

Internal Audit Work to August 2020

Report by Chief Internal Auditor

Report for Decision

1 Recommendations

The Audit Committee is asked to:

- a) Note the three final assurance reports associated with the delivery of the approved Internal Audit Annual Plan 2019/20 that had been pending during the Covid-19 emergency response;
- b) Note the Internal Audit Assurance Work in Progress and Internal Audit and Other Work 2020/21 carried out in accordance with the approved Internal Audit Charter; and
- c) Acknowledge the assurance provided on internal controls and governance arrangements in place for the areas covered by this Internal Audit work.

2 Purpose of Report/Executive Summary

The purpose of this report is to provide members of the Audit Committee with details of the recent work carried out by Internal Audit and the findings and recommended audit actions agreed by Management to improve internal controls and governance arrangements.

The three Internal Audit assurance reports associated with the delivery of the approved Internal Audit Annual Plan 2019/20 that had been pending during the Covid-19 emergency response have been finalised.

This report includes an Executive Summary of each of the final Internal Audit assurance reports issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area.

Date 3 September 2020

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3 Progress Report

- 3.1** The report 'Internal Audit Work to March 2020' presented to the Audit Committee on 22 June 2020 stated that there were three Internal Audit assurance reports associated with the delivery of the approved Internal Audit Annual Plan 2019/20 that were pending until there was Management capacity post-Covid-19 emergency response to conclude to final report stage. These reports have now been finalised.
- 3.2** The MLC Internal Audit function conforms to the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) (2017) including the production of this report to communicate the results of the reviews.
- 3.3** Internal Audit issued final assurance reports on the following subjects:
- Leisure Management Booking System
 - ICT Operational Processes
 - Information Governance (Records Management)
- 3.4** An Executive Summary of the final Internal Audit assurance report issued, including audit objective, findings, good practice and recommendations (where appropriate), and the Chief Internal Auditor's independent and objective opinion on the adequacy of the control environment and governance arrangements within each audit area, is shown in Appendix 1.

The definitions for Internal Audit assurance categories are as follows:

Level	Definition
Comprehensive assurance	Sound risk, control, and governance systems are in place. These should be effective in mitigating risks to the achievement of objectives. Some improvements in a few, relatively minor, areas may be required.
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or misuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or misuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or misuse is unacceptable. Significant improvements are required.

Current Internal Audit Assurance Work in Progress

- 3.5** Internal Audit assurance work in progress to deliver the Internal Audit Annual Plan 2020/21 consists of the following:

Audit Area	Audit Stage
Change and Transformation Programme	Drafting the Report
Business Planning, Budget Setting and Monitoring (including Workforce Planning)	Drafting the Report
Capital Investment	Drafting the Report
Property Maintenance	Testing underway
EU Funded Programme Tyne Esk LEADER	Testing underway

Internal Audit Consultancy and Other Work

- 3.6** Internal Audit staff have been involved in the following for the Council to meet its aims and objectives, and its roles and responsibilities in accordance with the approved Internal Audit Charter and Strategy:
- Undertaken Internal Audit Consultancy work relating to community resilience funds, infrastructure developments, participatory budgeting and housing allocation policy;
 - In its critical friend role provided an independent view and challenge at various forums including Business Transformation Board and the Capital Plan and Asset Management Board.
 - Follow up review of previous audit recommendations – sample check on the adequacy of new internal controls for Audit Actions flagged as closed.
 - Attended and provided support for the Risk Management Group.
 - Review of Audit Plan 2020/21 in light of the impact of Covid-19.
 - Joined the CIIA virtual Heads of Internal Audit forums, virtual SLACIAG meetings and SLACIAG Computer Audit Sub-Group quarterly meeting for personal learning and development.

Recommendations

- 3.7** Recommendations in reports are suggested changes to existing procedures or processes to improve the controls or to introduce controls where none exist. The grading of each recommendation reflects the risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact:

High: Significant weaknesses in existing controls, leaving the Council or Service open to error, fraud, financial loss or reputational damage, where the risk is sufficiently high to require immediate action within one month of formally raising the issue. Added to the relevant Risk Register and included in the relevant Assurance Statement.
Medium: Substantial weaknesses in existing controls, leaving the Council or Service open to medium risk of error, fraud, financial loss or reputational damage requiring reasonably urgent action within three months of formally raising the issue.
Low: Moderate weaknesses in existing controls, leaving the Council or Service open to low risk of error, fraud, financial loss or reputational damage requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations or which otherwise require to be brought to attention of senior management.
Outwith the report, Internal Audit informs operational managers about other matters as part of continuous improvement.

- 3.8** The table below summarises the number of Internal Audit recommendations made during 2019/20:

	2019/20 Number of Recs
High	0
Medium	5
Low	4
Sub-total reported this period	9
Previously reported	48
Total	57
Recommendations agreed with action plan	57
Not agreed; risk accepted	0
Total	57

4 Scottish Local Authorities' Chief Internal Auditors' Group (SLACIAG) Annual Report 2019

- 4.1 The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) is the professional networking group for Heads of Internal Audit from each Scottish Local Authority and Strathclyde Partnership for Transport. It is a Special Interest Group of CIPFA Scotland and therefore the Chair of SLACIAG is a member of the CIPFA Scotland Executive Committee.
- 4.2 Each year, SLACIAG produces an Annual Report highlighting achievements and ongoing workstreams. A copy of the report for 2019 is provided for information (Appendix 2).
- 4.3 In particular, the Audit Committee may wish to note that:
- The Group considers learning and development needs and procures training for its members via the Training Sub-Group. Economies of scale make this a cost effective way of undertaking training courses;
 - Working groups are set up to consider time-specific matters of interest; such as the development of the 'peer review' approach for the periodic (at least 5 yearly) External Quality Assessment (EQA) against the Public Sector Internal Audit Standards (PSIAS); and
 - Sub-groups are in place to deliver specific remits e.g. Computer Audit (CASG) and Counter Fraud (SLAIG).
- 4.4 The Chief Internal Auditor has been a member of its Management Committee for many years, including Chair 2014-2016, to influence the work of SLACIAG, and attends / joins the SLACIAG quarterly meetings. One of the Internal Auditors is a member of CASG, and thus attends / joins those Sub-Group regular meetings. Members of the Internal Audit team attended all or part of the SLACIAG Conference in June 2019, which had the theme of 'Connections Collaborations Catalysts', to hear from a range of engaging speakers and to participate in workshops.
- 4.5 In summary, SLACIAG acts as an effective forum for the dissemination of best practice within Internal Audit in local government to reinforce the important statutory role of Internal Audit. It is important that the Audit Committee acknowledges the benefits to the Midlothian Council Internal Audit function arising from its participation in this national forum.

5 Report Implications (Resource, Digital, Risk and Equalities)

5.1 Resource

Resource implications of implementing Internal Audit recommendations are considered as part of the audit process to ensure these are reasonable and proportionate to the risks.

5.2 Digital

There are no digital implications arising from this report.

5.3 Risk

The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. At the start of each audit engagement, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted and risk registers have been considered. During each audit engagement the management of risk has been tested.

It is anticipated that improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made. If audit recommendations are not implemented, there is a greater risk of financial loss and/or reduced operational efficiency and effectiveness, and Management may not be able to demonstrate improvement in internal control and governance arrangements, and effective management of risks.

5.4 Ensuring Equalities

This report does not relate to a new or revised policy, service or budget change, which affects people (the public or staff), so an Integrated Impact Assessment (IIA) is not an applicable consideration.

The Internal Audit work is carried out in accordance with the appropriate legislation and professional standards. The latter includes compliance by those within the Internal Audit function with the Code of Ethics set out in the PSIAS which is appropriate for the profession of Internal Audit founded as it is on trust placed in its independent and objective assurance about risk management, internal control and governance.

5.5 Additional Report Implications (See Appendix A)

APPENDIX A – Additional Report Implications

A.1 Key Priorities within the Single Midlothian Plan

Although this report does not relate directly to the key priorities within the Single Midlothian Plan to which Midlothian Council and its Community Planning Partners have made a commitment (Reducing the gap in economic circumstances; Reducing the gap in learning outcomes; Reducing the gap in health outcomes; and Reducing the impact of climate change), good governance is important to enable Midlothian Council to deliver its key priorities in support of achieving the Council's objectives.

A.2 Key Drivers for Change

Key drivers addressed in this report:

- ☒ Holistic Working
- ☒ Hub and Spoke
- ☒ Modern
- ☒ Sustainable
- ☒ Transformational
- ☒ Preventative
- ☒ Asset-based
- ☒ Continuous Improvement
- ☒ One size fits one
- ☐ None of the above

Midlothian Council is committed to creating a great place to grow supported by the 9 drivers for change. Implementing the 9 drivers for change in practice is applicable to the Council's Internal Audit service provision to assist the Council in achieving its objectives.

A.3 Key Delivery Streams

Key delivery streams addressed in this report:

- ☒ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☒ Efficient and Modern
- ☒ Innovative and Ambitious

A.4 Delivering Best Value

The definition of Internal Auditing within the Public Sector Internal Audit Standards (PSIAS) is "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

Implementation by Management of the actions associated with Internal Audit recommendations, that are designed to improve internal control and governance arrangements and management of risks, underpins the Council's own continuous improvement arrangements to enhance its effectiveness, thus supporting the delivery of the Council's best value duties.

A.5 Involving Communities and Other Stakeholders

The Chief Internal Auditor is accountable to the Audit Committee which, in fulfilling its governance role, acts as a bridge between the Council and other stakeholders. There is engagement between Internal Audit and the Council's External Auditors, EY.

This report has been presented to the Corporate Management Team to outline the key messages of assurance and areas of improvement. Senior Management relevant to the areas audited have agreed the final Internal Audit assurance reports as set out in the relevant Executive Summary within Appendix 1.

A.6 Impact on Performance and Outcomes

The Findings and Recommendations from Internal Audit work during the year are designed to assist the Council in improving its performance and outcomes.

A.7 Adopting a Preventative Approach

Internal Audit assurance work includes assessments on when a preventative approach can be adopted.

A.8 Supporting Sustainable Development

This report does not relate directly to supporting sustainable development. Good governance is important to enable Midlothian Council to achieve its objectives.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: Leisure Management Booking System</p> <p>Category: Assurance – Risk</p> <p>Date issued: (deferred issue from March 2020 due to Covid-19 response) 8 July 2020 Draft; 27 August 2020 Final</p> <p>Level of Assurance: Substantial (Policy and procedures, income collection and security); Limited (Project Governance, reporting and the interface between the Legend and Integra systems)</p>	<p>The purpose of this assurance audit was to review the implementation of the new Leisure Management system, Legend, to ensure that the controls are working adequately and the benefits and outcomes highlighted at project initiation have been realised. The income management controls were also evaluated to ensure income is accurately collected.</p> <p>A Project Management Board to implement the Legend system was formed in 2017 after funding and a contract was agreed by CMT. The Project Board was made up of senior managers with an interest in the delivery, maintenance and ongoing improvement of the Legend system and had regular meetings until February 2019. The Project Definition Document outlines the scope and deliverables for the implementation.</p> <p>All Sport and Leisure centres (including the Snowsports Centre), Lifelong Learning and Employability (LLE), and Active Schools receipt their income through the Legend system. The total income receipted from 1 April 2019 to the end of February 2020 was £3.5m (this includes income collected online, through the centres' tills and by direct debit). The system was implemented in the centres in April 2018 and was rolled out to Active Schools and LLE in August 2019. Online class bookings went live in March 2019.</p> <p>Internal Audit considers that the level of assurance we are able to give is:</p> <ul style="list-style-type: none"> • Policy and procedures, income collection and security – substantial • Project governance, reporting and the interface between the Legend and Integra systems – limited <p>The governance of the project to implement the Legend system was not as effective as it could have been. The Project Board stopped meeting in early 2019 as the SRO (Senior Responsible Officer) and Project Manager left prior to the system being fully rolled out. A number of project actions are still outstanding and a closure report detailing the benefits realised and lessons learned was not produced. There is a lack of consistency across centres over the use of the system and supporting processes and management information is not being fully utilised. The large number of write-offs required on the system is impacting on the resource required from Financial Services and the inability to implement an automated reconciliation process between the Legend and Integra systems.</p>	0	3	0	<p>The Head of Adult Health and Social Care has assumed responsibility following the Senior Management restructure and a meeting was held in mid-February 2020 for the Head of Adult Health and Social Care to get a broad understanding of the system. The intended reconvening of a Project Board in March 2020 has been delayed by Covid-19 response (now scheduled early September 2020).</p> <p>Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations within acceptable timescales.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Leisure Management Booking System (cont'd)	<p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • The Project Board for the Legend system should be resumed. It should review progress with the project objectives, any issues identified, any outstanding project actions and the project plan should be updated accordingly. Management information on the use of the Legend system, customer experiences and the marketing strategy should be communicated to Senior Management. (Medium) • The outstanding debt recorded on the Legend system should be reviewed and updated to ensure it accurately reflects any invoices paid via Integra. The refund policy for block bookings should be reviewed taking account of VAT regulations. (Medium) • Standardised processes and procedures for all centres should be implemented and a procedure for write offs should be created. Training should be provided to staff to ensure they are aware of the requirements. (Medium) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: ICT Operational Processes</p> <p>Category: Assurance – carried forward from 2018/19</p> <p>Date issued: 27 February 2020 Draft (deferred Management response due to Covid-19 response); 3 September 2020 Final</p> <p>Level of Assurance: Limited (change and project management) and Substantial (incident and problem management; and the framework for the Service's assessment against best practice).</p>	<p>The purpose of this assurance audit was to evaluate the change / incident / problem management operational controls to ensure they are designed appropriately and that all parties are adhering to them. This included an assessment of the response to the Audit Scotland report "Principles for a digital future: Lessons learned from public sector ICT Projects" (May 2017).</p> <p>A Digital Led Transformation Group (DLTG), comprised of senior management from across the Council and Digital Services, has been established. The purpose of the DLTG is to set the overall direction and priorities for the development and deployment of ICT in the Council, and is tasked with ensuring that ICT plans take in the whole Council perspective in terms of streamlining information flows, focussing on customers and communities, and optimising infrastructure for pan-Council use. However, the DLTG has not met since May 2019. The Chief Officer Corporate Solutions has advised that the Medium Term Financial Strategy provides a structure for project prioritisation, and focus and priority was given to the strategic review of ICT service provision and the Digital Strategy, including options appraisal, which is to be concluded in Autumn 2020.</p> <p>Digital Services have effective processes to ensure ICT incidents and problems are appropriately logged and addressed. Severe incidents are reported to the Council's Risk Management Group and action plans are developed in response to these and progress is tracked by Digital Services Management and the Risk Management Group.</p> <p>Digital Services has participated in various external and self-assessment exercises, including annual Public Sector Network (PSN) certification, participation in SOCITM (Society for Innovation, Technology, and Modernisation) surveys, and the recent Digital Maturity Assessment review undertaken by the Digital Office for Local Government.</p> <p>Internal Audit considers that the level of assurance we are able to give is Limited for change and project management (weaknesses were noted with the governance of the DLTG, project prioritisation processes, consistency and completeness of project documentation, and closure reporting) and Substantial for incident and problem management and the framework for the Service's assessment against best practice.</p>	0	1	0	<p>Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendation within acceptable timescales.</p> <p>Re-establishment of the governance forum DLTG, which requires engagement from all Services, is designed to address both strategic change and project management issues identified in the audit</p> <p>A digitally-enabled transformational initiative requires to be primarily driven by Service Design through taking a holistic approach and involving relevant personnel from across the Council.</p>

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: ICT Operational Processes (cont'd)	<p>Internal Audit made the following recommendation:</p> <ul style="list-style-type: none"> • The DLTG should be re-established and reviewed to ensure: there is sufficient representation from all Services; the group is supported by adequate management information; there is a framework in place for strategic project prioritisation; appropriate training is provided; and clear governance is in place with other boards on forthcoming projects that have an impact on Digital Services. <ul style="list-style-type: none"> ➤ The approach taken to resourcing strategic digital projects should be reviewed. This review should take into account relevant external reports such as the Audit Scotland Report: “Principles for a Digital Future: Lessons Learned from Public Sector ICT Projects”, the results of the SOCITM survey and the outcome of the Digital Maturity Assessment by the Digital Office. ➤ The DLTG should ensure appropriate project quality assurance processes in line with agreed project methodology standards, including closure reporting and benefits realisation, are being applied consistently. (Medium) 				

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
<p>Subject: Information Governance (Records Management)</p> <p>Category: Assurance – Risk</p> <p>Date issued: (deferred issue from March 2020 due to Covid-19 response) 15 July 2020 Draft; 27 August 2020 Final</p> <p>Level of Assurance: Substantial (Records Management Plan); Limited (Audit Trail for electronic records, Digital Preservation, the in-house historical archive centre, quality assurance of the Information Asset Registers, training of staff and a formal action plan for reporting progress to Senior Management).</p>	<p>The purpose of this assurance audit was to assess the effectiveness of the governance, risk management and control processes over the management of the Council's records and archives.</p> <p>The Public Records (Scotland) Act 2011 requires public bodies to prepare and implement a Records Management Plan (RMP) which must set out the proper arrangements for the management of its records. The plan must clearly describe the way an authority cares for the records it creates, in any format, whilst carrying out its business activities and it must be agreed with the Keeper and be regularly reviewed.</p> <p>Where authorities fail to meet their obligations under the Act, the Keeper has powers to undertake records management reviews, issue action notices for improvement and publicise any failures.</p> <p>The Council's first RMP was approved by the Keeper in June 2014. The Keeper recommended that the Council and the Midlothian Licensing Board publish the agreed RMP as an example of good practice within the authority and the sector.</p> <p>The Council participated in a Progress Update Review (PUR) with the Keeper in 2019. The PUR mechanism is designed to provide a platform through which authorities can receive feedback and advice from the Keeper's Assessment Team following any internal self-assessment of their agreed RMP. The report noted that the Council continues to take its records management obligations seriously and is working to bring all elements into full compliance with the Act and fulfil the Keeper's expectations.</p> <p>Internal Audit considers that the level of assurance we are able to give is Substantial Assurance for the majority of the elements in the Council's records management plan and Limited Assurance for Audit Trail (for electronic records), Digital Preservation, the in-house historical archive centre, quality assurance of the Information Asset Registers, training of staff and a formal action plan for reporting progress to Senior Management. The latter elements in the main relate to Low risk improvements as indicated within the following recommendations.</p>	0	1	4	Management have accepted the factual accuracy of the report and its findings, and have agreed to implement the recommendations within acceptable timescales.

Report	Summary of key findings and recommendations	Recommendations			Status
		H	M	L	
Subject: Information Governance (Records Management) (cont'd)	<p>Internal Audit made the following recommendations:</p> <ul style="list-style-type: none"> • The Council's RMP should be updated and a records management action plan should be formalised and progress reported as part of the IMG's update to Management. This reporting should include an update on the expected roll-out of the Electronic Data Records Management System (EDRMS) across the Council, an update on the approach for Digital Preservation, the storage of the Council's historical archives, and a review of options on how to improve information on records submitted to the Council's records centre provider. This will help inform the revised RMP. (Medium) • Progress should be made in addressing the outstanding record reviews, destructions, and the records with no retention category in the Iron Mountain system. (Low) • Management should develop a plan for reviewing historical records held on Windows directory shared drives, establish in detail the compliance of all Council systems in relation to records retention rules, and improve the link between lead application officers and the RADM Team Lead. (Low) • A programme of quality assurance reviews should be developed and commenced for the Information Asset Registers and adequate guidance should be created to support services in the identification of their vital records. This outcome of this review could also help enhance the detail of the Council's retention schedule (i.e. whether the record class contains personal information, and the system the record class is held in). (Low) • The records management e-learning package should be promoted as part of the refreshed GDPR training and the Council's Records Champions listing should be reviewed to ensure it is accurate and up to date. (Low) 				

ANNUAL REPORT FROM THE CHAIR – 2019

“WORKING TOGETHER TO SUPPORT THE KEY ROLE OF INTERNAL AUDIT”

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 the 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 The Group's 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 the following objectives:
- To secure a quality and responsive service for members of the group;
 - To develop the influence of the group with key decision makers and institutions in Scotland, as the key representative body for internal audit in local government with a particular emphasis on governance, risk, control and assurance matters;
 - To strengthen links and build long term relationships across the internal audit community within the public service;
 - To provide an effective group for the discussion of issues of common concern, sharing of good practice and commissioner of work to develop advanced practice;
 - To consider the development and training needs of our people as a collective to ensure that the best available products are procured at the best price;
 - To uphold the groups key values including: Respect; Openness and Honesty; Adding Value; Professional Team working; Sharing Best Practice; Integrity; Continuous Improvement.
- 1.3 The purpose of this Annual Report to key stakeholders is to provide an update on the Group's activities and achievements over the course of 2019 and to recognise actions required to achieve our vision.
- 1.4 SLACIAG has two sub-groups whose work is also reflected in this report.
- The Computer Audit Sub-Group (CASG) and,
 - The Scottish Local Authorities Investigators' Group (SLAIG).

2. SLACIAG ACTIVITY AND ACHIEVEMENTS DURING 2019

- 2.1 We held our AGM in March 2019 and I continued my two-year appointment as Chair until March 2020.
- 2.2 Since 2018 the Chairs of both CASG and SLAIG attend the SLACIAG Management Committee to benefit from their sectoral expertise and to ensure synergy. The SLACIAG Constitution was amended at that time to reflect this change. Our Constitution remains under review to ensure it is fit for purpose going forward.
- 2.3 In June 2019 we held our bi-annual Conference at Dumfries House in East Ayrshire. The Conference was held over two days and attended by 98 delegates from our internal audit teams. The conference entitled “Connections Collaborations Catalysts” focused on procurement, contract management and cyber security with speakers from Scottish Government, Audit Scotland, Scotland Excel, DXC Technology, KPMG and four local authorities (East Ayrshire, Glasgow City, North Lanarkshire and Scottish Borders). This was the first time SLACIAG has used Dumfries House and it proved to be a fantastic venue in terms of value and suitability – an impressive setting befitting of the status of internal audit. The event featured in CIPFA Scotland's Regional Development Plan 2020 report.

2.4 During 2019 we met on four scheduled occasions with business coverage summarised as follows:

SLACIAG MEETINGS 2018		
Date	Host	Topics / Speakers
March 2019	South Lanarkshire Council, Hamilton	“Targeting the Use of Audit Resources” <ul style="list-style-type: none"> John Cornett, Audit Director, Audit Scotland – risk assessment and the role of assurance mapping. AGM
June 2019	Conference East Ayrshire Dumfries House, Cumnock	“Connections Collaborations Catalysts” <ul style="list-style-type: none"> Focused on procurement, contract management and cyber security. See paragraph 2.3 above
September 2019	Dundee City Council	Follow-on from the Conference: “Cyber Resilience Workshop” <ul style="list-style-type: none"> Paul Chapman, Head of Public Sector Cyber Resilience, Scottish Government Andy Grayland, Chief Information Security Officer, Digital Office Gemma Diamond, Senior Audit Manager, Audit Scotland Ian Aston, ICT Security Manager, East Ayrshire Council
November 2019	West Dunbartonshire Council, Dumbarton	“Data Analytics” <ul style="list-style-type: none"> Peter Hampton/Eddie McGinney, NHS Counter Fraud Services Mitchell Collins/Andrew Low, Scott-Moncrieff Morag Campsie, Senior Manager, Audit Scotland “Trust in Audit” <ul style="list-style-type: none"> Fiona Kordiak – Chair of CIPFA Scotland

2.5 All of the meetings continue to be well attended, re-affirming the value of the Group to members through the variety of topics considered by the Group over the course of the year and the calibre of speakers who attended and presented. This is particularly pleasing as we continue a period of significant change across Local Government and for Internal Audit. The Group strives to ensure involvement across the whole profession with an ever increasing emphasis on the involvement of members of Internal Audit teams, particularly through CASG and SLAIG, as well as Heads of Internal Audit.

2.6 There is a continuing healthy interest in supporting various working groups (e.g. training and PSIAS External Quality Assessment) and the Management Committee. The Management Committee at the end of 2019 is as follows:

SLACIAG MANAGEMENT COMMITTEE 2019		
Eilidh Mackay	East Ayrshire Council	Chair SLACIAG
Paul Doak	North Ayrshire Council	Secretary SLACIAG
Kevin O’Kane	Stirling Council	Treasurer SLACIAG
Andrea McMahon	Renfrewshire Council	former Chair SLACIAG
Jill Stacey	Scottish Borders/Midlothian Councils	former Chair SLACIAG
Colin McDougall	West Dunbartonshire Council	SLACIAG member (retired December 2019)
Francis Scott	Glasgow City Council	SLACIAG member (stood down 2019)
Jackie Clark	Perth & Kinross Council	SLACIAG member
Pamela Redpath	Dundee City Council	SLACIAG member
Paul Macaskill	Comhairle nan Eilean Siar	SLACIAG member
Laurence Slavin	Argyll & Bute Council	SLACIAG member
Avril Cunningham	Fife Council	SLACIAG member
Peter Moore	East Lothian Council	Chair CASG
Barry Moncur	East Dunbartonshire Council	Chair SLAIG

- 2.7 March 2018 had marked the first PSIAS deadline for completion of External Quality Assessments (EQAs), an exercise to be completed at least 5 yearly. Planning began in 2019 for EQA2 with most members continuing to participate in the peer review exercise.
- 2.8 At the AGM In March 2019 the Treasurer presented the draft annual accounts which were approved for audit. The Group's healthy financial position allowed the subscription rates to be held at the current level for another year and allow a variety of training opportunities to be promoted as well as subsidised delegate fees for the 2019 conference to support attendance. The audited accounts were presented at the November meeting.
- 2.9 The SLACIAG Management Committee meets up to twice each year and during 2019 we met in June during the Conference and in October. The SLACIAG Chair attends meetings of the CIPFA Scotland Branch Executive Committee. The Chair of the CIPFA branch addressed SLACIAG in November 2019.
- 2.10 During 2019 we sought to recruit nominees to be appointed as office bearers at the March 2020 AGM and I am delighted to confirm that we have nominees for all four posts – Chair, Vice Chair, Secretary and Treasurer with new members joining the Management Committee.

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, new and current topics of interest, and computer audit developments, resources, and techniques. CASG meets three times per annum and the meetings continue to cater for computer audit knowledge from novice through to professional level and were attended by auditors from Local Authorities as well as from Strathclyde Partnership for Transport and Scottish Water.
- 3.2 Meetings have included presentations and discussions on a range of topics with speakers from within and out-with the group with business as follows:

CASG MEETINGS 2019		
Date	Host	Topics / Speakers
May 2019	CIPFA Offices, Edinburgh	<ul style="list-style-type: none"> Group discussion covering cyber security projects and IT assets GDPR audit carried out by User access control audit carried out by East Lothian Council
August 2019	CIPFA Offices, Edinburgh	<ul style="list-style-type: none"> This meeting took the form of a workshop focused on data analysis and comprised of two presentations from Fife and August. Network security audit carried out by Fife. Audit report on fraudulent change of bank details by Fife.
November 2019	CIPFA Offices, Edinburgh	<ul style="list-style-type: none"> IT Supply Chain Assurance presentation by Allan Munn Use of IDEA v Excel – Ashley Bickerstaff, Glasgow City Council Group discussions around Business Continuity Plans, In House Cyber Security Training and Intellectual Property Rights Audit Report Presentations on BCP / DR and Treasury Management

4. SCOTTISH LOCAL AUTHORITY INVESTIGATORS SUB-GROUP (SLAIG)

- 4.1 The main aim of SLAIG, which is a permanent sub-group of SLACIAG, is to provide a forum to share and discuss counter fraud practices and developments. This includes raising awareness of updates to legislation, new and current topics of interest, and developments in counter fraud activities. SLAIG meets four times per annum.
- 4.2 The absence of statutory offences and the reliance on common law offences continues to be of concern and representation on this issue has been made to the Scottish Government to consider legislative powers similar to those available to Local Authorities in England. The response for statistical information from authorities remains very poor. Without the collation of the information it is unlikely that any further representation can be made regarding the legislative powers.
- 4.3 The Code of Practice on Interviewing, which all authorities will have to comply with, has not yet been released by Crown Office & Procurator Fiscal Service. The draft code is currently with the Law Officers for consideration.
- 4.4 Angus, Comhairle nan Eilean Siar, East Dunbartonshire, Fife, Glasgow City, Highland and Stirling concluded a Pilot exercise with the Audit Scotland in relation to data matching Small Business Bonus Scheme recipients. The pilot proved to be successful and it is envisaged that it will become mandatory in future National Fraud Initiative exercises.
- 4.5 The Group has heard from speakers on various topics of interest as follows:

SLAIG MEETINGS 2019		
Date	Host	Topics / Speakers
February 2019	CIPFA	Gary Smith, Scottish Borders Council – Fraud Vulnerabilities in NDR
May 2019	CIPFA	Ricky Hutton, Police Scotland – Insider Threat Robert Wylie, Transport Scotland – Blue Badge
August 2019	CIPFA	Stacy Keen, Pinsent Masons - APSE Training Karen McNeill, DWP – Joint Working Stuart Saunders, West Lothian – Case study
December 2019	CIPFA	Fiona Gray, Improvement Service – Data Hub

5. SUMMARY & KEY MESSAGES

- 5.1 In summary, SLACIAG has had another successful year through the efforts of its members. Individually and collectively this professional network helps to reinforce the important statutory role of internal audit and the value internal audit can add to an organisation especially in times of change.
- 5.2 On a continuous basis Heads of Internal Audit have responded positively and proactively to changing national and local environments by taking on extra responsibilities including shared services, arm's length external organisations and Integration Joint Boards; often with reduced resources.
- 5.3 We welcome the 2019 revision to the CIPFA statement on, "The Role of Head of Internal Audit" which set out key messages for us and our employers including:
 - The head of internal audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively.
 - CIPFA considers it essential that public service organisations properly support their internal auditors to enable them to meet the standards.

5.4 Going forward there are three key challenges for us, CIPFA and our employers:

- The requirement for our internal audit and corporate fraud teams to continue to step up to meet the challenges of change and transformation; and
- Strengthening the relationship between CIPFA and SLACIAG to ensure that we can fulfil our objective of being the key influencer on internal audit matters in local government in Scotland (for example being consulted on CIPFA internal audit statements) and influencers within our own organisations; and building on relationships with other key standard setting bodies most notably the IIA; and
- That our employers fully support us to meet the objectives of the CIPFA statement on “The Role of the Head of Internal Audit”; including reflecting on resources and positioning within the organisation.

6. ACKNOWLEDGEMENTS

- 6.1 Firstly, I would like to take this opportunity to thank the Committee and all Group and Sub-Group members for their strong support and contributions during my two years as Chair and note my thanks also to the four members of the Group who have stepped forward to be our new office bearers from 2020. The network relies on contributions from every one of us and I call upon those who do not regularly attend or contribute more widely to allow us to benefit from their involvement going forward.
- 6.2 Secondly, I would like to thank the Secretary and Treasurer who have remained as office bearers beyond their expected terms and those who have led and participated in our training and EQA working groups who have been generous in their support to the group. I am very grateful for their support.
- 6.3 Thirdly, I would like to thank those Councils who hosted our meetings during the year and all of the speakers who gave up time in their busy schedules to contribute to our learning and exchange of experience.
- 6.4 On a personal basis I would like to thank both East Ayrshire Council and my team for their continued support. My team actively supported the organisation of the SLACIAG Conference which also benefitted from a wider support within our Council. Our Chief Executive continues to support the positioning of internal audit within our Council where I report directly to her and sit on the Council Management Team.
- 6.5 Finally, I would like to note the contributions of Colin McDougall, West Dunbartonshire Council, who retired at the end of 2019 for his longstanding and active contribution to the Management Committee and to Francis Scott, Glasgow City Council, who stood down from the Management Committee, although he very much remains an active contributor.

Eilidh Mackay B.A. (Hons), CPFA
Chief Auditor, East Ayrshire Council
Chair of SLACIAG
8 March 2020