

PERTH AND KINROSS COUNCIL**Audit Committee****27 September 2017****INTERNAL AUDIT GOVERNANCE****Report by Chief Internal Auditor****PURPOSE OF REPORT**

This report presents the reviewed and revised Internal Audit Charter, in line with the Public Sector Internal Audit Standards.

1. BACKGROUND / MAIN ISSUES

- 1.1 In 2013, CIPFA and the Chartered Institute of Internal Auditors collaborated on a project which ensures the consistence of internal audit standards throughout all sectors. As a result, the Public Sector Internal Audit Standards (PSIAS) were published and came into effect from April 2013. These were adopted as the relevant standards for Internal Audit in Perth & Kinross Council in March 2013 (report 13/147 refers).
- 1.2 Subsequently, there have been some revisions to the PSIAS and there is value in members of the Audit Committee being presented with the updated document. The PSIAS is therefore attached at Appendix A.
- 1.3 An assessment of Internal Audit's conformance with the Standards is undertaken annually and reported to Audit Committee as part of the Annual Report. The most recent annual report was considered by Audit Committee in April 2017 (report 17/151 refers) and concluded that Internal Audit is generally compliant with the PSIAS. This view was supported by the previous external auditors, Audit Scotland (reports 15/395 and 16/158 refer).
- 1.4 To conform with the PSIAS, Internal Audit is subject to a periodic External Quality Assessment. This is due to be completed within the current financial year. The form of this validation was agreed in the External Quality Assessment report considered by Audit Committee in February 2014 (report 14/38).
- 1.5 The validation of the self-assessment is due to be led by the Chief Internal Auditor of the City of Edinburgh Council. The outcomes from this exercise will be reported to Audit Committee early in 2018.
- 1.6 The PSIAS also requires that the purpose of and authority and responsibility for internal audit activity be formally documented in an Internal Audit Charter and that this is subject to periodic review. In 2015, the Audit Committee endorsed the Internal Audit Charter (report 15/545 refers).

- 1.7 A review of the Charter has taken place. The outcome of this review is the proposed Internal Audit Charter which is attached at Appendix B to this report. The revised Charter is based upon the Chartered Institute of Internal Auditor's Best Practice.

2. CONCLUSION AND RECOMMENDATIONS

- 2.1 This report presents the PSIAS to Audit Committee along with an Internal Audit Charter which is consistent with the PSIAS.
- 2.2 It is recommended that the Committee:
- 2.2.1 Notes the updated PSIAS as the relevant standard for Internal Audit in Perth & Kinross Council;
 - 2.2.2 approves the Internal Audit Charter as the purpose of and authority and responsibility for internal audit activity in Perth & Kinross Council; and
 - 2.2.3 a report be submitted to the Audit Committee early in 2018 on the self-assessment outcomes.

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1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

Strategic Implications	Yes / None
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
Resource Implications	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
Assessments	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
Consultation	
Internal	Yes
External	None
Communication	
Communications Plan	None

1. Strategic Implications

1.1 Corporate Plan

1.1.1 The Council's Corporate Plan 2013 – 2018 lays out five outcome focussed strategic objectives which provide clear strategic direction, inform decisions at a corporate and service level and shape resources allocation. They are as follows:

- (i) Giving every child the best start in life;
- (ii) Developing educated, responsible and informed citizens;
- (iii) Promoting a prosperous, inclusive and sustainable economy;
- (iv) Supporting people to lead independent, healthy and active lives; and
- (v) Creating a safe and sustainable place for future generations.

1.1.2 This report relates to all of these objectives.

2. Assessments

2.1 Equality Impact Assessment

2.1.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

2.1.2 The information contained within this report has been considered under the Corporate Equalities Impact Assessment process (EqIA) and has been assessed as **not relevant** for the purposes of EqIA.

2.2 Risk

2.2.1 The risks are associated with the level of assurance placed on the work of Internal Audit by external agencies and adherence to professional standards.

3. **Consultation**

3.1 Internal

3.1.1 The Chief Executive and Head of Legal and Governance Services have been consulted in the preparation of this report.

2. **BACKGROUND PAPERS**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

3. **APPENDICES**

Appendix A – Public Sector Internal Audit Standards

Appendix B – Internal Audit Charter