

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

West Lancashire Borough Council

Final Report

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Review of West Lancashire Borough Council's Internal Audit Service –28th February to 7th March 2018

1. Introduction

Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). The standards require periodic self-assessments and an assessment by an external person at least every five years.

2. Background

West Lancashire Borough Council's Internal Audit Service is based at the Civic Centre in Ormskirk, Lancashire. The current structure of the Service comprises 3.6 full time equivalent (FTE) experienced auditors, comprising an Internal Audit manager (PIIA & CIA qualified), and 2.6 FTE Auditors

The Service has carried out a self-assessment to see how they compare to the requirements of both the PSIAS and the CIPFA local government application note (LAGN), and used the outcome of the review to inform the quality assurance and improvement plan. The Internal Audit Manager felt that the time was right to have the mandatory external quality assessment of the Internal Audit Service and commissioned CIPFA to undertake a full assessment of the Service.

3. Review Process

The review was carried out between the 28th February and the 7th March 2018 through a process of interviews and document review. Interviews were carried out with the members of the Internal Audit Service, key stakeholders including members of the Council's Senior Management Team, the external auditors, and the Chair of the Audit and Governance Committee.

The document review phase of the process involved a detailed review of the documents used and produced by the Internal Audit Service. The Service provided a comprehensive range of documents that were available for examination prior to and during this review. These included the audit plan; audit protocol; the Service's self-assessment against the PSIAS and the LGAN; individual audit files and working papers; and a range of reports and communications that demonstrated the flow of information between the Service, senior management and the Audit and Governance Committee. Whilst all of the documents contributed to the external quality assessment, the following are regarded as fundamental and a major contributor to the review process:

- the audit charter, covering reports and the Audit and Governance Committee terms of reference;
- progress reports to the Council's Audit and Governance Committee and senior management;
- the Internal Audit Manager's annual report and opinion to the Audit and Governance Committee;
- audit plans and covering reports to the Audit and Governance Committee;
- the audit manual;
- individual audit reports and working papers;
- the self-assessment and quality assurance and improvement programme;
- staff declarations of interest and objectivity; and
- staff training and development records.

4. Conclusion and Opinion

From the evidence reviewed as part of the external quality assessment, it is apparent that the Council's Internal Audit Service is a competent and respected Service. The Service is effective, follows best practice wherever it can, and is willing to adapt to the changing needs of the Council. Recent appointments have strengthened the team and these will enable the Internal Audit Manager to adapt and develop the Service in a way that will ensure it remains effective and aligns with the changing needs of the Council. Internal Audit is providing an objective risk based internal audit service to the Council, but nonetheless there are opportunities to enhance and develop their operations that they should embrace if they are to maintain their status within the Council, and enhance their conformity to the PSIAS and the LGAN.

During this review, we did not identify any areas of non-compliance with the standards. We have identified one area of partial compliance with the standards, and where the Service generally conforms to the standards, we have identified some minor observations that should be addressed.

On this basis, it is our opinion that West Lancashire Borough Council's Internal Audit Service GENERALLY CONFORMS to the requirements of the Public Sector Internal Audit Standards and those of the Local Government Application Note.

An internal audit service's conformance with the PSIAS and the LGAN falls into one of the three categories below. Further details on each of these categories can be found in section nine of this report.

Generally Conforms	Partially Conforms	Does Not Conform
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The minor observations identified during the review are set out in section five of the report, together with some recommendations (R) and suggestions (S) to address these issues. These recommendations and suggestions are included in the action plans at section six of this report.

The process also identified some opportunities (O) for the Service to enhance its operations although these do not have a direct effect on the Service's compliance with the PSIAS or the LGAN. These opportunities have been included for information in section seven of the report.

A list of the individuals interviewed during the review is included as section eight of this report.

The Internal Audit Manager has been provided with details of the areas where there is scope to enhance conformity with the PSIAS and the LGAN, and incorporate further good practice into Internal Audit's operations.

The co-operation of the Internal Audit Service in providing the information requested during this review, as well as those stakeholders that made themselves available for interview, was much appreciated and has made it possible to obtain a thorough view of Internal Audit's business and the contribution it makes to its client's organisational objectives.

5. Summary of observations, recommendations and suggestions

Standard	Compliance	Observations	Recommendations & Suggestions	No.
Mission	Generally Conforms	The audit charter includes the mission statement as required by the revised (2017) PSIAS		
Core principles of internal audit	Generally Conforms	<p>Overall, the Internal Audit Service generally conforms to the core principles of internal audit with one minor observation.</p> <p>The Council is going through significant changes in the way it operates, is funded and delivers services to the residents and businesses of West Lancashire. Whilst the Service is already insightful, proactive and future focussed to an extent, and the CEO and the S151 use the Internal Audit Manager as a trusted advisor, the CEO expects the Service to play a major part in helping the Council achieve its objectives.</p> <p>This will inevitably mean a greater emphasis on advisory, VFM and operational efficiency assignments, rather than on some of the more traditional audit reviews, and the Internal Audit Manager will need to consider sharing this work load amongst the team members to cope with the demand for auditors being involved from the outset in change projects.</p> <p>In addition, the Service should consider including specific VFM and/or operational reviews linked to the strategic risks and council objectives in future audit plans, or by expanding the scope of some of the planned</p>	<p>To continue to support the Council achieve its change agenda and reduce its dependency on grant funding that is due to end in the foreseeable future, the Internal Audit Manager should:-</p> <ul style="list-style-type: none"> • consider expanding the scope of specific assurance reviews to increase Internal Audits focus on the wider operational and added value areas for the Council; • include specific assignments in future audit plans that are aimed at enhancing organisational improvements; • ensure that the team have the skills needed to advise and support management, and be able to audit effectively in a more commercially focussed environment; • utilise the knowledge and skills of the team members that have experience of auditing in commercial sectors. 	R1

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		assurance reviews to cover these areas.		
Code of Ethics	Generally Conforms	Overall, the Internal Audit Service generally conforms to the Code of Ethics for Internal Auditors and the <i>Seven Principles of Public Life</i> .		

Standard	Compliance	Observations	Recommendations & Suggestions	No.
Attribute standards				
1000 Purpose, authority and responsibility	Generally Conforms	<p>The Internal Audit Service generally conforms standard 1000 and the local government application note (LGAN). There are three minor observation that are set out below.</p> <p>The first minor observation relates to the definition of assurance services. This is set out in the audit charter but is not currently set out in the audit manual. To provide greater clarity for the team, it is suggested the activities that form assurance services are detailed in the audit manual.</p> <p>The second minor observation relates to the Council's counter-fraud policy. At present, this document does not require the Internal Audit Manager to be informed of all suspected frauds committed against the authority, as recommended by the LGAN. This should be added to the policy at its next revision.</p> <p>The third minor observation relates to the role played by the Internal Audit Manager in the review of the remit and effectiveness of the Audit Committee. The CIPFA guidance for Audit Committees suggests using the check-list from the guidance to undertake regular remit and effectiveness reviews of the Audit Committee. This is to ensure that, collectively, the members of the committee have the range of skills needed to be an effective scrutiny function of the Council. However, the Audit and Governance Committee have not</p>	<p>It is suggested that a definition for assurance services and the scope of these services, is added to the audit manual.</p> <p>It is suggested that a requirement for management to inform the Internal Audit manager of all suspected frauds against the Council is added to the Fraud and Corruption Policy at its next revision.</p> <p>It is suggested that the Audit and Governance Committee undertakes an annual review of its remit and effectiveness, using the checklist in the CIPFA Audit Committee guidance, to ensure it continues to be an effective scrutiny function for the Council.</p>	S1 S2 S3

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		<p>undertaken a remit and effectiveness review for some time. Given the changing nature of local government and the demands being placed on councils, it is important to ensure that the Audit and Governance Committee have and maintain the skills necessary to continue to fulfil their role in an effective way</p>		
<p>1100 Independence and objectivity</p>	<p>Generally Conforms</p>	<p>The Internal Audit Service generally conforms to standard 1100 and the LGAN. There are two minor observations that are set out below.</p> <p>The first minor observation relates to potential impairments to independence and objectivity. The Internal Audit Service is already following good practice by including statements regarding potential impairments in the audit charter and the declaration of objectivity signed by all members of the Service. The focus of these documents is looking at the year ahead for the Service. The final step in the process is to look back at the year just ended by strengthening the wording of the independence statement in the Internal Audit Manager's annual report and opinion to confirm that there have not been any such impairment. This should be added to the annual report for 2017/18.</p> <p>The second minor observation relates to the statements of independence and objectivity that are signed by all members of the Internal Audit Service. These are accompanied by detailed guidance notes for the staff to use when completing the returns; however these guidance notes could be strengthened by</p>	<p>Consider strengthening the wording of the independence statement in the Internal Audit Manager's annual report and opinion to confirm that there have not been any impairments to the objectivity and independence of the team.</p> <p>At its next revision, enhance the guidance note that underpins the declaration of interest process to include specific reference to internal auditors conforming to the requirements of the PSIAS, Core Principles, Code of Ethics, and the Seven Principles of Public Life.</p>	<p>S4</p> <p>S5</p>

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		including specific reference to internal auditors conforming to the requirements of the PSIAS, Core Principles, Code of Ethics, and the Seven Principles of Public Life.		
1200 Proficiency and due professional care	Generally Conforms	<p>The Internal Audit Service generally conforms standard 1200 and the LGAN. There are two minor observations relating to this standard that are set out below.</p> <p>The first relates to Internal Audit’s knowledge of dealing with potential fraud and irregularity. The Service is the primary fraud and investigation function for the Council, and whilst all of the team members are experienced internal auditors, suspected fraud referrals usually fall to the Internal Audit Manager to investigate. Dealing with suspected fraud is not covered in the audit manual, and none of the team hold any fraud investigation qualifications. Consideration should therefore be given to strengthening the audit manual to include a section on dealing with fraud, and supporting one or more of the team to obtain a relevant fraud and investigation qualification.</p> <p>The second minor observation relates to ICT audit. Team members have sufficient knowledge to review high level ICT controls (access controls, back up procedures etc) although they need to ensure that these skills are kept up to date, as this is an area that is constantly changing.</p> <p>However, the Auditors do not have sufficient knowledge to carry out in-depth or technical</p>	<p>It is suggested that sections covering how to deal with suspected fraud and how to undertake ICT audits are added to the audit manual.</p> <p>It is suggested that consideration is given to supporting team members to obtain a suitable fraud and irregularity investigation qualification</p> <p>Consideration should be given to maintaining the ICT audit skills of the Auditors by accessing cost effective training and development opportunities, such as courses run by the North West and Lancashire Audit groups, briefing sessions, and free webinars, etc</p> <p>It is suggested that the Internal Audit Manager continues to work with Lancashire County Council’s Internal Audit Service to find a suitable ICT partner for both organisations.</p>	S6 S7 S8 S9

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		<p>ICT audits. The Council is currently looking for an ICT audit partner, in conjunction with the County Council due to the complex arrangements in place for the outsourced ICT service, to undertake technical ICT audits. .</p>		
<p>1300 Quality assurance and improvement programme</p>	<p>Generally Conforms</p>	<p>The Internal Audit Service generally conforms to standard 1300 and the LGAN. There are three minor observations relating to this standard that are set out below.</p> <p>The first relates to reporting the outcome of the self-assessment and QAIP to the Senior Management Team and the audit and Governance committee. To date these have only been reported in summary form, however the Internal Audit Manager recognises that the detailed output from the self-assessment and the QAIP should be reported to them and has included an action on the QAIP action plan for this.</p> <p>The second relates to the use of the term 'conforms to the Public Sector Internal Audit Standards'. At present, this statement is not included in the annual report or the individual audit reports. Once the recommendations and suggestions set out in this report have been implemented, the Internal Audit Manager should consider adding such a statement to these documents.</p> <p>The third minor observation relates to reporting the agreed performance measures for the Service to the Audit and Governance Committee. These are not routinely reported</p>	<p>Implement the action on the QAIP to provide more detail on the self-assessment and the QAIP to senior management and the Audit and Governance Committee.</p> <p>Once the recommendations and suggestions set out in this report have been implemented, the Internal Audit Manager should consider adding the statement 'conforms to the Public Sector Internal Audit Standards' to the annual report and the individual audit reports.</p> <p>Implement the action on the QAIP to provide details of the performance of the Internal Audit service to the Audit and governance committee.</p>	<p>R2</p> <p>S10</p> <p>R3</p>

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		to the committee. The Internal Audit Manager has identified this as an issue and included an action in the QAIP action plan to do this.		
Performance standards				
2000 Managing the internal audit activity	Generally Conforms	<p>The Internal Audit Service generally conforms to standard 2000 and the LGAN. There is one minor observation relating to standard 2000 set out below.</p> <p>The minor observation relates to using other sources of assurance to help inform the audit plan and the annual opinion on the Council's controls, risk management and governance arrangements. At the time of this review, the Council has not undertaken an assurance mapping exercise to identify where it gets assurance from, and how much reliance could be placed on the sources of assurance when forming the audit plan and preparing the annual opinion. The Internal Audit Manager is aware that an assurance map may be a useful tool to assist with these processes and has included this on the action plan for the quality assurance and improvement programme.</p>	Consideration should be given to implementing the action on the QAIP action plan to develop an assurance map for the Council.	S11
2100 Nature of work	Generally Conforms	<p>The Internal Audit Service generally conforms to standard 2100 and the LGAN with one minor observation.</p> <p>Standard 2110 expects internal audit services to evaluate the design, implementation and effectiveness of council's ethics-related objectives, programmes and activities. At</p>	A specific review of the Council's ethics related objectives, programmes and activities should be added to the annual internal audit plan. Ethics could also be included as an element of some of the audits carried out by the Service.	R4

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		present this area is not covered in the annual audit plan and does not routinely feature as part of the individual audits.		
2200 Engagement planning	Generally Conforms	The Internal Audit Service generally conforms to standard 2200 and the LGAN.		
2300 Performing the engagement	Generally Conforms	The Internal Audit Service generally conforms to standard 2300 and the LGAN.		
2400 Communicating the results	Partially Conforms	<p>The Internal Audit Service partially conforms standard 2300 and the LGAN. There are a number of observations that need to be addressed by the Service.</p> <p>The first observation relates to the individual audit reports. These are well laid out and detail the findings and conclusions from the review, together with an action plan to address any issues that need to be dealt with by management. However, the audit reports do not include an audit opinion on the effectiveness of the controls, governance and risk management processes that have been reviewed during the audits.</p> <p>In addition, the management actions in the audit report action plans are not prioritised according to their risk.</p> <p>The overall approach of the audit reports is one of focussing on the issues identified during the audits. This draws management attention to the issues that need to be addressed, and is</p>	<p>An audit opinion should be added to all audit reports.</p> <p>The recommendations set out in the action plan in the audit reports should be prioritised according to their risk.</p> <p>Consideration should be given to enhancing the acknowledgement of good practice identified during the audits as well as the issues that need to be addressed.</p> <p>Add a statement to the audit reports limiting the distribution and use of the report and its content.</p> <p>Consider including a section in the audit manual on the process for releasing audit reports to external parties.</p> <p>It is suggested that an initial distribution list for the audit reports is added to the audit planning</p>	<p>R5</p> <p>R6</p> <p>S12</p> <p>R7</p> <p>S13</p> <p>S14</p>

Standard	Compliance	Observations	Recommendations & Suggestions	No.
		<p>often the most cost effective approach to use when producing the reports. However, whilst there is some acknowledgement to the good practice identified during the audits, there is scope to enhance this element in some of the audits reports.</p> <p>The next observations relate to the release of audit reports to third parties. The current audit report format does not include a statement limiting the distribution and use of the audit reports and their contents. Such a statement could be added to all audit reports. Guidance on releasing audit reports to external parties is not included in the audit manual. This should be added at the next revision.</p> <p>The final observation relates to the distribution of the audit reports. Whilst this is set out in each audit report, an initial distribution list is not included in the audit planning document (audit brief) that is sent to management at the start of the audit. It is good practice to include this initial distribution list in the audit planning documents.</p> <p>The comments and suggestions in standard 1300 above also apply to this standard.</p>	documents (audit briefs) that are sent to management at the start of each audit.	
2500 Monitoring progress	Generally Conforms	The Internal Audit Service generally conforms to standard 2500 and LGAN.		
2600 Communicating the acceptance of risks	Generally Conforms	The Internal Audit Service generally conforms to standard 2600 and the LGAN.		

6. Action Plan

Recommendations

No	Recommendation	Response	Responsible Person	Action date
R1	<p>To continue to support the Council achieve its change agenda and reduce its dependency on grant funding that is due to end in the foreseeable future, the Internal Audit Manager should:-</p> <ul style="list-style-type: none"> consider expanding the scope of specific assurance reviews to increase Internal Audits focus on the wider operational and added value areas for the Council; include specific assignments in future audit plans that are aimed at enhancing organisational improvements; ensure that the team have the skills needed to advise and support management, and be able to audit effectively in a more commercially focussed environment; utilise the knowledge and skills of the team members that have experience of auditing in commercial sectors. 	<p>Agreed</p> <ul style="list-style-type: none"> This is always a consideration but focus is shifting further in this direction in the current environment and Senior Managers are now identifying these types of areas for review on a more regular basis. The current (post review) plan includes time for involvement in the Sustainable Organisational Review and an Income Review for example. These types of reviews will continue to be considered for inclusion during the production of future plans Recent appointments have broadened the mix of skills available to the service and it is intended to build on this through regular sharing of knowledge in the team and enhance it through training identified through regular development appraisals. <p>This is currently being actively promoted as a way to achieve better outcomes / synergy through best</p>	Internal Audit Manager / Corporate Management Team	Ongoing

No	Recommendation	Response	Responsible Person	Action date
		use of the available skills mix.		
R2	Implement the action on the QAIP to provide more detail on the self-assessment and the QAIP to senior management and the Audit and Governance Committee	Agreed	Internal Audit Manager	Include self assessment with report on PSIAS to July 18 Audit and Governance Committee then annually as a separate report
R3	Implement the action on the QAIP to provide details of the performance of the Internal Audit service to the Audit and governance committee.	Agreed Suite of performance measures to be agreed and reported regularly to Borough Treasurer and Audit and Governance Committee.	Borough Treasurer / Internal Audit Manager	From October 2018 Audit and Governance Committee
R4	A specific review of the Council's ethics related objectives, programmes and activities should be added to the annual internal audit plan. Ethics could also be included as an element of some of the audits carried out by the Service.	Agreed Add to 2019/20 annual audit plan. Consider inclusion of ethics element in 2018/19 plan briefs as appropriate	Internal Audit Manager	Audits planned from June 2018 onwards
R5	An audit opinion should be added to all audit reports.	Agreed	Internal Audit Manager / Auditors	To be added to all reports from start of 2018/19 Annual Plan onwards
R6	The recommendations set out in the action plan in the audit reports should be prioritised according to their risk.	Agreed	Internal Audit Manager / Auditors	Recommendations prioritised on all reports from start of 2018/19

No	Recommendation	Response	Responsible Person	Action date
				Annual Plan onwards
R7	Add a statement to the audit reports limiting the distribution and use of the report and its content.	Agreed	Internal Audit Manager / Auditors	To be added to all reports from start of 2018/19 Annual Plan onwards

Suggestions

No	Suggestion	Response	Responsible Person	Action date
S1	It is suggested that a definition for assurance services and the scope of these services, is added to the audit manual.	Agreed	Internal Audit Manager	By 6th July 2018
S2	It is suggested that a requirement for management to inform the Internal Audit manager of all suspected frauds against the Council is added to the Fraud and Corruption Policy at its next revision	Agreed	Borough Treasurer / Internal Audit Manager	At next revision (Currently in progress)
S3	It is suggested that the Audit and Governance Committee undertakes an annual review of its remit and effectiveness, using the checklist in the CIPFA Audit Committee guidance, to ensure it continues to be an effective scrutiny function for the Council	Agreed	Borough Treasurer / Internal Audit Manager	Review to be incorporated in A&G work programme annually.

No	Suggestion	Response	Responsible Person	Action date
S4	Consider strengthening the wording of the independence statement in the Internal Audit Manager's annual report and opinion to confirm that there have not been any impairments to the objectivity and independence of the team.	Agreed	Internal Audit Manager	2018/19 Annual Report onwards
S5	At its next revision, enhance the guidance note that underpins the declaration of interest process to include specific reference to internal auditors conforming to the requirements of the PSIAS, Core Principles, Code of Ethics, and the Seven Principles of Public Life.	Agreed	Internal Audit Manager	By 6th July 2018
S6	It is suggested that a section covering how to deal with suspected fraud is added to the audit manual.	Agreed	Internal Audit Manager	By 6th July 2018
S7	It is suggested that consideration is given to supporting team members to obtain a suitable fraud and irregularity investigation qualification.	Agreed	Borough Treasurer / Internal Audit Manager	Considered as part of 2018 Development Review and Budget Cycles
S8	Consideration should be given to maintaining the ICT audit skills of the Auditors by accessing cost effective training and development opportunities, such as courses run by the North West and Lancashire Audit groups, briefing sessions, and free webinars, etc.	Agreed	Internal Audit Manager	With immediate effect
S9	It is suggested that the Internal Audit Manager continues to work with Lancashire County Council's Internal Audit Service to find a suitable ICT partner for both organisations.	Agreed	Internal Audit Manager	Procurement now complete.

No	Suggestion	Response	Responsible Person	Action date
S10	Once the recommendations and suggestions set out in this report have been implemented, the Internal Audit Manager should consider adding the statement 'conforms to the Public Sector Internal Audit Standards' to the annual report and the individual audit reports.	Agreed	Internal Audit Manager	Once all recommendations and suggestions implemented.
S11	Consideration should be given to implementing the action on the QAIP action plan to develop an assurance map for the Council.	Agreed	Internal Audit Manager	In advance of 2019/20 planning cycle
S12	Consideration should be given to enhancing the acknowledgement of good practice identified during the audits as well as the issues that need to be addressed	Agreed Report template to be revised and step added to the review process to prompt explicit consideration of areas of good practice identified which could be acknowledged.	Internal Audit Manager	All reports on 2018/19 Annual Plan onwards
S13	Consider including a section in the audit manual on the process for releasing audit reports to external parties.	Agreed	Internal Audit Manager	By 6th July 2018
S14	It is suggested that an initial distribution list for the audit reports is added to the audit planning documents (audit briefs) that are sent to management at the start of each audit.	Officers responsible for the process of clearing reports are identified on each brief and in the vast majority of cases these will be identical to the officers on the distribution list however wording on future briefs will be amended to identify distribution separately.	Internal Audit Manager	Commencing in June 2018

7. Opportunities to Enhance Services

Senior Management within the Internal Audit Service at West Lancashire Borough Council are keen to develop the way the Service operates and to enhance the quality and range of services that they provide to their existing and potential clients. With this in mind, the following opportunities have been identified, together with some suggested actions for consideration.

No.	Observation	Suggested Action
O1	<p>Although the auditors have an understanding of the key financial and HR systems used by the Council, and can run reports to extract data from them, the Service does not currently use computer assisted audit techniques (CAATs) to undertake any of its audits. The Internal Audit Manager is familiar with such applications and is an experienced user of the IDEA application.</p> <p>Using CAATs will enable auditors to test all of the transactions within the systems they are auditing, rather than a small sample, thus providing greater assurance on the effectiveness of controls and the quality of the data. Using CAATs also enables auditors to target resources more effectively, as auditing systems by electronic means will free up auditor time to focus on audits that cannot be performed by computer applications.</p> <p>The Service should therefore consider obtaining a suitable CAATs application. There are a number of CAATs applications on the market but given that one of the auditors is familiar with the IDEA application and therefore will have a much shorter learning curve, this is probably the better product. In addition, there is a suite of pre-written test scripts for many of the key financial and HR systems found in most organisations, called SmartAnalyser, which can be used as an add on to the IDEA application.</p>	<p>Internal Audit should consider obtaining the IDEA application, and supplement this with the SmartAnalyser add on application, to enable them to undertake regular audits of the key financial and HR systems of the Council</p>
O2	<p>The Council is going through significant changes in the way it operates, is funded and delivers services to the residents and businesses of West Lancashire. To ensure the Internal</p>	<p>To enhance the overall skills and knowledge for the team members so they can continue to deliver effective audit and consultancy services to the Council as it changes and develops, it</p>

	<p>Audit Service continues to deliver effective audit and consulting services that develop with the Council, it is vital that the individual auditors maintain their skills and knowledge by undertaking relevant and cost effective learning and development.</p> <p>Some of this learning and development should be directed at reinforcing exiting skills, for example general internal audit techniques, but it should also target new areas for the Council, such as auditing in a more commercially focused environment for example.</p> <p>It is appreciated that budgets for training are limited and have to be used appropriately, but effective learning and development can be achieved with minimal expenditure, such as using free Webinars produced by the professional bodies, or attending free briefing sessions, often put on by the regional groups for the professional bodies.</p> <p>If funds are available, the auditors should also consider studying for a formal internal audit qualification, such as the IIA's Certified Internal Auditor (CIA) qualification, as this will strengthen their overall knowledge of internal audit and risk management, and add to the professional image of the Service.</p>	<p>is suggested that the auditors enhance their skills and knowledge by undertaking regular, targeted low cost learning and development that is linked to the Service's learning and development strategy. In particular, this learning and development should focus on equipping the team with the skills necessary to remain effective and adapt with the Council as it develops over the coming years.</p> <p>It is further suggested that the Auditors consider obtaining a formal internal audit qualification, such as the IIA's CIA qualification.</p>
O3	<p>Traditional internal audit services have carried out audits of the key financial systems in the last quarter of the financial year. The logic behind this approach was to ensure that the audits covered as much of the financial year as possible as this would assist the external auditors when they carried out their annual audit of the Councils financial records. At West Lancashire, the Audit Manager consults with the Revenues manager on the most convenient times to undertake the audits of the key financial systems and tries to accommodate this where possible.</p> <p>As the Council's external auditors no longer place significant reliance on the work of internal audit, there is now no logical reason to leave any of these audits to the last quarter of the</p>	<p>Consider moving the audit of all of the key financial systems to quarter three, or even late quarter two, to reduce the pressure on services trying to cope with two sets of auditors often at the same time.</p> <p>Consideration should also be given to reducing the frequency of some of these audits, particularly where the internal control framework is deemed to be sound and the processes are well managed.</p>

	<p>financial year. As such, consideration should be given to moving all of the audits of the key financial systems to earlier in the year, say early quarter three. Consideration should also be given to reducing the frequency of some of these audits, particularly those that have sound internal control frameworks and are well managed</p>	
O4	<p>Internal Audit does not currently use an audit management system to manage the planned audits, time recording, and store the working papers, TORS, reports etc for the assignments.</p> <p>At present, all of the documents used during an audit are stored on the Service's secure shared drive on the Council's computer servers, or in manual files. Whilst this approach works well the Service may wish to consider the use of a specialist audit management system for the future, as this may enable them to enhance their processes and generate operating efficiencies. Some of the products on the market include action tracking modules and can be linked to performance and risk management applications, and are suitable for smaller Internal Audit Services.</p>	<p>The Internal Audit Manager should consider evaluating the audit management systems currently available to see if there is a suitable cost effective application to obtain when funds are available.</p>

8. Interviewees

Person	Position	Organisation
Mike Coysh	Internal Audit Manager	West Lancashire Borough Council
Mel Moorey	Auditor	West Lancashire Borough Council
Katherine Westby	Auditor	West Lancashire Borough Council
Jo Guest	Auditor	West Lancashire Borough Council
Marc Taylor	Borough Treasurer –(Section 151 Officer)	West Lancashire Borough Council
Terry Broderick	Borough Solicitor (Monitoring Officer)	West Lancashire Borough Council
Kim Webber	Chief Executive	West Lancashire Borough Council
Chris Twomey	Deputy Director Housing and Inclusion (BTLS Contract Manager)	West Lancashire Borough Council
Jacqui Sinnott-Lacey	Director of Housing and Inclusion	West Lancashire Borough Council
Paul Cotterill	Chair of the Audit and Governance Committee	West Lancashire Borough Council
Georgia Jones	Engagement Manager	Grant Thornton

9. Definitions of Conformance with the Standards

Generally Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

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