

Audit Committee

Date of Meeting	Thursday 18 December 2018
Paper Title	Committee's Review of Effectiveness of Internal Audit
Agenda Item	12
Paper Number	AC2-F
Responsible Officer	Penny Davis, Board Secretary
Status	Disclosable
Action	For Decision

1. Report Purpose

- 1.1** To provide the Committee with a format for the annual review of the performance of the 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 against the key requirements of the role;
- b) **agree** any feedback or recommendations as appropriate.

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** 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 activity 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:

- 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 systems.

4.4. The Internal Audit process should:

- Analyse the 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 in the system under review.
- Provide assurance based on the evaluation of the 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 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 Committee.

4.6. Relationships:

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

5. Risk Analysis

5.1. There are no new risks associated with this report, however, the report contributes to the mitigation of risk 012, 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 specific resource considerations arising from this paper.

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.