



AGENDA ITEM: 10

AUDIT AND GOVERNANCE COMMITTEE:

22 March 2016

Report of: Borough Treasurer

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SUBJECT: EXTERNAL REVIEW OF INTERNAL AUDIT

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To update Members on the position in relation to the commissioning of a review of the Internal Audit Quality Assurance and Improvement Programme (QAIP).

2.0 RECOMMENDATION

2.1 That consideration be given to the timetable for and means of securing an external review given the need to include appropriate budget provision for 2017/18.

3.0 BACKGROUND

3.1 The Public Sector Internal Audit Standards (the Standards) require the Audit Manager to have in place a Quality Assurance and Improvement Programme (QAIP). There is a requirement for this programme to be externally assessed at least once every five years.

3.2 This requirement could be met by

- A suitable peer group review process.
- Review by a suitably qualified organisation providing services on a commercial basis e.g. a firm of Accountants or the Institute of Internal Auditors.

3.3 This Committee considered the matter on the 27th January 2015. At that time there was no clear road map in place for commissioning the Lancashire Peer Review process and members resolved that the review should be commissioned

from an independent professional body with no expression of interest being made in relation to joining the Lancashire wide peer group review process.

4.0 CURRENT DEVELOPMENTS

- 4.1 Since members considered the matter the Lancashire Districts have agreed a methodology for carrying out peer reviews and the vast majority of authorities in the Lancashire group have committed to taking part in the exercise with the time left for entry by further participants now almost expired.
- 4.2 As a review is required to have been completed by the end of March 2018 provision will need to be made in the 2017/18 budget for the cost of review by an independent professional body. This can be achieved through the budget setting process for 2017/18, which will commence later this year.
- 4.3 Commercial suppliers are beginning to emerge in the public sector review market but there is still no substantial track record of review for authorities of a similar size to West Lancashire on which to base an indicative estimate of the likely costs or to differentiate between the relative merits of the services on offer from the various suppliers.
- 4.4 The cost of any review will be based on consideration of the scale of internal audit activity and the systems covered, and the only way to obtain an accurate estimate of costs will be to invite quotations from a number of suppliers for comparison.

5.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 6.1 Commissioning of an external assessment will require a suitable budget provision in 2017/18. There is no reliable historical information on the likely scale of fees on which to base such provision.

7.0 RISK ASSESSMENT

- 7.1 A review of Internal Audit in accordance with the Public Sector Internal Audit Standards is required to ensure that the Council complies with statutory requirements and must be completed by 31/3/2018

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.