

EXTERNAL REVIEW OF INTERNAL AUDIT EFFECTIVENESS

1. BACKGROUND

The Welland Internal Audit Consortium (IAC) provides internal audit services to five local authorities – Melton Borough Council, Corby Borough Council, East Northants District Council, Harborough District Council and Rutland County Council. It delivers up to 1,500 days in total across the different organisations and is led by Richard Gaughran as the Head of Internal Audit. Richard is supported by 6 staff and various contractors as appropriate.

The new Public Sector Internal Audit standards state that:

“External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest”.

The Welland Internal Audit Board (IAB) has agreed to commission an independent review of IAC. The scope of the review has been decided by the IAB and is set out in the remainder of this terms of reference. Rutland County Council (RCC) will commission the review on behalf of (IAB) following sign off of the terms of reference.

2. OBJECTIVES

The objectives of this review are to provide the IAB with a comprehensive report setting out:

- An assessment of whether the IAC is compliant with the Attribute and Performance standards set out in Public Sector Internal Audit Standards;
- A list of suggested improvement opportunities where the IAC fall below expected standards;
- An assessment of the quality and adequacy of performance management arrangements over the IAC; and
- A view as to how the IAC compares against other internal audit functions from the public and private sectors.

3. SCOPE

The scope of the review should cover the four Attribute Standards and seven Performance standards. Suppliers will be expected to collect sufficient evidence to state whether Standards have been met in full, partially or not at all. The IAB would also be interested in the suppliers view of whether the IAC is capable of achieving the standards in areas where there are deficiencies.

The review of performance management arrangements should assess whether the information provided by IAC gives the IAB sufficient comfort on the quality, timeliness and coverage of internal audit work.

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The IAB wishes to understand whether the way in which the IAC works is consistent with a high performing audit function and would like to see examples of best practice that could be applied by the IAC.

4. APPROACH

Suppliers will be free to determine their own approach but we would expect that:

- The Chair of Audit Committee and s151 of each local authority is interviewed as part of the review;
- A sample of up to 8 audit files and reports are reviewed (to be selected by the IAB). This review should focus on whether the opinion given by Internal Audit is appropriate, the assessment of systems design is comprehensive and testing carried out is fit for purpose; and
- The management, supervision and training of staff to be reviewed.

5. REPORTING AND TIMESCALES

The Supplier will be expected to prepare and present a draft report for the IAB (date to be confirmed).

Following presentation of the draft report and receipt of comments, the Supplier will undertake any further work or finalise the report within an agreed timescale.

Suppliers may be expected to present findings at relevant local authority audit committees but this will be decided in due course.

The IAB would like the review to be completed by the end of June 2013.

6. KEY CONTACTS

The Strategic Director for Resources, Saverio Della Rocca, will be the lead officer for the review on behalf of the IAB. The Supplier will agree with Saverio a work plan, meeting schedules and reporting arrangements.

On a day to day basis the Supplier will work with the Head of Internal Audit, Richard Gaughran.

7. BUDGET

There is no pre determined budget for this review and it is expected that Suppliers will propose a fixed fee to complete this work.