

## Audit and Assurance Committee

Date of Meeting	Tuesday 12 January 2021
Paper Title	Committee Review of Effectiveness of Internal Auditor
Agenda Item	12
Paper Number	AAC4-H
Responsible Officer	Penny Davis
Status	Disclosable
Action	For Decision

### 1. Report Purpose

**1.1** To facilitate the Committee's annual review of the performance of GCRB's Internal Auditors, with reference to requirements set out in the Scottish Public Finance Manual Audit Committee Handbook.

### 2. Recommendations

**2.1** The Committee is invited to:

- a) **consider** the Internal Auditor's performance over the past year against the key requirements of the role;
- b) **agree** any feedback to be given to Internal Auditors by the Committee Chair, either in the meeting or subsequently;
- c) **agree** any further comments or recommendations the Committee may wish to make to the Board.

### 3. Background

**3.1** The Scottish Public Finance Manual Audit Committee Handbook states that Audit Committees should review the performance of the organisation's Internal Auditors on an annual basis.

**3.2** Scottish Government guidance describes Internal Audit as *"likely to be the single most significant resource used by the committee in discharging its responsibilities. This is because the Head of Internal Audit, in accordance with the Public Sector Internal Audit Standards, has a responsibility to provide an annual opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and control processes. There is consequently a major synergy between the purpose of the Head of Internal Audit and the role of the Audit and Assurance Committee"*.

**3.3** The following is a summary of the role of Internal Audit to which the Committee may wish to refer in discussing performance during the past year and agreeing any feedback or recommendations.

#### **4. Review of Internal Audit**

**4.1.** Internal Audit should provide independent, objective assurance and consulting service designed to add value and improve the organisation's operations.

**4.2.** It should help an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve its effectiveness.

**4.3.** It should provide an appraisal of the organisation's internal control system and take action needed to provide accountable officers with continuing assurance that the organisation's risk management, control and governance arrangements are adequate and effective, with particular reference to:

- governance arrangements
- risk management
- the effectiveness of operations
- the economical and efficient use of resources
- compliance with applicable policies, procedures, laws and regulations
- safeguards against losses, including those arising from fraud, irregularity or corruption, and
- the integrity and reliability of information and data.

**4.4.** The Internal Audit process should:

- Analyse the governance, risk management and internal control system and establish a risk based assurance programme.
- Identify and evaluate the controls that are established in systems to achieve objectives in the most economic, effective and efficient manner.
- Report findings and conclusions and, where appropriate, make recommendations for improvement.
- Provide an opinion on the reliability of the controls under review.
- Provide assurance based on the evaluation of the governance, risk management and internal control system within the organisation as a whole.

**4.5.** Internal Audit Assurance process:

- Annual audit assurance should be provided to accountable officers through the professional opinion of the head of Internal Audit or equivalent on the adequacy and effectiveness of the governance, risk management and internal control system and

the extent to which it can be relied upon. That opinion should be contained in the annual report to the Audit and Assurance Committee.

#### **4.6. Relationships**

- The internal auditor should have effective working/reporting relationships with:
  - The Executive
  - The Audit & Assurance Committee
  - The External Auditor

#### **5. Risk Analysis**

- 5.1.** There are no new risks associated with this report, however, the report contributes to the mitigation of risk 013, There is a breach of legislation/guidance/code of practice and this results in a failure of governance.

#### **6. Legal Implications**

- 6.1** No legal implications are identified.

#### **7. Resource Implications**

- 7.1.** There are no new resource considerations arising from this report.

#### **8. Strategic Implications**

- 8.1.** There are no strategic implications arising from this report.

#### **9. Equalities Implications**

- 9.1** There are no equalities implications arising from this report.