

**PERTH AND KINROSS COUNCIL**

**Audit Committee**

**1 February 2017**

**CONSULTANCY ASSIGNMENTS**

**Report by the Chief Internal Auditor**

**PURPOSE OF REPORT**

This report presents a summary of Internal Audit's approach to consultancy assignments.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) define Internal Audit as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance”.
- 1.2 In June 2016, the Audit Committee requested a report detailing the approach taken in Perth and Kinross Council to assignments included within the Internal Audit Plan as being of a consultancy nature. This report aims to provide an insight into the main different types of assignments which the Chief Internal Auditor has classified as ‘consultancy’ which is consistent with the PSIAS.
- 1.3 Consulting activity is integral to the definition of Internal Audit as defined in the PSIAS. However the treatment of such activity differs between types of assignment.
- 1.4 Internal Audit adds greater value to new or changed processes by being involved at their design and implementation stages rather than undertaking a review post-implementation. This assists Services to ensure that such processes are designed efficiently and effectively in order to ensure that they deliver the objectives of the Council, Service or team and consider associated risks appropriately. In order for this to be achieved, Internal Audit seeks information from Services regarding how such time could be best utilised as part of the annual planning process. A recent example of this type of assignment is the procurement and roll out of the property system, Concerto (reports 14/394, 15/267 and 16/37 refer).
- 1.5 There are occasions where Internal Audit is aware of risks being managed within Services where formal Internal Audits would be neither appropriate nor timely. This could be due to the nature of the uncertainty regarding the environment in which the risk is held. This could be as a result of impending changes in legislation which require Council action but at the time of planning,

the timing and extent of Council involvement may be unclear. An example of this type of assignment is the overview of the roll out of Universal Credit within Perth and Kinross and the Council's readiness to respond (Report 16/313 refers).

- 1.6 As with all assignments, Internal Audit agree the scope of Internal Audit work. The role that Internal audit take is advisory in nature and is scoped to ensure that relevant consideration is given to the changing risk and control environments. Internal Audit also works with the Services to ensure that there is no subsequent impairment to the independence and objectivity of the Internal Audit team undertaking 'traditional' audits in due course.
- 1.7 Each consultancy assignment is treated as a unique assignment and the scope tailored to ensure that resources are utilised to the best advantage of the Council. However, there are basic protocols in place which Internal Auditors follow when undertaking consultancy assignments. As with other areas of Internal Audit work, an assessment of the capacity of the Internal Audit team will be undertaken to ensure that the team can deliver consultancy appropriately, where identified.

## **2. OUTCOMES FROM CONSULTANCY WORK**

- 2.1 The reporting arrangements for each assignment will be discussed with the primary contact at the outset of the assignment. This may take the form of a written report highlighting the outcomes and assurances given. Reports will be written in such a way to provide management with the relevant detailed advice and assurances that may be required to ensure that the objectives of the assignment have been met.
- 2.2 There may be occasions where the issue of a final report is not considered appropriate due to the nature of the assignment and where Internal Audit's ongoing input may be the outcome which is required.
- 2.3 The Audit Committee has agreed that detailed reports on consultancy assignments will not routinely be considered by Audit Committee (Report 16/306 refers). However for each 'consultancy' assignment, the Audit Committee will be provided with a summary of the outcome(s) or work undertaken. This summary will be agreed with the primary contact for the assignment within the Service.

## **3. CONCLUSION AND RECOMMENDATION**

- 3.1 This report presents an overview of the different approach to consultancy assignments and their internal reporting arrangements.
- 3.2 It is recommended that the Committee notes the contents of this report.

### **Author(s)**

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## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
Community Plan / Single Outcome Agreement	None
Strategic Plan	Yes
<b>Resource Implications</b>	
Financial	None
Workforce	None
Asset Management (land, property, IST)	None
<b>Assessments</b>	
Equality Impact Assessment	Yes
Strategic Environmental Assessment	None
Sustainability (community, economic, environmental)	None
Legal and Governance	None
Risk	Yes
<b>Consultation</b>	
Internal	Yes
External	None
<b>Communication</b>	
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 provided on the control environment. Internal Audit's ability to undertake consultancy work, where resources permit, leads to a greater management of risk within the processes being subject to consultancy review.

## 3. **Consultation**

### 3.1 Internal

- 3.1.1 The Chief Executive and Head of Finance have been consulted in the preparation of this report.

## 2. **BACKGROUND PAPERS**

- 2.1 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**

- 3.1 None

