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<b>Report To:</b>	<b>Audit Committee</b>	<b>Date:</b>	<b>21 February 2023</b>
<b>Report By:</b>	<b>Interim Director Finance &amp; Corporate Governance</b>	<b>Report No:</b>	<b>AC/08/23/AP/APr</b>
<b>Contact Officer:</b>	<b>Andi Priestman</b>	<b>Contact No:</b>	<b>01475 712251</b>
<b>Subject:</b>	<b>REVIEW OF INTERNAL AUDIT CHARTER</b>		

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**1.0 PURPOSE**

1.1  For Decision  For Information/Noting

1.2 The purpose of this report is to advise Members that a review of the Internal Audit Charter has been undertaken and there were no significant changes identified.

**2.0 RECOMMENDATIONS**

2.1 It is recommended that Members approve the Internal Audit Charter.

**Alan Puckrin**  
**Interim Director**  
**Finance & Corporate Governance**

### 3.0 BACKGROUND AND CONTEXT

- 3.1 The Public Sector Internal Audit Standards (PSIAS) are based on the mandatory elements of the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors (IIA) and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The Standards were revised on 1 April 2017 to reflect the latest changes in the IPPF.
- 3.2 Standard 100 of the PSIAS sets out the requirement for an Internal Audit Charter which is a formal document that defines the Internal Audit activity's purpose, authority and responsibility and establishes the Internal Audit activity's position within the organisation. Final approval of the Internal Audit Charter resides with the Audit Committee.
- 3.3 The Internal Audit Charter was last approved by the Audit Committee in February 2018 and requires to be subject to a formal review every 5 years.
- 3.4 In relation to the quality assurance and improvement programme, a self-assessment is undertaken on an annual basis by the Chief Internal Auditor to ensure compliance with the Public Sector Internal Audit Standards.
- 3.5 In relation to the formal external assessment, Inverclyde Council participates in a validated self-assessment peer review process through the Scottish Local Authorities Chief Internal Auditors Group. The peer review process was scheduled for Inverclyde Council in 2019/20 however this has not yet taken place. This has been escalated through the Chief Internal Auditors Group and revised dates are being scheduled for those external assessments which have been delayed.

### 4.0 PROPOSALS

- 4.1 The Audit Committee is asked to note the formal review in relation to the Internal Audit Charter and that no substantive changes are required. The Internal Audit Charter is set out at Appendix 1.
- 4.2 The Audit Committee is asked to approve the Internal Audit Charter.

### 5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources		X	
Strategic (LOIP/Corporate Plan)	X		
Equalities & Fairer Scotland Duty		X	
Children & Young People's Rights & Wellbeing		X	
Environmental & Sustainability		X	
Data Protection		X	

#### 5.2 Legal/Risk

The Charter clarifies the purpose of the Internal Audit function and details its principal roles and responsibilities. The document largely codifies existing practice and does not alter the existing role of Internal Audit or signify any change in how Internal Audit will discharge its role. Accordingly, there are no significant new developments or issues arising from the review of the Internal Audit Charter which require to be highlighted.

### 5.3 **Strategic**

This report relates to strong corporate governance.

### 6.0 **CONSULTATIONS**

6.1 The CMT has been consulted on the review of the Internal Audit Charter.

### 7.0 **LIST OF BACKGROUND PAPERS**

7.1 Public Sector Internal Audit Standards. Copy available from the Chief Internal Auditor.

### Purpose

The purpose of Inverclyde Council's Internal Audit activity is to provide independent, objective assurance and advisory services designed to add value and improve the Council's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The Internal Audit activity helps Inverclyde Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

### Professional Standards

The Internal Audit team operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and will additionally adhere to the Code of Ethics as contained within the PSIAS. The Chief Internal Auditor will report periodically to senior management and Audit Committee regarding the Internal Audit team's conformance to the Code of Ethics and the Standards.

### Authority

The Chief Internal Auditor reports functionally to the Council's Monitoring Officer. The Chief Internal Auditor has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. This reporting structure protects the independence of the Chief Internal Auditor and promotes an appropriate profile for the Internal Audit team throughout the organisation.

To establish, maintain and assure the Council's Internal Audit team has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the Internal Audit activity's charter.
- Approve the risk-based Internal Audit plan.
- Receive regular reports from the Chief Internal Auditor on the Internal Audit team's performance relative to its plan and other matters.

The Chief Internal Auditor or an authorised representative shall have authority to:

- Enter at all reasonable times any of the Council's premises or land.
- Have access to all records, documents and correspondence relating to the Council, wherever they are held.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee of the Council to produce any of the Council's property, including property held by the Council as security or on the behalf of others, under that employee's control.

In carrying out their duties, Internal Auditors will have full and unrestricted access to all Council functions, records, property and personnel necessary for their work.

### Independence and Objectivity

The Chief Internal Auditor will ensure that the Internal Audit team remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content.

The Internal Audit team will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Audit will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Internal Audit team will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgement.

The Chief Internal Auditor will confirm to the Audit Committee at least annually the organisational independence of the Internal Audit team.

### Scope of Internal Audit Activities

The scope of the Internal Audit activity encompasses:

- Strategic development of the Internal Audit function to best meet the Council's needs.
- The continuous professional examination and evaluation of the overall adequacy and effectiveness of the Council's system of internal control ensuring risk inherent in the business is adequately identified, evaluated and managed and providing advice on control implementation.
- Agreeing with management improvements to the control environment where considered desirable or necessary and monitoring and reporting on the implementation of these remedial actions by management.
- Reviewing the reliability, integrity and timeliness of financial and operational information supplied to management and to the members, and the means used to identify, measure, classify and report such information.
- Reviewing the systems and controls established to ensure compliance with those policies, plans, procedures, laws and regulations which have specific impact on the Council.
- Reviewing the means used to safeguard assets and, as appropriate the existence of such assets.
- Assisting the s95 Officer in the discharge of statutory responsibilities as "proper officer" for ensuring the proper administration of the Council's financial affairs.
- Undertaking National Fraud Initiative and other investigations of suspected frauds and irregularities and contributing to the promotion of an anti-fraud culture within the Council.
- Supporting management in respect of disseminating control best practice and promoting risk awareness throughout the Council, including during key business change initiatives.
- Working closely with the external auditors to ensure the maximum benefit is achieved for the Council from their respective roles and that any duplication of effort is eliminated.

### Internal Audit Plan

At least annually, the Chief Internal Auditor will submit to senior management and the Audit Committee a risk-based Internal Audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The Chief Internal Auditor will communicate the impact of any resource limitations and significant interim changes to senior management and the Audit Committee.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from senior management and the Audit Committee. The Chief Internal Auditor will review and adjust the plan as necessary in response to any changes in the Council's operations, risks, programmes, systems and controls. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

### Reporting and Monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designated officer following the conclusion of each Internal Audit engagement and will be distributed as appropriate.

The Internal Audit Report will include management's agreed actions taken or to be taken in regard to specific findings identified together with a timetable for implementation. The Internal Audit team will be responsible for appropriate follow-up of agreed actions. Progress on action plan implementation will be communicated to senior management and the Audit Committee through periodic Internal Audit activity reports.

### Quality Assurance

The Internal Audit activity will maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Chief Internal Auditor will communicate to senior management and the Audit Committee on the Internal Audit activity's quality assurance and improvement programme including results of ongoing internal assessments and external assessments conducted at least every 5 years.