2013. Whilst the PSIAS are based upon the mandatory elements of the Institute of Internal Auditors global standards, there are additional requirements and interpretations for the UK public sector. A Local Government Application Note (LGAN) developed by CIPFA guides the Head of Internal Audit & Assurance Service in consistently applying the PSIAS. The PSIAS were last revised in 2017.
4. A requirement of the PSIAS is that an assessment of overall conformance with the Standards is conducted once every five years by a qualified, independent assessor, or assessment team from outside the organisation. The Committee was informed at its meeting on 27 January 2023 that a follow up External Quality Assessment (EQA) of the Internal Audit Service was due. The previous EQA of the Council's Internal Audit Service was undertaken in March 2018 and was an independent validation of the HoIAS' self-assessment. The results were reported to the Committee at its meeting on 23 April 2018 with the overall conclusion that the Service generally conformed (the top rating) to the PSIAS.
5. The PSIAS also mandate that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter (the

Charter). This important governance document was last reported to the Committee at its meeting on 25 November 2016. Although there haven't been any changes to the PSIAS, it is considered prudent to review and refresh the Charter to send as evidence to the external assessor. Revised global Internal Auditing Standards were launched in January but it will be some time before they are interpreted into revised PSIAS.

### **External Quality Assessment**

6. As agreed at the 27 January 2023 meeting, the Director of Corporate Resources and the HoIAS liaised with the Chairman and Spokespersons of the Committee before determining the assessment approach to be taken. In early October, the Council commissioned Robin Pritchard a very experienced internal audit and risk professional with a career spanning 40 years, to undertake an EQA by March 2024.
7. It was agreed that an assessment would be based upon a review (validation) of an evidenced internal self-assessment exercise using the standard template of CIPFA (LGAN). This was the same methodology applied in 2018. The EQA provides for the review to be undertaken remotely, which has proved to be an efficient and effective means of conducting such reviews. It will be conducted in two stages with a readiness check towards the end of January (with an opportunity to make any improvements) before a final and full report in March/April (to be reported to the Committee at its meeting in May 2024). There is a total fixed fee of £3,750 (2018 £3,500).
8. Business Risk Solutions' proposal is attached and it provides information on the approach to the EQA, the company, the assessor, and references. The Director of Corporate Resources is the EQA sponsor. Mr. Barkley CC (as Chair of the Committee), and Mr. Boulter CC (as Liberal Democrat spokesperson), approved the approach. As well as submission of evidence, the assessor will conduct one to one interviews with the Chair of the Committee and a selection of Chief Officers or use a digital survey questionnaire to gain insight into the value and performance of the internal audit service.
9. Work is underway to provide the initial documentation for review.

### **Internal Audit Charter**

10. The Internal Audit Charter (the Charter) establishes the Internal Audit function's position within the Council, including the nature of the HoIAS' functional reporting relationship with the Corporate Governance Committee (the Committee); authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Charter resides with the Committee.
11. Providing a formal, written Charter is important to managing the provision of internal audit activity by LCCIAS. The Charter provides a recognised statement

for review and acceptance by Chief Officers and for approval by the Committee. It also facilitates a periodic assessment by the HoIAS of the adequacy of the internal audit activity's purpose, authority and responsibility and whether LCCIAS continues to be adequate and accomplish its objectives.

12. The Charter has been reviewed and minor changes have been made which are highlighted. It has 8 distinct sections: -

**Section   Content**

1	Introduction
2	Mission of Internal Audit
3	Purpose (PSIAS definition of the internal audit activity)
4	The Core Principles
5	Definitions (including the Board and Senior Management)
6	Authority (afforded to the internal audit activity)
7	Responsibility (of the Committee, CMT and the HoIAS)
8	The scope of the internal audit activity

13. The Internal Audit Charter (January 2024) is included as Appendix 2.

**Resources Implications**

14. The cost of the EQA is likely to be as quoted, £3,750. The cost is within budget and satisfies Leicestershire County Council Contract Procedure Rules

**Equal Opportunities Implications**

15. There are no discernible equal opportunities implications resulting from the peer review undertaken.

**Recommendations**

16. That the Committee: -
- notes the work being undertaken as part of the five yearly EQA
  - approves the revised Internal Audit Charter attached at Appendix 2

**Background Papers**

The Constitution of Leicestershire County Council

The Public Sector Internal Audit Standards

Reports to the Corporate Governance Committee on 23 April 2018 – Peer Review of the Council's Internal Audit Service, 27 January 2023 – Internal Audit Service External Quality Assessment and 25 November 2016 – The Internal Audit Charter

**Circulation under the Local Issues Alert Procedure**

None.

**Officer to Contact**

Declan Keegan, Director of Corporate Resources,  
Corporate Resources Department,  
☎0116 305 7668 E-mail [Declan.Keegan@leics.gov.uk](mailto:Declan.Keegan@leics.gov.uk)

Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),  
Corporate Resources Department,  
☎0116 305 7066 E-mail [Simone.Hines@leics.gov.uk](mailto:Simone.Hines@leics.gov.uk)

Neil Jones, Head of Internal Audit & Assurance Service  
Tel: 0116 305 7629  
Email: [neil.jones@leics.gov.uk](mailto:neil.jones@leics.gov.uk)

**Appendices**

Appendix 1	Leicestershire County Council EQA Proposal October 2023
Appendix 2	The Internal Audit Charter 2024