



AGENDA ITEM:

AUDIT AND GOVERNANCE COMMITTEE:

25 October 2022

Report of: Head of Finance, Procurement and Commercial Services

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SUBJECT: External Quality Assessment of Internal Audit 2023

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 The purpose of this report is to consult members of the Audit & Governance Committee on the format of the external review of internal audit that is required by the Public Sector Internal Audit Standards and due in 2023.

2.0 RECOMMENDATION

2.1 That the Audit and Governance Committee members authorise proceeding with the procurement of an external provider to undertake an external assessment of the Internal Audit Service in the form of a validated self-assessment.

2.2 That Audit and Governance Committee members delegate authority to the Corporate Compliance & Governance Manager and the Head of Finance, Procurement and Commercial Services (Section 151 Officer) to agree the specification of the assessment, assess quotations received based on cost and quality and to appoint an external provider to undertake the validated self-assessment review.

3.0 BACKGROUND

3.1 The Public Sector Internal Audit Standards (PSIAS) were introduced from the 1st April 2013 and the Internal Audit Service has been working to those standards since that date. The PSIAS require that internal and external assessments of internal audit must take place.

3.2 The PSIAS require that an external assessment should be carried out at least once every 5 years by a qualified, independent assessor or team. The first external assessment took place in February 2018 and was carried out by CIPFA. Whilst there was a Lancashire Peer group in place to undertake external reviews

this committee decided that its assessment process should be carried out by an independent external provider.

- 3.3 The results of the review were reported to the Audit and Governance Committee in July 2018. The review concluded that West Lancashire Borough Councils Internal Audit Service "Generally Conformed" with the requirements of the Public Sector Internal Audit Standards. Several improvements were identified from the review that have been implemented.

4.0 CURRENT POSITION

- 4.1 The next external review of the Internal Audit Service is due in February 2023. As members of this committee had previously agreed that an independent external assessment process should be undertaken, the external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 4.2 A Full External Quality Assessment incorporates the acquisition and validation of evidence to support compliance with the Standards coupled with, surveys and interviews with stakeholders leading to the completion of an independent report.
- 4.3 Alternatively a validated self-assessment is initially carried out by the Corporate Compliance & Governance Manager in liaison with the Internal Auditors. The external assessment team will then review / validate evidence produced to support the self-assessment and in addition conduct interviews with all key stakeholders including Members, Senior Officers, key audit contacts and staff.
- 4.4 The sole difference between the two approaches is that the Full EQA will require the assessor to request and compile for themselves a significant proportion of the documentation to support the PSIAS / LGAN checklist, whereas for the validated self-assessment the PSIAS / LGAN checklist will be completed by the Corporate Compliance & Governance Manager and the assessors will review the compiled evidence.
- 4.5 An internal self- assessment against the PSIAS utilising the recommended CIPFA checklist has been undertaken on an annual basis by the Corporate Compliance & Governance Manager and the Internal Auditors. These reviews have confirmed that the Internal Audit Service remains "generally compliant" with the standards. Progress on any actions from the self-assessments undertaken are reported to this committee.

5.0 SUSTAINABILITY IMPLICATIONS

- 5.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

6.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 6.1 There are no significant financial or resource implications arising from this report as this has activity is included in existing budget provisions.

7.0 RISK ASSESSMENT

- 7.1 The procurement of an assessor to undertake an independent review of the internal audit service will ensure that PSIAS requirements are met. The review will identify the strengths and weaknesses of the internal audit service and make recommendations for improvement thereby strengthening governance arrangements. If an external review is not undertaken, then there is a risk that any non-compliance with PSIAS within the internal audit service will be undetected.

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.