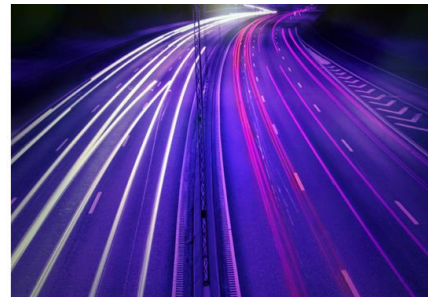




Proposal for provision of an External Quality Assessment of Internal Audit Services

October 2023

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Proposal

Our proposal for an independent External Quality Assessment (EQA) of the internal audit services provided for the Council is based upon the email exchange with Matt Davis on 18 October 2023, Internal Audit Manager (IAM) along with subsequent communication and research. It is acknowledged that there is requirement to provide a review of the arrangements during 2023/24, anticipated to be during Q4 on dates to suit the availability of personnel within Leicestershire County Council.

Executive summary

- Completion of the review by a recognised global thought leader within the internal audit community who has contributed to numerous research studies and articles relating to the profession and the role of non-executive directors, having also considerable experience of conducting similar reviews in the Local Government sector;
- Provision of an independent, professional and bespoke validation of the self-assessment prepared by the Head of Internal Audit and Assurance (HoIAA), based upon the interpretation and application of the Public Sector Internal Audit Standards (PSIAS) by the internal audit team and approved by the Corporate Governance Committee;
- The conduct of appropriate interviews, surveys and detailed review of internal audit documentation and files relating to the establishment, planning and delivery of internal audit services, in order to evidence the self-assessment;
- File review exercises to cover work of all current staff and audit clients other than the Council;
- Recognition of areas of good practice in relation to performance of internal audit compared to other providers, particularly focused on the local government sector to include relevant benchmarking data;
- Discussion through an exit meeting with the HoIAA/IAM of key findings and value-added observations;
- Preparation of an interim report on readiness in January 2024, followed by a final compliance-based report providing an assessment regarding the level of conformance with the PSIAS prior to 31 March 2024;
- A further side report that offers ideas and suggestions for improved performance and delivery of internal audit services based on experiences elsewhere, particularly in local government as well as emerging trends within the global internal audit community; including anticipated development to comply with revised Global Internal Audit Standards (GIAS).
- On completion, provision of a BRS kitemark (shown below) to reflect the anticipated positive outcome of the EQA which can be used on relevant literature to confirm achievement of the quality standard by internal audit;
- A proposed total fixed fee of £3,750 (no VAT), on the basis that the EQA is conducted remotely; this reflects a reduction in our normal fee as expenses are not incurred as a consequence of the efficient completion using technology.

Overview

The assignment will deliver an External Quality Assessment (EQA) of the delivery of internal audit services in conformance with the Public Sector Internal Audit Standards (PSIAS) in the UK and the Local Government Advisory Note (LGAN). The assessment will be based upon review (validation) of an evidenced internal self-assessment exercise using the standard template of either CIPFA or the Institute of Internal Auditors.

Salient characteristics of the review

Internal Audit provides in-house services to Leicestershire County Council (LCC) and other clients including the City Council, Bradgate Park Trust (minimal), The Combined Fire Auth and ESPO, within the remit of Leicestershire Trading Services. Considered together these organisations provide multi-service delivery to a community of over 1m people living in Leicestershire and others beyond, and therefore comprising both urban and rural settings, which will influence the provision of internal audit and its relationship with each individual client service.

The service is managed by Neil Jones as Head of Internal Audit and Assurance (HoIAA), who for the purposes of the review will be recognised as the Chief Audit Executive (CAE). The HoIAA is assisted by Matt Davis, as Audit Manager (IAM). The team consists of approximately 12 staff and is assisted by external provision.

With regard to LCC the current Internal Audit Charter was reviewed in June 2021 and is supported by a six-monthly Internal Audit planning, activity and progress cycle being monitored by regular reports to the Corporate Governance Committee. The Internal Audit Plan is approved in March and September each year, recognising the vision of the Council as a backcloth for the prioritisation of its risk-based work programme. The plans correctly “determine the priorities of the internal audit activity, consistent with the Council’s agenda and priorities. The scope of internal audit activity in the plan should be wide ranging, enabling the HoIAA at the end of the year in question, to produce an annual internal audit opinion on the overall adequacy and effectiveness of the Council’s control environment. Similar arrangements will exist at all clients.

Where the CAE is also responsible for providing other services, these will not be included as part of the EQA assessment, save for where the PSIAS standards require recognition.

Recognising that Local Authorities operate in an increasingly resource focused environment in which the risk landscape continues to change and where the service requirements have more recently needed to reflect the additional pressures of working remotely, with Council staff facing different operational issues as a result of service adjustment to meet the needs of stakeholder following the Covid pandemic.



Choosing Business Risk Solutions

Our credentials.

Business Risk Solutions was established in 2019 with the aim of delivering high quality cost-effective risk and assurance-based services to those requiring assistance with internal audit, risk management, and governance at a strategic level or within operational service activity. The organisation has a client list throughout the UK economy and Internationally, where it has completed assignments in Israel, Malta, Albania, Senegal and Somalia.

Your assessor, Robin Pritchard has been commissioned to provide EQA reviews of over 60 internal audit teams operating in the public, private and third sectors, of which a significant number are within the local government sector. He therefore has a wealth of experience regarding how professionals and Audit Committees interpret and deliver internal audit in accordance with the industry standard. This provides good benchmarking material, which adds to his previous experience of providing internal audit to over 300 organisations and supports his clear credentials for undertaking this area of work in an independent and professional manner.

Working as an independent contractor with many years practical experience at the highest level; provides the experience, capability and flexibility to tailor resources to your needs. In terms of the EQA process, Robin has established a reputation for the provision of value-added engagements and is already contracting with organisations to complete assignments throughout the remainder of 2023/24. A summary of the skills and expertise that are available is provided later however we believe that it is his global experience of the internal audit profession as both an in-house and commercial provider, established over a 40-year career, that will provide an in-depth, personalised and bespoke assessment. This will address your requirements for a compliance opinion as well as providing additional value through provision of ideas and good practice examples for future development of internal audit within the local government sector.

Objectives

Business Risk Solutions believe that the International Standards provide the basis for an effective internal audit operation; they are not rules but guidelines and therefore it is a matter of interpretation as to how they are applied within a local context. The value of an external quality assessment rests in its ability to provide advice regarding global excellence and the desire of the internal audit service to achieve it. In conducting the review, we will have mind to your requirement to establish a robust baseline assessment against which future development of the service line can continue to be developed. As such our prime objectives in providing an EQA are threefold:

- To provide an assessment of the internal audit services conformance with the PSIAS.
- Assess the performance of the internal audit service in terms of its charter, the expectations of the clients and executive management.
- Identify opportunities and offer ideas for improving the performance of the internal audit activity and raising the value that internal audit provides as an aside to the primary focus.



Our approach

The approach we adopt is a top-down review. This engages relevant people and employs assessment methods which review internal audit processes that deliver conformance with the standards regarding establishment of the function, planning, fieldwork, evidence, reporting and communication in an independent and professional manner.

The key features of our approach include:

- ✓ Initial meeting with Neil Jones and Matt Davis to appreciate how internal audit services are organised and delivered, but particularly during 2023/24 when impacted by vacancies;
- ✓ Agreement of timing of EQA activity and key milestones for an interim and final assessment;
- ✓ Receipt of key documentation to evidence the self-assessment against the PSIAS;
- ✓ Desk top review of the initial evidence relating to Internal Audit Charter, Internal Audit strategic and annual plans, the scope of IA activities, methodology and training and development records, which we understand reflect practice at all clients;
- ✓ Review of processes for delivery of the Annual Head of Internal Audit and engagement reports along with the evidence available to support the assurance they offer;
- ✓ Delivery of an interim report regarding readiness recommending actions that must be taken in order to achieve a 'generally compliant' rating within a formal EQA assessment.
- ✓ Within the formal EQA interviews with members internal audit staff as part of a wider file review exercise to confirm compliance with internal audit methodology; a sample of recently completed files will be selected to cover a sample of clients, audit teams, and staff;
- ✓ Conduct of 121 interviews with the Chair of Corporate Governance Committee and a selection of Senior Leadership Team and client directors or use of a digital survey questionnaire to gain insight into the value and performance of internal audit if this represents a better engagement option for those who are to be involved;
- ✓ Follow up on previous recommended actions within the Interim Review;
- ✓ Consistent communication with the HoIAA (and IAM) throughout the assessment in order to ensure full understanding of the approach, formulation of findings, recommendations and opinions, with a reflection on client risk appetite;
- ✓ Exit meeting with the HoA (and other members of the Internal Audit Management Team, if required);
- ✓ Delivery of a draft EQA report to allow for discussion and fact checking as part of approval process;
- ✓ Provision a final report focusing on compliance with the PSIAS and including best practice advice intended to provide ideas and aid future development of services to all clients;
- ✓ Presentation to internal audit staff of key findings (if required), and
- ✓ Provision of a BRS kitemark reflecting the anticipated positive outcome, for use with internal audit literature.

All meetings will be conducted using appropriate video conferencing.



A planned assessment

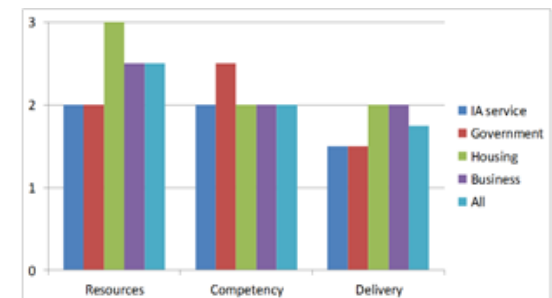
Our proposal is that Robin Pritchard will undertake the review personally and that the assessment against the Public Sector Internal Audit Standards will require a commitment of approximately 8 days and be conducted in the following manner.

- Initial virtual 121 meeting with the CAE to agree dates for the review (on appointment) and initial evidence requirements to support self-assessment.
- Receive electronic copy of self-assessment with supporting evidence for initial review and advise upon any essential further core information that will be required from yourselves including current procedures manual and audit charter, copy internal audit plans, example file and example report, and last annual report. We will then familiarise ourselves with the way that you do things before proceeding further.
- Undertake desk top review of information with a view to:
 - Planning for a file review exercise in the formal assessment to follow (11 March 2024)
 - Consider the merits of holding virtual meetings or conducting an electronic survey with internal audit clients, and Chair Corporate Governance Committee, the potential advantages of this will be discussed with you at the initial meeting, and
 - Identifying any further information needs to be provided at file review.
- Deliver interim report on recommended actions to achieve 'generally compliant' rating (22 January 2024)
- Commence formal review 11 March 2024 and receive digital copy or access to hosted audit management software at dates to be arranged for the file review exercise. Samples to include all teams, all staff and a sample of clients.
- Conduct surveys and analyse responses
- Arrange an exit meeting with the CAE(s) at the end of file review to discuss matters arising, prior to production of the draft report and survey outcomes.
- Production and discussion of draft report in PowerPoint format to highlight matters in relation to assessment against the Public Sector Internal Audit Standards and benchmarking with other providers across sectors and with peer group.
- Delivery of final report to include ideas regarding developments that are thought beneficial.

Indicative timing:

1. Commence Interim Review 8 January 2024
2. Desk top review by 15 January 2024
3. Presentation of findings and draft interim report by 22 January 2024
4. Formal Review commences - 11 March 2024
5. Fieldwork commences – 11 March 2024
6. Interviews/Survey w/c 11 March 2024
5. Exit meeting(s) – 22 March 2024
6. Draft reports by 25 March 2024
7. Final reports by 30 March 2024

Actual dates will be agreed on appointment



The EQA report

Reporting:

Robin has considerable experience as an internal auditor within the wider UK economy, as well as significant experience of acting as a Non-Executive Director including as Chair of Audit Committees, and therefore recognises the importance and value of effective communication. He will discuss issues and ideas with the Chief Internal Auditor as the review proceeds and conclude the process with an exit meeting highlighting key findings and ideas for potential future development. This will include reflection on progress and events since the last EQA in 2018.

On conclusion of the interim review, Robin will discuss the proposed content of the draft reports containing our assessment of conformance with the Public Sector Internal Audit Standards and LGAN and any suggestions for improvement and/or development in advance of the later formal assessment. The intention being to ensure that no areas of activity threaten compliance with the PSIAS.

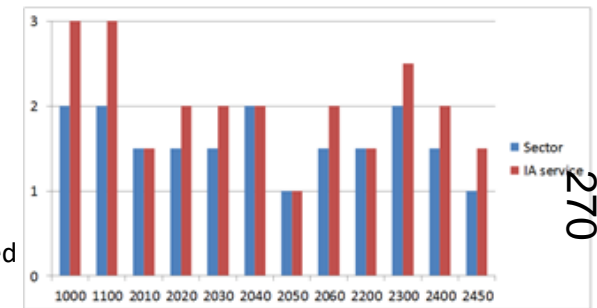
The later formal review will provide an opinion on the level of compliance, findings will be discussed with the HoIAA and IAM prior to production of a draft report which will also contain various benchmarking data comparing compliance with other UK providers of Internal Audit Services, including those operating within Local Government. All information will however maintain the confidentiality of those clients. We will maintain confidentiality at all times and recognise the commercial environment in which the internal audit service operates.

The aim will be to produce final compliance focused report within two weeks of the completion of fieldwork and if requested, present the report to your Internal Audit Team. And Corporate Governance Committee, if required.

A side report will be produced in relation to matters that might be regarded as of a value-added nature, this will consider the implications of future compliance with the proposed revision to internal audit provision as contained in the IIA consultation on new Global Internal Audit Standards.

Independence:

We believe that our EQA will have the required level of independence and objectivity. Business Risk Solutions has not entered into a previous business relationship with the Council or the team's other client to deliver internal audit services. We do not provide internal audit related services to the local government sector; however, we would undertake not to solicit work from the clients of the organisation at any time in the future. Should any issues arise, we will seek to resolve these quickly and to your satisfaction.





Your assessor

Robin Pritchard, CIPFA, AIIA

- Robin has 45 years internal audit experience and returned to practice joining Gateway Assure as Chief Executive in September 2013 after 6 years as Head of Centre for Birmingham City University the leading academic provider of training and research to the internal audit and risk management professions.
- He is now the leading independent provider of EQA's for the internal audit profession in the UK and manages a consulting practice focused on business risk and assurance.
- An experienced operator at Board level, working with senior executive management in strategic and operational key areas including visioning, strategic planning, performance management, risk assurance, control and governance both in the UK and internationally. He currently acts as a NED at Bristol Waste and independent member of the Audit Committee at the West London Waste Authority. He is a Trustee at Energize STW.
- Acted as Chair of Audit Committee with four public sector bodies.
- Robin has over 30 years' experience at Partner level and has been National Partner responsible for internal audit at a number of professional service firms including Pritchard Wood, HLB Kidsons, Arthur Andersen and Bentley Jennison.
- He started his internal audit career within the in-house function of two local authorities and was then appointed Chief Internal Auditor at Staffordshire County Council in 1988.
- Whilst Head of Centre at Birmingham City University, Robin led research on the 'Impact of the Business Cycle on the delivery of internal audit services' which included contributions from over 600 internal audit providers and focused on the delivery of the International Professional Practices Framework on a global basis.

EQA experience

- Robin is an experienced External Quality Assessor (EQA) and was an appointed member of the IIA Expert Panel in 2012 from which he resigned on appointment with Gateway due to the conflict of interest. He has delivered assessment to a wide range of public and private sector internal audit teams including some of the UK's largest out-sourced providers of internal audit.
- The range of organisations to which he has provided EQA assessments to October 2023 includes:

Sector	No'
Private and Financial Services	11
Housing	2
Education	1
Local Government	48
Central Government	4

- EQA studies comprise not only an assessment against the relevant standard but also industry and sector benchmarks in terms of the current service and an analysis against standard regarding compliance.
- In addition, Robin provides best practice advice regarding professional and business matters supported by the provision of example documentation where this is thought to be beneficial to enhancing processes.
- Additional training can be provided relating to:
 - Risk based internal audit
 - Report writing, and
 - Conduct of operational audits



EQA experience

The External Quality Assessment (EQA).

An EQA from Business Risk Solutions provides a professional and personal advisory service aimed at helping the organisation and/or its internal audit service recognise what it needs to achieve to comply with professional standards; with a view to then advising on the establishment of a pathway for progression that allows improved performance and commitment to helping the organisation to achieve its corporate objectives. Robin Pritchard has been commissioned to undertake reviews at the following organisations, amongst others:

HM Customs and Excise	Medway and Gravesham Council*	Warwickshire Council	Derbyshire Dales DC*
UK Probation services	Epping Forest DC	Dudley MBC*	NE Derbyshire DC*
Higher Education Funding Council Wales	Harlow DC	London Borough of Redbridge	Staffordshire Moorlands DC*
RSM Bentley Jennison (now RSM)	Deby City Council	Ashfield DC	Amber Valley DC
Scrutton Bland*	Broxbourne BC	London Borough of Hackney	Kent Fire and Rescue Services
Aster Housing Group	South Bucks DC,	Cannock Chase DC*	Stafford BC*
MHA MacIntyre Hudson	NHS Supplies Agency,	Chesterfield BC*	Audit Cotswolds
Nottingham Building Society	UNIAC (as part of the IIA Expert Panel),	Uttlesford BC	High Peak BC*
Beatties	Worcestershire Council	Chelmsford BC	Mansfield DC*
Allied Vehicles (Glasgow)	Lichfield DC	Broxtowe BC*	Tendring DC
Barcud Shared Services*	South Derbyshire DC*	Erewash BC	West Mercia Police
Kent County Council	Nuneaton and Bedworth BC	Stratford upon Avon BC	Tamworth BC*
Derby Homes	Tonbridge and Malling BC	Kent FRS	Eastleigh BC
Isle of Wight Council	Derbyshire Fire and Rescue Services	Bolsover DC*	Portsmouth City Council
	Southampton City Council	Essex County Council	Worcestershire IA Shared Service

* Denotes repeat appointment

We will encourage a participative approach with a view to getting the most value from the EQA. We are finding that the benefits that emerge are reasonably consistent across all sectors. These reflect the transition to risk based internal audit and commonly doing more, being smarter and often with less resources; key findings have been focused on the following areas:

- The adoption of a risk-based methodology and the degree to which risk is embedded in the client organisation;
- Planning at both a strategic and assignment level
- Availability and allocation of appropriately skilled and experienced internal audit resources;
- The effectiveness of supervision
- Reporting; and Stakeholder communication.

Fees summary

Fee proposal

- A total fixed fee of £3,750 which will provide for a review of the evidenced self-assessment exercise undertaken internally. This will include:
 - Initial meeting with key representatives to gain an understanding of the culture of the organisation and the environment in which it operates,
 - Receipt and review of the self-assessment exercise, along with essential documentation to support the opinion reached,
 - Fieldwork, with the aim of walk-through testing of the methodology and sample testing of working files and associated reports,
 - Conduct of meetings with clients or provision of a structured e-questionnaire to gather feedback regarding relationships and delivery,
 - Exit meeting on completion of field work,
 - Provision of draft reports for discussion purposes, at interim and formal EQA review stages.
 - Delivery of a final report regarding the provision of internal audit services.
 - Presentation of findings (as required)
- Our fees would not be subject to a charge for VAT.

Expenses

- We have provided for the review to be undertaken remotely, which has proved to be an efficient and effective means of conducting such reviews. Should on-site visits be required/requested we would wish to invoice for any expenses occurred, which will be agreed with you in advance.

References

- These can be provided on request.

Payment

- We would hope for payment of our invoice on completion of the final report within 14 days. Our intention would be to invoice a part fee of £1,750 following completion of the Interim report and the balance of £2,000 on issue of the draft formal report in late March 2024.



Sample references

We were provided with a useful and relevant list of recommendations for improving compliance with the standards as well as other additional suggestions for improving our processes. I would recommend Business Risk Solutions for anyone looking for an EQA.

Cannock Chase DC

The review was timely, gave good insight and supported and challenged our current practices and thinking. This is the second time that Business Risk Solutions has completed our EQA review and we have found both positive experiences that added value to our Internal Audit approach.

Scrutton Bland

Robin was able to bring his knowledge and experience to the EQA and this made it an insightful and informative review, over and above the 'standard' tick-box form of assessment from some providers.

Barcud Shared Services

The EQA process was clear and well supported throughout. The delivery outputs and suggested improvements added to our overall understanding of the PSIAS and provided both structured and positive recommendations for consideration and action.

Tamworth BC

Robin provided robust, constructive challenge and clear helpful feedback to help improve the internal audit team's practices and performance.

LB Redbridge

The recommended actions arising from the assessment were pragmatic taking into account the size of the audit resources and planned and existing arrangements.

HEFCEW

I found Robin to be pragmatic and provided realistic recommendations that could be actioned.

Dudley MBC

A professional and timely EQA review which was helpful in providing an evaluation of our internal audit service and identifying opportunities for enhancement going forward.

MacIntyre Hudson

Business Risk Solutions provided us with a thorough and comprehensive EQA, with clear reporting and recommendations that have added value and assisted us in improving the quality of our Internal Audit service. We were kept informed of findings as the assessment progressed and would certainly not hesitate to use them again.

Eastleigh BC

Robin conducted our EQA in an efficient and effective way and provided us with very useful insights to help our service keep progressing.

Kent County Council

BRS spent time to discuss the outcome of the EQA in detail to ensure that it provided a true reflection of the service that the Partnership was delivering. The approach that BRS took was perfect for the Partnership's needs and provided us with some actions for potential future development.

Central Midlands Audit Partnership

Proposed content of 'client' questionnaire

Draft questionnaire to be circulated to selected recipients either by email or Survey Monkey – clients may include members of the Audit, Governance and Standards Committee, the Executive Board or lead managers involved with internal audit delivery and Essex Care Ltd. The final content of any survey will be agreed with the HoIAA/IAM.

To what extent do you feel internal audit...	A	B	C	Feedback
Provides you with a clear understanding of the role of internal audit				
Includes relevant assignments in the internal audit plan				
Understands the objectives of the organisation in your area				
Discusses and agrees the focus of assignments with you before commencing a review				
Provides adequate assurance regarding the risks your department faces				
Maintains an active dialogue with you outside of meetings and assignments				
Delivers timely and constructive reports with pragmatic recommendations				
Has the experience and skills to provide advice				
Listens to the issues which you raise				
Other comments				

Notes regarding grading:

A – Good, very happy with service received

B – Adequate, I would like to see changes as described in my feedback

C – Poor. Internal audit need to consider their approach in this area. Please include further feedback

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