

**Report to:** Governance and Audit Committee

**Date:** 1 November 2018

**Subject:** Scope of independent review of internal audit compliance

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## **1. Purpose of this report**

- 1.1 To set out the terms of reference for the external review of Internal Audit.

## **2. Information**

### **Terms of Reference**

- 2.1 The external review of the Internal Audit function once every five years is a requirement of the Public Sector Internal Audit Standards (PSIAS) which are mandatory for the Internal Audit function within West Yorkshire Combined Authority. The review focuses heavily on compliance with these standards and as such the format is largely prescribed.
- 2.2 The review will be based on the completion of a self-assessment checklist by the Internal Audit Manager in advance of the external quality assessment, EQA. Details of the expected works to be undertaken at each phase of the EQA are:

### **Pre-Assessment phase**

- 2.3 Obtain background information to gain an understanding of the function. This will include a review of the Internal Audit Charter including references to independence, scope, authority, purpose and the relationship with the Governance and Audit Committee and senior management.
- 2.4 Gather details of responsibilities, resources, structure and activity.
- 2.5 Obtain evidence to support the completed self-assessment.
- 2.6 Consider evidence to support how quality is maintained and how performance is measured and reported.

## **Assessment phase**

- 2.7 Validation and review of documentation to support the completed self-assessment and compliance with standards.
- 2.8 Examination of a sample of audit engagements to consider the extent of compliance with PSIAS and operational procedures.
- 2.9 Undertake interviews with key stakeholders to assess current performance and identify possible areas for improvement.

## **Post assessment phase**

- 2.10 The EQA will conclude with a report providing an assessment of conformance to the Standards highlighting any non or partial conformances and recommendations for development.
- 2.11 The reporting phase will include:
  - Close out meeting with the Internal Audit Manager to discuss initial findings and refine proposals.
  - Discussion of the draft report with key contacts.
  - Issue of final report and agreed actions.

## **3. Financial Implications**

- 3.1 Quotes have been sought for this work in accordance with contract standing orders. The expected cost of this work is £4k and is included in current budgets.

## **4. Legal Implications**

- 4.1 There are no legal implications directly arising from this report.

## **5. Staffing Implications**

- 5.1 There are no staffing implications directly arising from this report.

## **6. External Consultees**

- 6.1 No external consultations have been undertaken.

## **7. Recommendations**

- 7.1 That the Committee approve the terms of reference for the external review of Internal Audit.

**8. Background Documents**

None.

**9. Appendices**

None