

PERTH AND KINROSS COUNCIL

Audit Committee

20 September 2021

INTERNAL AUDIT ANNUAL REPORT & CHIEF INTERNAL AUDITOR'S OPINION 2020/21

Report by Chief Internal Auditor (Report No. 21/165)

PURPOSE OF REPORT

This report presents the year-end report and audit opinion of the Chief Internal Auditor for 2020/21, as set out in Section 4.

1. BACKGROUND / MAIN ISSUES

- 1.1 The Public Sector Internal Audit standards (PSIAS) require the Chief Internal Auditor to provide an annual opinion which must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The report must incorporate the opinion, a summary of the work that supports this opinion, a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme. This report fulfils this requirement.
- 1.2 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. In accordance with the PSIAS, it helps the council accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.
- 1.3 Perth & Kinross Council's internal controls include the full range of policies, procedures and practices intended to ensure the proper conduct of its operations and the achievement of its objectives. They include processes and procedures, organisational structures, job descriptions, authorisation limits, management supervision, risk management processes, reports and decisions.
- 1.4 It is the responsibility of management to devise, implement and maintain appropriate controls over the activities for which they are responsible. The role of Internal Audit is to provide an opinion to the Council as to the effectiveness of the controls that have been put in place by management in order to ensure that the organisation achieves its objectives. Internal Audit is thus a key part of the process by which the Council ensures the management of the risks that threaten the achievement of its objectives.
- 1.5 Internal Audit's work is planned in such a way as to take account of these risks. Prioritising work towards the areas of highest assessed risk enables the Council to identify and remedy the most material weaknesses in its framework of internal controls.

- 1.6 In line with the PSIAS, Internal Audit undertakes a process of planning resulting in an annual plan. This plan was presented partly in themes, with many themes cutting across Services and taking cognisance of the arrangements in place for the delivery of critical services during the COVID-19 pandemic. This approach targeted the key risks identified as part of the Council's Risk Management processes. In this respect, the Internal Audit Plan for 2020/21 was able to closely align with the Council's risk management arrangements.
- 1.7 For 2020/21, the report containing Internal Audit's planned workload was considered and approved in September 2020 ([report 20/166](#)). All Perth & Kinross Council's activities are reviewed as part of the planning process. The plan for 20/21 aimed to cover the most significant areas of risk within the resources available whilst ensuring that there was a balance of coverage for all Service areas. Due to the uncertainties regarding the ongoing pandemic, the requirement for greater flexibility in the Plan was acknowledged.

2. INTERNAL AUDIT WORK 2020/21

- 2.1 During early 2020/21, Internal Audit activity was paused to enable the Council to focus its attention on delivering the 18 critical services identified. Internal Audit resources were reallocated as part of the re-tasking process to support other areas of activity in connection with the delivery of the critical services. As such, an abbreviated plan was agreed which reflected the anticipated available resources and addressed the highest risks to the Council achieving its objectives. This coverage nonetheless provided for sufficient coverage to enable the Chief Internal Auditor to arrive at an opinion on the effectiveness of risk management, governance and internal control.
- 2.2 Some re-tasking of Internal Audit staff continued until the end of the third quarter of 2020/21. However, throughout the year, Internal Audit were available for, and provided, advice support and assurance over the implementation of revised arrangements in connection with the new ways of working implemented as a result of the COVID-19 pandemic.
- 2.3 Assurance is also taken from Internal Audit's involvement in and oversight of the arrangements established to manage the significant risks arising from the pandemic to communities within Perth & Kinross.
- 2.4 Of the 13 planned Internal Audit assignments for 2020/21, 9 are complete or substantially complete and the outcomes have been taken into consideration in arriving at the Opinion. The remaining audits have been considered as part of the arrangements for the 2021/22 Internal Audit Planning process and proposals are to be considered at this meeting for progressing these further.
- 2.5 In addition, a detailed review has been completed and reported in connection with a whistleblowing disclosure.
- 2.6 Of the 6 reports considered by the Audit Committee within the year, 4 have been assessed as providing substantial assurance; 2 provide reasonable

assurance and one provided limited assurance. No areas were identified where no assurance could be provided.

- 2.7 Of the 20 actions agreed, 7 were assessed as being of high importance, 11 were of medium and 2 were of low importance. There are no actions which are of a critical nature reported within the year.
- 2.8 A comprehensive review of all agreed actions has been undertaken with delays appropriate to the circumstances agreed and reported to Audit Committee during the year.

3. COMPLIANCE WITH AUDITING STANDARDS

- 3.1 The Public Sector Internal Audit Standards (PSIAS) have been adopted by Perth & Kinross Council as the relevant professional standards.
- 3.2 There is a requirement for an external review of compliance with the PSIAS to be undertaken every 5 years. This was undertaken during 2018/19 by the then Acting Chief Internal Auditor for South Ayrshire Council. This took the form of a validated self-assessment, the outcome of which was reported to Audit Committee in November 2018 (report [18/358](#) refers). This report verified that Perth & Kinross Council's Internal Audit function fully conforms with the PSIAS.
- 3.3 The Chief Internal Auditor has undertaken a self-assessment of compliance with the PSIAS for 2019/20 and has concluded that the function remains fully compliant.

4. AUDIT OPINION

- 4.1 In the Chief Internal Auditor's opinion, reasonable reliance can be placed on the Council's risk management and governance arrangements, and systems of internal control for 2020/21, subject to management implementation of the agreed actions detailed in Internal Audit reports.

5. CONCLUSION AND RECOMMENDATIONS

- 5.1 It is recommended that the Committee notes the content of this report and specifically the Audit Opinion at Section 4.

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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

Community Plan/Single Outcome Agreement

Corporate Plan

- 1.1 The Council's Corporate Plan 2018 – 2022 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.

- 1.2 This report relates to all of these objectives.

2. Assessments

Equality Impact Assessment

- 2.1 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

- 2.2 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.

Risk

- 2.3 The risks are associated with the level of assurance provided on the control environment in the event that Internal Audit's planned work is not completed on time.

3. Consultation

Internal

- 3.1 The Chief Executive and Head of Legal and Governance 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

None