

Status of Report: Public

Meeting: Corporate Governance Committee

Date: 25 July 2018

Subject: Internal Audit Service – Outcome of Peer Review

Report by: The Treasurer

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For: Information only

Purpose of Report

1. To inform the Corporate Governance Committee of the outcome of the recently conducted peer review of Leicestershire County Council's Internal Audit Service.

Recommendation

2. That the Corporate Governance Committee reviews and notes the outcome of the peer review contained in Veritau's report.

Background

3. An effective internal audit function is a mandatory statutory requirement for the Combined Fire Authority (CFA). Detail is contained in the revised Constitution approved by the CFA at its meeting on 20 June 2018.
4. The CFA's internal audit function is outsourced to Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS).
5. The CFA's Corporate Governance Committee (the Committee) fulfils the role of 'board' for the purposes of the Public Sector Internal Audit Standards (PSIAS). The PSIAS exist to promote continued improvement in the professionalism, quality and effectiveness of the internal audit function. Within its terms of reference, the Committee has a function to monitor the adequacy and effectiveness of the internal audit function.

6. At its meeting on 14 March 2018, the Committee was informed that there is a PSIAS requirement that 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. The preferred option was for a self-assessment of conformance by LCCIAS with independent validation being carried out through a peer review.
7. Veritau Limited had been commissioned to undertake an independent validation of LCCIAS' 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

8. The HoIAS and his team compiled a self-assessment against the PSIAS and submitted it along with supporting evidence to the review team, Veritau's Head of Internal Audit and his deputy, both very experienced internal auditors.
9. The review team were on site at County Hall for two days and conducted interviews with the County Council's Chair of the Corporate Governance Committee, its Chief Executive and six Directors. To establish the views from other organisations that LCCIAS provides service to, the reviewers also interviewed the Chief Fire and Rescue Officer and Leicester City Council's Head of Finance. In addition, the HoIAS and seven LCCIAS staff were interviewed. At the end of the two days, verbal feedback was provided to the County Council's Director of Corporate Resources and the HoIAS.
10. Internal audit electronic work files were provided to allow the reviewers to evaluate consistency and diligence in processes.

Outcome of the review

11. The reviewer's draft report was received on 11 April 2018 and is attached at Appendix. The HoIAS has shared the report with the County Council's Director of Corporate Resources and it will be accepted without alteration.
12. Paragraphs 15 to 17 of Veritau's report inform that, *'It is our overall opinion that Leicestershire County Council (Internal Audit Service) 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'.*

13. 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

14. None.

Equal Opportunities Implications

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

Background Papers

Constitution of the Combined Fire Authority (revised from 20 June 2018)
<http://www.leicestershire-fire.gov.uk/your-fire-service/who-we-are/constitution-and-governance/>

The Public Sector Internal Audit Standards (revised from April 2017)
<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

CFA Corporate Governance Committee 14 March 2018
<http://www.leicestershire-fire.gov.uk/your-fire-service/decision-making/cfa-meetings/>

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Appendices

Appendix Self Assessment With External Independent Validation -
Leicestershire County Council - March 2018