

Minute

Monitoring and Audit Committee

Thursday, 24 September 2020, 10:30.

Microsoft Teams.



Present

Councillors John T Richards, David Dawson, Stephen G Clackson, Andrew Drever, Steven B Heddle and John A R Scott.

Clerk

- Sandra Craigie, Committees Officer.

In Attendance

- James Wylie, Executive Director of Education, Leisure and Housing (for Items 1 to 5.1).
- Gareth Waterson, Head of Finance.
- Gavin Mitchell, Head of Legal Services.
- Karen Greaves, Head of Executive Support.
- Andrew Groundwater, Head of HR and Performance.
- Andrew Paterson, Chief Internal Auditor.
- Pat Robinson, Chief Finance Officer, Orkney Health and Care (for Items 5.2 to 6).
- Maureen Spence, Democratic Services Manager (for Items 1 to 5.2).
- Peter Thomas, Internal Auditor.

Audit Scotland:

- Claire Gardiner, Senior Audit Manager.

Observing

- David Hartley, Communications Team Leader.

Declarations of Interest

- Councillor Stephen G Clackson – Item 5.3.
- Councillor John T Richards – Item 5.3.
- Councillor David Dawson – Item 5.3.

Chair

- Councillor John T Richards (for Items 1 to 5.2).
- Councillor David Dawson (for Items 5.3 and 6).

1. Form of Voting

The Committee resolved that, should a vote be required in respect of the matters to be considered at this meeting, notwithstanding Standing Order 21.4, the form of voting should be by calling the roll or recorded vote.

2. Internal Audit Quality Assurance and Improvement Programme

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

2.1. That, in order to comply with the Public Sector Internal Audit Standards, an Internal Audit Quality Assurance and Improvement Programme, covering both internal and external assessments, was required.

2.2. That the existing Quality Assurance and Improvement Programme, adopted in 2014, required updating.

The Committee resolved to **recommend to the Council:**

2.3. That the Internal Audit Quality Assurance and Improvement Programme, attached as Appendix 1 to this Minute, be approved.

3. Audit Scotland – COVID-19: Emerging Fraud Risks

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, and after hearing a report from the Senior Audit Manager, Audit Scotland, the Committee:

Noted the Audit Scotland publication, COVID-19: Emerging Fraud Risks, attached as Appendix 1 to the report by the Chief Internal Auditor, which highlighted new challenges and fraud risks for the public sector due to the COVID-19 pandemic, together with suggested measures to mitigate those emerging risks.

4. Complaints Handling

After consideration of a report by the Chief Executive, copies of which had been circulated, and after hearing a report from the Head of Legal Services, the Committee:

Noted the Annual Complaints Handling Report for 2019/20, attached as Annex 1 to the report by the Chief Executive.

5. Internal Audit Reports

5.1. Stromness Academy

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

5.1.1. That Internal Audit had undertaken an audit of various operational procedures and controls within Stromness Academy.

5.1.2. The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to various operational procedures and controls within Stromness Academy.

The Committee resolved to **recommend to the Council:**

5.1.3. That, having reviewed the audit findings referred to at paragraph 5.1.2 above, assurance was obtained that action had been taken or agreed where necessary.

5.2. Community Council Governance

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

5.2.1. That Internal Audit had undertaken an audit of the processes in place within the Council, for the oversight of Community Council financial management and governance.

5.2.2. The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, relating to the processes in place within the Council for the oversight of Community Council financial management and governance.

The Committee resolved to **recommend to the Council:**

5.2.3. That, having reviewed the audit findings referred to at paragraph 5.2.2 above, assurance was obtained that action had been taken or agreed where necessary.

5.3. Integration Joint Board Budgetary Process

Councillors Stephen G Clackson and David Dawson declared non-financial interests in this item, being proxy members of the Integration Joint Board, but concluded that their interests did not preclude their involvement in the discussion.

Councillor John T Richards declared a non-financial interest in this item, being one of the Council-appointed voting members of the Integration Joint Board, but concluded that, whilst Section 5.18(2) of the Councillors' Code of Conduct contained specific exclusions and accordingly his interest did not preclude his involvement in the discussion, on this occasion he would withdraw from the meeting.

Signed: John T Richards.

As the Chair was not present during consideration of this item, Councillor David Dawson, Vice Chair, took the Chair for the remainder of the meeting.

After consideration of a report by the Chief Internal Auditor, copies of which had been circulated, the Committee:

Noted:

5.3.1. That, as part of the Integration Joint Board's internal audit plan, Internal Audit had undertaken an audit of procedures and controls relating to the budgetary processes of the Integration Joint Board.

5.3.2. The findings contained in the internal audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, which were presented for scrutiny to the Integration Joint Board's Audit Committee on 17 September 2020.

6. Conclusion of Meeting

At 12:03 the Chair declared the meeting concluded.

Signed: David Dawson.



Internal Audit

Internal Audit Quality Assurance and Improvement Programme

Issue date: 2 September 2020

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Introduction

The Public Sector Internal Audit Standards (PSIAS) require us to develop a Quality Assurance and Improvement Programme (QAIP) that includes both internal and external assessments. Internal assessments will include both ongoing monitoring and periodic self-assessment. External assessments may be either a full external assessment or a self-assessment with independent validation.

Quality in internal audit is guided by both an obligation to meet customer expectations as well as professional responsibilities inherent in conforming to the standards. The quality assurance and improvement programme is designed to enable an evaluation of Internal Audit's conformance with the standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the Internal Audit Service and identifies opportunities for improvement.

Ongoing Monitoring

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

Ongoing monitoring provides assurance that the processes in place are working effectively to ensure quality is delivered on an audit-by-audit basis. It is primarily achieved through continuous monitoring activities including engagement planning and supervision, standard working practices, working paper procedures and signoffs, and report reviews.

At an individual assignment level, the Chief Internal Auditor ensures that:

- Appropriate processes have been used to translate audit plans into specific, appropriately resourced audit engagements.
- Planning, fieldwork conduct, reporting and communicating results conform to the Definition of Internal Auditing, the Code of Ethics, and the Standards.
- Appropriate mechanisms are established and used to follow-up management actions in response to audit recommendations.
- Post-engagement client surveys, lessons learned, self-assessments, and other mechanisms to support continuous improvement are completed.

The Internal Audit Manual contains detailed processes for the work of the Internal Audit Service and sections on quality and performance management.

Internal Assessment

A periodic self-assessment has a different focus to ongoing monitoring. The main objective of self-assessments is to review the quality and performance of the internal audit processes and procedures and to identify any opportunities for improvement. The internal assessment will provide assurance that:

- Written policies and procedures, covering both technical and administrative matters, are formally documented to guide audit staff in consistent conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.
- Audit work conforms to written policies and procedures.
- Audit work achieves the general purposes and responsibilities described in the internal audit charter.
- Audit work conforms to the Definition of Internal Auditing, the Code of Ethics, and the Standards.
- Internal audit work meets stakeholder expectations.
- The internal audit activity adds value and improves the organisation's operations.
- Resources for the internal audit service are efficiently and effectively utilised.
- Risks to the operation of the internal audit service are identified, recorded and managed.
- Performance standards are set and monitored for the activities of the Internal Audit Service.

Internal assessments will be carried out on a two to three-year cycle. Partial assessments may be done on an ad-hoc basis if the need arises.

External Assessment

The Chief Internal Auditor must ensure that the internal audit service undergoes an external quality assessment (either an independent external assessment or a self-assessment with independent validation) at least once every five years by an independent assessor or assessment team from outside the organisation that is qualified in the practice of internal auditing as well as the quality assessment process.

External assessors express an opinion on the entire spectrum of assurance and consulting work performed by the Internal Audit Service, including its conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards. Assessors also conclude on the efficiency and effectiveness of the internal audit activity in carrying out its charter and meeting the expectations of stakeholders.

We have an ongoing agreement through the Scottish Local Authority Chief Internal Auditors' Group (SLACIAG) that peer review assessments are carried out on a five-year cycle using the SLACIAG External Quality Assessment Framework. The allocation of assessors is rotated to ensure independence.

Reporting

The results of ongoing monitoring, including quality and performance indicators, form part of the Internal Audit Annual Report and Assurance Statement.

Internal assessments are reported to the Chief Executive and a detailed report and action plan is presented to the Monitoring and Audit Committee.

The external assessor will provide a report on their quality assessment to the Chief Executive, the Chair of the Monitoring and Audit Committee and the Chief Internal Auditor. A detailed report and action plan will also be presented to the Monitoring and Audit Committee.