



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 24 FEBRUARY 2021

**SUBJECT: INTERNAL AUDIT CHARTER (TERMS OF REFERENCE) -
UPDATE**

**BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND
ORGANISATIONAL DEVELOPMENT)**

1. REASON FOR REPORT

- 1.1 To invite the Committee to review and approve the updated Internal Audit Charter (terms of reference) document.
- 1.2 This report is submitted to Committee in terms of the Council's Administrative Scheme, paragraph III (I) (4) relating to 'contributing towards making the Council, its Committees and Services more responsive to the audit function and its purpose'.

2. RECOMMENDATIONS

- 2.1 **The Committee is asked to consider and approve the updated version of the Internal Audit charter/terms of reference.**

3. BACKGROUND

- 3.1 The Public Sector Internal Audit Standards require the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter, which should be periodically reviewed and approved by this Committee.
- 3.2 Last reviewed by Committee at its meeting on 4 December 2018, (paragraph 7 of the draft minute refers), the Charter was inspected during the External Quality Assessment of the service conducted by auditors from Fife Council. The inspection report noted that the charter was 'clear, concise, and easy to follow, with the purpose, authority and responsibility of Internal Audit, Senior Management, and this Committee being appropriately set out'.
- 3.3 The report noted that in the absence of separate documented agreements, reference should be made in the Charter to audit engagements undertaken for parties out with the council. Accordingly this has been added into the document acknowledging that internal audit also carries out work, applying

the same Standards, for the Moray Integration Joint Board and for the Grampian Valuation Joint Board. Otherwise, the Charter is considered to remain 'fit for purpose'.

- 3.4 The updated Charter is provided at **Appendix 1** for the Committee to consider and approve.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

No direct implications.

(b) Policy and Legal

Public sector bodies are required to adopt mandatory standards for internal audit and these call for the regular review and updating of an internal audit terms of reference document.

(c) Financial Implications

No direct implications.

(d) Risk Implications

Not having a formally agreed charter could mean the role of internal audit within the council is not clearly defined and understood, and technically is a non-compliance with the required standards.

(e) Staffing Implications

No implications.

(f) Property

No implications.

(g) Equalities/ Socio Economic Impact

No impacts to report.

(h) Consultations

The Standards require the draft Charter to be discussed with senior management and such discussions have taken place with the Corporate Management Team. Separately, the Chief Financial Officer and Monitoring Officer have been consulted and any comments incorporated into this report.

5. CONCLUSION

- 5.1 The Committee is asked to consider and approve the updated Charter document for internal audit to ensure ongoing compliance with recognised auditing standards.**

Author of Report:	Atholl Scott
Background Papers:	Public Sector Internal Audit Standards
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