



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 24 APRIL 2019

SUBJECT: PUBLIC SECTOR INTERNAL AUDIT STANDARDS – EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

BY: CORPORATE DIRECTOR (CORPORATE SERVICES)

1. REASON FOR REPORT

- 1.1 To provide the committee with details of a recent external quality assessment undertaken on the council's internal audit service.
- 1.2 This report is submitted to Committee in terms of Section III (I) (2) and (7) of the Council's Scheme of Administration relating to consideration of reports from the council's Internal Auditor and monitoring delivery of the audit service carried out by internal audit.

2. RECOMMENDATION

- 2.1 **That Committee considers and notes the report and the action plan prepared to address the issues raised in the external quality assessment of internal audit.**

3. BACKGROUND

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 at paragraph 7 require that 'a local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing'.
- 3.2 The recognised standards adopted by all Scottish councils are the Public Sector Internal Audit Standards, (PSIAS) developed by standard setters including the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors. The standards include a requirement for an External Quality Assessment (EQA) of internal audit once every five years, and for the findings to be considered at a meeting of a council committee.
- 3.3 Through the Scottish Local Authorities Chief Internal Auditors' Group which the council participates in, it was agreed that the EQA requirement could be met through a peer review process. This required each council audit manager

to undertake a review at another council and receive a review in return. It was agreed by the group that to avoid any potential conflicts of interest reviews would not be carried out at or by a neighbouring authority. Fife Council was selected to undertake the assessment of Moray Council.

- 3.4 The assessment involved the Audit Manager and an Auditor from Fife and took place over two days in early February 2019. It involved the review of a portfolio of evidence, interviews with the Chair of the Audit and Scrutiny Committee, the Chief Executive, and the Corporate Director (Corporate Services) responsible for internal audit, as well as discussions and file reviews involving all staff in the audit team. A copy of the report detailing the audit findings together with an action plan containing recommendations is provided as **Appendix 1**.
- 3.5 The inspection was thorough and the report gives a useful external perspective of how the service performs as well as providing advice on areas where compliance with the standards can be strengthened. There is a couple of areas highlighted around audit planning where there is a need to do more to evidence the basis for selection of planned audit topics otherwise for the most part the recommendations will be readily implemented subject to time being made available to do so. Overall the positive comments around Moray Council audit working paper and reporting processes were welcomed as an endorsement of the combined efforts of all staff in the team.

4. SUMMARY OF IMPLICATIONS

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

No implications.

(b) Policy and Legal

Completion and reporting results of the external review secures compliance with the relevant statutory requirements and auditing standards.

(c) Financial Implications

No implications.

(d) Risk Implications

The findings from the independent review of internal audit mitigate the risk that the service operates without regard to the applicable professional standards.

(e) Staffing Implications

No implications.

(f) Property

No implications.

(g) Equalities/ Socio Economic Impacts

No implications.

(h) Consultations

There have been no consultations in respect of this report.

5. CONCLUSION

- 5.1 This report provides Committee with a summary of findings arising from an external quality assessment of the council's internal audit service.**

Author of Report:	Atholl Scott, Internal Audit Manager
Background Papers:	Public Sector Internal Audit Standards Self-Assessment Evaluation
Ref:	AS/asc/240419