



SCOTTISH LOCAL AUTHORITIES

# Chief Internal Auditors' Group

## ANNUAL REPORT FROM THE CHAIR – 2016

### 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 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 2016.

### 2. SLACIAG ACTIVITY AND ACHIEVEMENTS DURING 2016

#### 2.1 SLACIAG met four times during 2016:

- 18 March 2016 – hosted by Aberdeenshire Council;
- 17 June 2016 – hosted by Scottish Borders Council;
- 9 September 2016 – hosted by CIPFA Scotland; and
- 25 November 2016 – hosted by North Lanarkshire Council.

2.2 All of the meetings were very 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 at a time of such significant change across Local Government generally and for Internal Audit in particular. The Group strives to ensure involvement across the whole profession with an ever increasing emphasis on the involvement of members of Internal Audit teams as well as Heads of Internal Audit.

2.3 As usual, the Group held its Annual General Meeting in March 2016. At that meeting, new office bearers were appointed with Andrea McMahon (Renfrewshire Council) succeeding Jill Stacey (Scottish Borders Council) as Chair Paul Doak being appointed as Secretary and Kevin O'Kane, being appointed as Treasurer, following the resignations of Gordon O'Connor (Falkirk Council) and Kenneth Ribbons (West Lothian Council) who had served the Group for many years. The outgoing Treasurer provided an update on the Group's finances, which continue to show a healthy financial position. This allowed the subscription rates to be held at the current level for the following year and enabled very good value training opportunities to be provided. Eilidh Mackay (East Ayrshire Council) agreed to assume the role of Vice Chair during the year.

2.4 As well as allowing the Group to conduct its AGM business, the March meeting provided the opportunity to continue some of the themes from the previous year including corporate fraud and health and social care integration. Sharon Murphy provided an insight into the work Glasgow City Council were doing in relation to corporate counter fraud. There was group discussion in relation to

health and social care integration and the arrangements for working with Health Board Auditors around areas such as the Annual Governance Statement. David Hughes (Aberdeen City and Aberdeenshire Council's) delivered an informative presentation around his experience and challenges for shared Internal Audit Services.

- 2.5 Philip Barr, Depute Chief Executive, Scottish Borders Council presented to the Group on the importance of involving Internal Audit throughout any significant process of change at the June meeting. Ronnie Nicol and Katherine Sibbald from Audit Scotland provided an overview of the new approach to the audit of Best Value. An overview of the Community Empowerment (Scotland) Act 2015 was provided by Ian Turner from the Scottish Government on the national picture and Shona Smith (Scottish Borders) from a local perspective.
- 2.6 The September meeting was a joint meeting with the Heads of Internal Audit from NHS Boards, this extended Group meeting heard from Fiona Mitchell-Knight from Audit Scotland on the findings arising from their first round on annual audits of the Integration Joint Boards and Gordon Neill from Audit Scotland presented to the Group on their first national review of integrated health and social care. The Group followed up with a discussion on partnership working and potential conflicts of interest in relation to auditing the Integration Joint Boards.
- 2.7 Detective Inspector Ricky Hutton delivered an interesting presentation to the Group on the work of the Police Scotland Anti-Corruption Unit over the last 3 years as well as the future direction of the unit. SEEMIS Company Secretary, Roddy Shearer presented to the Group on the governance arrangements and future development plans for the organisation. This followed with a Group discussion on how individual councils could rely on assurances from SEEMIS auditors.
- 2.8 During the year the Group developed a Knowledge Hub site for the Group, to allow for sharing of documentation and a member's communication forum. Membership of the Knowledge Hub continues to grow and is open to Heads of Internal Audit and their teams.
- 2.9 In line with the Group's objective 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, the group participated in the Internal Audit Standards Advisory Board's consultation on changes to the Public Sector Internal Audit Standards.
- 2.10 Due to the variations between Scottish and English legislation in relation to counter fraud, it was recognised that there was an opportunity to develop an accredited counter fraud qualification specific to the Scottish legislative framework. Working with CIPFA's Head of Business Development the programme for the training was developed and is now available to practitioners with a role in counter fraud.
- 2.11 There are 26 councils currently participating in the SLACIAG peer review approach to External Quality Assessment (EQA) to meet the 2013 Public Sector Internal Audit Standards requirement that Internal Audit sections undergo periodic (at least 5 yearly) external assessment against the Standards. 5 reviews were completed during 2016/17 bringing the total reviews completed to 9. The Chair of SLACIAG presented an overview of the EQA framework to the CIPFA Scotland Executive.

### **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, which are hosted by Councils, 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. In the past year, presentation topics have included: SEEMIS security and management, Records Management, Payment Card Industry Data Security Standard (PCI-DSS), Business Continuity and Disaster Recovery, Social Media and Education Networks.

**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 and quarterly meetings are held with the Crown Office and Procurator Fiscal Service (COPFS). An additional meeting was held with COPFS in November to specifically discuss the details of a proposed revision to prosecution policy.
- 4.2 The Group has worked closely with the DWP in relation to joint working with Local Authorities where there is a DWP benefit in payment; specific areas of interest have been in relation to council tax reduction scheme (CTRS) fraud and tenancy fraud. West Dunbartonshire Council participated in a joint working pilot on CTRS fraud and there has been interest from the DWP in developing a further pilot in relation to tenancy fraud.
- 4.3 The Group has been engaging with the Scottish Government and the Chartered Institute of Housing, Scottish Federation of Housing Associations and Housing Networks to seek statutory powers in Scotland in relation to tenancy fraud.
- 4.4 The Group has heard from speakers on topics of interest such as money laundering delivered by Police Scotland, procurement fraud work being undertaken by West Lothian Council and a presentation from the National Anti-Fraud Network (NAFN) on the intelligence available to investigators.

**5. SUMMARY**

- 5.1 In summary, SLACIAG has had another very successful year, and I believe that, individually and collectively, the Group will continue to be at the forefront of developments, is well positioned to meet the considerable challenges of the future, and that our voice will continue to be heard as experts in matters of risk management, governance and control. 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 in the context of reducing resources and significant transformation.
- 5.2 Specific challenges ahead for members and for the Group will include: implementing External Quality Assessments and continuing to respond to strategic developments within the public sector, including Health and Social Care Integration. However, the groundwork has been laid through the development focus of our meetings and our upcoming conference which will place members in a strong position to meet those challenges going forward.
- 5.3 Finally, I would like to take this opportunity to thank the Committee and all Group members for their strong support and contributions during my first year as Chair, and wish the Group every success for the future.

*Andrea McMahon*

**Andrea McMahon (Chief Auditor, Renfrewshire Council)**  
**Chair of SLACIAG**  
**24 March 2017**

