SCOTTISH LOCAL AUTHORITIES
Chief Internal Auditors' Group

ANNUAL REPORT FROM THE CHAIR – 2013/2014

1. INTRODUCTION

1.1 Membership of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) is made up of the Heads of Internal Audit from each Scottish Local Authority and Strathclyde Partnership for Transport. The Group is a Special Interest Group of CIPFA Scotland, with operational arrangements, vision, and objectives set out in a formal Constitution.

1.2 SLACIAG's overarching vision is to be the voice of Internal Audit across Scottish Local Authorities and a driving force for best practice in respect of Local Authority Internal Audit, governance, and operations. In support of that vision the Group has four key objectives:

- to raise our profile with key stakeholders and to be recognised as the logical, respected, and essential source of opinion on governance, risk, and control within Scottish Local Government;

- to identify areas of Internal Audit work where a pan-Scotland or inter-Authority approach will bring benefits to our people, clients, and stakeholders;

- to consider the development and training needs of our people; and

- to seek statutory recognition for the role of Internal Audit in Scotland.

1.3 The purpose of this Annual Report is to summarise our activity and key achievements during 2013/14.

2. SLACIAG ACTIVITY AND ACHIEVEMENTS DURING 2013/14

2.1 SLACIAG met four times during 2013/14:

- 10 and 11 June 2013 – SLACIAG Conference in Dundee;
- 30 August 2013 – hosted by Highland Council in Inverness;
- 29 November 2013 – hosted by North Ayrshire Council in Irvine; and
- 21 March 2014 – hosted by CIPFA at CETC in Edinburgh.

2.2 2013/14 got off to a very positive and productive start at our bi-enniel Conference, which had a theme of 'Transforming Internal Audit'. Over the two days, around 60 day and residential delegates (including Heads of Internal Audit and members of their teams) heard from a range of engaging and entertaining speakers and participated in workshop sessions aimed at exploring various topics in more detail.

2.3 The Conference was sponsored by Scott-Moncrieff, who also provided input via sessions on the Challenges of Implementing Community Co-Production, Internal Audit as a Critical Friend, and an Introduction to the Concept of Lean and Lean Methodology.

2.4 Keynote speaker was Bernadette Malone, Chief Executive of Perth and Kinross Council. Bernadette set the tone for the Conference with her lively take on Transformational Change within Scottish Local Government, and Philip Atkinson built on some of the behavioural requirements touched on by Bernadette with a session on Influencing Skills for Internal Auditors.

2.5 The morning of Day 2 of the Conference focussed on the implementation of the Public Sector Internal Audit Standards (PSIAS) and, in particular, the requirement for periodic External Quality Assessment (EQA) of compliance with those Standards. Eminent Internal Audit leaders, Dr

Sarah Blackburn and Robert Beattie, led these sessions, with delegates working in facilitated groups to consider issues and opportunities arising from the requirement for EQA. The outputs of the morning have made a significant contribution to subsequent work on the development of a proposal, and more detailed framework, for a SLACIAG centred approach to meeting the EQA requirement.

2.6 The final Conference sessions focussed on Coaching and Mentoring Skills for Internal Auditors, and on the practical implementation of the SLACIAG Internal Audit Balanced Scorecard. Jill Stacey, then Vice Chair of SLACIAG, formally closed the Conference, thanking all for their attendance and participation.

2.7 The success of the Conference was not only down to the quality of the speakers, but also the relevance of the topics to life as a Local Government Internal Auditor. This continued over the course of the following 3 SLACIAG meetings in Inverness, Irvine, and Edinburgh, where topics included the following:

- The Local Authority Accounts (Scotland) Regulations 2013;
- Health and Social Care Integration;
- The role and work of the Police Scotland Public Sector Counter Corruption Unit;
- Corporate fraud, and the work of the Scottish Local Authorities Investigators' Group; and
- The procurement of security services and links to business resilience, crime, and corruption.

2.8 The Group continued to strive to source and provide value for money training and development for its members. As well as the June 2013 Conference, the Training Sub-Group, led by Andi Priestman of Inverclyde Council, arranged training events on Report Writing and on Risk Based Internal Auditing. Both events were very well attended, offered excellent value, and attracted very positive feedback from delegates. Further opportunities for training and development will continue to be explored.

2.9 As usual, the Group held its Annual General Meeting in March. At that meeting Jill Stacey of Scottish Borders Council took over from me as Chair of SLACIAG with Andrea McMahon of Renfrewshire Council taking over from Jill as Vice Chair. Gordon O'Connor (Falkirk Council) and Kenneth Ribbons (West Lothian Council) remain as Secretary and Treasurer respectively. The opportunity was taken to add some new members to the Management Committee, reflecting the turnover in Group membership in recent years, and the Treasurer presented the Group's 2013 Annual Accounts, which continue to show a healthy financial position.

2.10 The AGM also allowed the Group to reflect on its Constitution, with members asked to consider, and vote on, whether the Constitution should be amended to remove the restriction that only officers directly employed by a Council or SPT can be members of the Group. The results of the vote found in favour of the constitutional amendment, and I'm sure that representatives of out-sourced and co-sourced partners will be welcomed at, and make a positive contribution to, future SLACIAG meetings.

2.11 As well as allowing the Group to conduct its AGM business, the March meeting provided a focal point in relation to the Group's proposed approach to meeting the PSIAS requirement that all Internal Audit sections will be subject to External Quality Assessment at least every 5 years. At the meeting, the Group decided to request that a sub-group of members develop a detailed framework building on a proposal that SLACIAG establish a 'peer review' approach to EQA (based on a commitment from a substantial number of member Authorities to make this a practical solution). The sub-group will report on their work early in 2014/15, with the first 'peer reviews' undertaken later in the year.

3. COMPUTER AUDIT SUB-GROUP

3.1 The main aim of the Computer Audit Sub-Group (CASG), which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss computer audit practices and developments. This includes raising awareness of new standards, updates to legislation, and new and current topics of interest.

3.2   During 2013/14 CASG met three times:

- 25 April 2013 at South Lanarkshire Council;
- 22 August 2013 at East Ayrshire Council; and
- 20 November 2013 at Renfrewshire Council.

3.3   Meetings included presentations and discussions on a range of topics with speakers from within and out-with the group. The purpose of these presentations is to keep the group updated and informed on computer audit developments, resources, and techniques.

3.4   In the past year, presentation topics have included:

- Public Sector Network accreditation;
- auditing internet usage;
- using IDEA data analysis and interrogation software;
- auditing PC replacement and disposal;
- ISO27001 Information Security Standard.

- compliance with Public Records Scotland Act 2011;
- lessons learnt from Data Breach;
- negotiation of a WAN contract;
- implementation of audit management software;

3.5   The Sub-Group also prepared a summary of the areas and types of testing that IDEA is being used for across CASG member organisations.
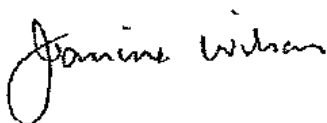
3.6   CASG meetings continue to attract good numbers and cater for computer audit knowledge from novice through to professional level. During 2013/14, CASG meetings were attended by auditors from 25 Local Authorities as well as auditors from SPT and Scottish Water. In addition, over the course of the year the Chair of CASG provided updates on the Sub-Group's work to meetings of SLACIAG.

4.   SUMMARY

4.1   In summary, SLACIAG has had another very successful year, and I believe the Group is well positioned to meet the considerable challenges of the future. Group members, in their Authorities, will continue to adapt as necessary to support their Board and Executive Management Teams to maintain delivery of well governed services through the various change and transformation agendas.

4.2   Specific challenges ahead for members and for the Group will include developing the peer review External Quality Assessment arrangements and the provision of what is likely to be a statutory service, within the context of reducing resources, while ensuring that the service meets the mandatory requirements of the PSIAS. However, the groundwork has been laid through our Leadership, Quality, and Performance programme, and the complimentary development focus in our last two Conferences will place members in a strong position to meet those challenges going forward.

4.3   Finally, I would like to take this opportunity to thank the Committee and all Group members for their strong support and contributions during my three years as Chair, and wish the Group every success for the future.

Janine Wilson

Janine Wilson (Service Manager - Governance, Angus Council)
Chair of SLACIAG
20 June 2014