

3.0 BACKGROUND AND CONTEXT

- 3.1 The Public Sector Internal Audit Standards (PSIAS) are mandatory and apply to all internal audit service providers in the UK public sector. The objectives of the PSIAS are to define the nature of internal auditing within the UK public sector by setting basic principles and establishing a framework for internal audit services which add value to the organisation, leading to improved organisational processes and operations, and establishing the basis for the evaluation of internal audit performance and driving improvement.
- 3.2 To demonstrate conformance with the PSIAS, the Council's Chief Internal Auditor is required to undertake annual self-assessments, and a five-yearly External Quality Assessment (EQA) is carried out by an independent qualified assessor from outwith the Council. To assist with the requirement of an external assessment, the Scottish Local Authorities Chief Internal Auditors' Group established a formal peer review process, and Renfrewshire Council was selected to carry out the EQA of Inverclyde Council's Internal Audit Service.
- 3.3 The overall conclusion of the EQA undertaken by Renfrewshire Council is that Inverclyde Council's Internal Audit Service **fully conforms** with the PSIAS. Some areas for improvement were noted in the report, including:
- The organisational independence of the Chief Internal Auditor could be further clarified by updating the Chief Internal Auditor's reporting arrangements to the Audit Committee in the Internal Audit Charter, and by the Chief Internal Auditor reporting to the Audit Committee in her own name.
 - The Audit Committee would have clarity regarding the total audit resources available to deliver the Audit Plan if the Chief Internal Auditor's time required for audit planning, quality control and reporting to and attending the Audit Committee, were included in the resource plan on the Annual Plan.
 - Updating the Council's document retention policy to include a provision for the management of Internal Audit records.
- 3.4 A total of 3 AMBER actions and 4 GREEN actions were recommended in the EQA report and an action plan was agreed to address these by 31 March 2025. A copy of this action plan is included at Appendix A.

4.0 PROPOSALS

- 4.1 It is recommended that the Committee notes the summary of the EQA report, and that an action plan to address the matters raised by 31 March 2025 has been developed by officers.

5.0 IMPLICATIONS

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

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

5.2 Finance

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

There is a risk that failure to conform to the PSIAS would result in an inability to provide a minimum level of assurance over the Council's system of internal financial control to those charged with governance.

5.4 Strategic

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

6.0 CONSULTATION

6.1 Relevant officers have been consulted on the report.

7.0 BACKGROUND PAPERS

7.1 External Quality Assessment of Inverclyde Council's Internal Audit Service, May 2024
<https://www.inverclyde.gov.uk/assets/attach/17416/Inverclyde-Council-EQA-Report-Final.pdf>

APPENDIX A – INVERCLYDE COUNCIL INTERNAL AUDIT SERVICE – EXTERNAL QUALITY ASSESSMENT ACTION PLAN

No.	Recommendation	Management Response	Responsible Officer / Agreed Completion Date
1	<p>It is recommended, that at the next review of the Internal Audit Charter, the following additions should be made for clarity:</p> <ul style="list-style-type: none"> • The terms ‘board’ and ‘senior management’ are specifically defined. • The requirement that internal audit should be notified of all suspected or detected fraud, corruption or impropriety. • The definition and nature of the internal audit advisory services is made clear in the charter. 	<p>The Internal Audit Charter will be revised to take account of recommended changes and will be presented to the Audit Committee as part of the approval process for the annual Internal Audit plan.</p>	<p>Chief Internal Auditor February 2025</p>
2	<p>To improve organisational independence, it is recommended that;</p> <ul style="list-style-type: none"> • Consideration is given to amending the stated reporting relationships for the Chief Internal Auditor to the Audit Committee and Monitoring Officer in the Internal Audit Charter to provide further clarification, along the lines of the Chief Internal Auditor, reports to the Audit Committee and administratively to the Monitoring officer. • Consideration is given to having the reports on internal audit activities to the Audit Committee in the name of the Chief Internal Auditor. • It should be considered how feedback from the Chief Executive and the Chair of the Audit Committee could be incorporated into the appraisal process for the Chief Internal Auditor. 	<p>The Internal Audit Charter will be revised to take account of recommended changes and will be presented to the Audit Committee as part of the approval process for the annual Internal Audit plan.</p> <p>Change to be considered to reports being in the name of the Chief Internal Auditor</p> <p>Process of feedback involving Chief Internal Auditor, Chief Executive and Committee Chair to be considered.</p>	<p>Chief Internal Auditor February 2025</p> <p>October 2024</p> <p>March 2025</p>
3	<p>It is recommended that how the Internal Audit Service would propose to address any skills gap identified during the planning process should be formally documented, most likely in the Internal Audit Charter.</p>	<p>The Internal Audit Charter will be revised to take account of recommended changes and will be presented to the Audit Committee as part of the approval process for the annual Internal Audit plan.</p>	<p>Chief Internal Auditor February 2025</p>

4	It is recommended that the Internal Audit Strategy and Plan provides for the Chief Internal Auditor's time required to carry out the audit planning process effectively as well as quality control and regular reporting to and attendance of the Board.	To be included as part of the process for preparing the annual Internal Audit plan and being approved by committee	Chief Internal Auditor February 2025
5	It is further recommended that the Internal Audit Strategy and Plan explicitly documents the approach to be taken when using other sources of assurance and how material changes to the plan will be reported to the Audit Committee.	To be included as part of the process for preparing the annual Internal Audit plan and being approved by committee	Chief Internal Auditor February 2025
6	It is recommended that, a section covering the Internal Audit records is included in the Information Governance and Management Framework - Policy for the Retention and Disposal of Documents and Records Paper and Electronic.	Retention policy to be updated to include provision for Internal Audit records	Chief Internal Auditor March 2025
7	The circumstances under which the results of internal audit assignments would be released to parties outside of the organisation, and the limitations on the distribution and use of those results should be clearly documented within the policy.	Retention policy to be updated to include guidance on releasing audit information to third parties	Chief Internal Auditor March 2025

Critical
Significant
Routine