



ESPO MANAGEMENT COMMITTEE – 13 JUNE 2018
INTERNAL AUDIT SERVICE – PEER REVIEW OUTCOME

REPORT OF THE CONSORTIUM TREASURER

Purpose of Report

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

Background

2. The Consortium Treasurer (the Treasurer) is responsible for the proper administration of ESPO's financial affairs and has a specific responsibility for arranging a continuous internal audit of those affairs. The Treasurer arranges for Leicestershire County Council's Internal Audit Service (LCCIAS) led by the Head of Internal Audit Service (HoIAS) to provide internal audit for ESPO.
3. Under its terms of reference the Finance and Audit Subcommittee (the Subcommittee) should receive and review audit and governance reports. The Subcommittee also monitors the adequacy and effectiveness of the internal audit service provided to ESPO. The outcome of the Peer Review was therefore presented to the Finance and Audit Subcommittee on 9 May 2018 prior to it being presented to this Committee.
4. At its meeting on 29 January 2018, the County Council's Corporate Governance Committee was informed 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.
5. 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 Council's Committee supported this approach.

6. 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

7. The Council's Head of Internal Audit & Assurance Service (the HoIAS for ESPO) and his team compiled a self-assessment against the PSIAS and submitted it along with supporting evidence to the review team.
8. The review team were on site at County Hall for two days and conducted interviews with Leicestershire County Council's Chair of the Corporate Governance Committee, the 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 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 (ESPO's designated Consortium Treasurer) and the HoIAS.
9. Internal audit electronic work files were provided to allow the reviewers to evaluate consistency and diligence in processes.

Outcome of the review

10. 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 Consortium Treasurer and it will be accepted without alteration.
11. 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'*.
12. 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

13. None

Recommendation

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

Equal Opportunities Implications

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

Background Papers

Constitution of the ESPO Management Committee
The Public Sector Internal Audit Standards (revised from April 2017)

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Appendices

Appendix Internal Audit Service Peer Review Outcome

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