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## **SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS GROUP (SLACIAG) ANNUAL REPORT 2022**

**Report by Chief Officer Audit and Risk**

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### **AUDIT COMMITTEE**

**10 May 2023**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report provides the Audit Committee with the Annual Report 2022 of the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) to highlight the value of this forum for the Internal Audit functions of SBC and other local authorities.**
- 1.2 SBC's Chief Officer Audit & Risk, who is the current Chair of SLACIAG (2022-2024), presented the SLACIAG Annual Report 2022 at the SLACIAG AGM on 17 March 2023. The content covers:
- the purpose and vision of the Group from the Constitution;
  - the activity during 2022 for the Management Committee, the Chief Auditors Group (SLACIAG), and its sub-groups Computer Audit Sub-Group (CASG), and Fraud Investigators Group (SLAIG); and
  - the conclusions on a challenging but successful year as evidenced by the attendance at the virtual meetings and the range of topics discussed.
- 1.3 The Chair has published the SLACIAG Annual Report 2022 on SLACIAG Knowledge Hub to enable access by all members in a secure way, and requested all Chief Auditors to distribute the report to key stakeholders within their organisation, in particular the Audit Committee or equivalent, to highlight the value of this forum.

#### **2 RECOMMENDATIONS**

- 2.1 I recommend that the Audit Committee:**
- a) Notes the content of the appended SLACIAG Annual Report 2022 and;**
  - b) Notes the value of the SLACIAG Forum for the Internal Audit functions in SBC and other local authorities.**

## **ANNUAL REPORT FROM THE CHAIR – 2022**

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

#### **1. INTRODUCTION**

- 1.1 Membership of the CIPFA Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG) is open to the chief internal auditor from each Scottish local authority and the Strathclyde Partnership for Transport (SPT). SLACIAG is a Special Interest Group of CIPFA in 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 and public transport bodies 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 group's 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 2022 and to recognise actions required to achieve its vision.
- 1.4 SLACIAG has two sub-groups whose activity is also reflected in this report:
- the Computer Audit Sub-Group (CASG); and
  - the Scottish Local Authorities Investigators' Group (SLAIG).

## 2. MANAGEMENT COMMITTEE

- 2.1 I, Jill Stacey, Scottish Borders Council, was appointed Chair of SLACIAG at the AGM on 11 March 2022. I previously served as Chair of SLACIAG during 2014-2015. In accordance with SLACIAG's Constitution, my term of office will expire after serving 2 years at our AGM in March 2024. New members were welcomed to the Management Committee, with former Chairs providing valuable continuity. As SLACIAG is a special interest group of CIPFA in Scotland there is an expectation that the SLACIAG Chair joins the meetings of the CIPFA Scotland Branch Executive Committee. It was agreed that the Eilidh Mackay, East Ayrshire Council (former Chair 2019-2020), would continue to perform that function in my stead.
- 2.2 There were four Management Committee virtual during 2022 in January, May, July and October. The purpose of these meetings is to reflect on learning and review actions arising from past meetings in order to forward plan meetings, considering topics, setting dates and arranging speakers.
- 2.3 The Management Committee also oversees the External Quality Assessment (EQA) process, which is a peer review process established by SLACIAG to enable external validation of compliance with the Public Sector Internal Audit Standards (PSIAS). The Management Committee monitors progress with completion against a recommended programme of reviews each year to ensure that all participating organisations comply with the requirement to undertake an EQA once every 5 years.
- 2.4 The Management Committee at AGM March 2022 was constituted as follows:

<b>SLACIAG MANAGEMENT COMMITTEE 2022</b>		
Jill Stacey	Scottish Borders Council	Chair SLACIAG
Yvonne Douglas	South Lanarkshire Council	Treasurer SLACIAG
Eilidh Mackay	East Ayrshire Council	member and former Chair
Kenneth Ribbons	West Lothian Council	member and former Chair
Pamela Redpath	Fife Council	member
Gillian McConnachie	East Dunbartonshire Council	member
Duncan Stainbank	East Lothian Council	member
Duncan Black	Glasgow City Council	member
Peter Moore	East Lothian Council	Chair CASG
Barry Moncur	East Dunbartonshire Council	Chair SLAIG

- 2.5 It has been an ongoing challenge in recent years to ensure that the Management Committee has a full complement of office bearers, in particular a Vice Chair and Secretary. Members of the Management Committee have taken turns to assist with preparing Agendas and taking Minutes/Action Notes. The SLACIAG Constitution needs to be amended to formally reflect this adopted practice.
- 2.6 The Chairs of both CASG and SLAIG have attended the SLACIAG Management Committee to enable us to benefit from their sectoral expertise and to ensure synergy. The SLACIAG Constitution needs to be amended to formally reflect this. This will ensure that the SLACIAG Constitution remains fit for purpose going forward.

### 3. SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS GROUP (SLACIAG)

3.1 There were four SLACIAG virtual meetings in 2022 with topics/speakers as follows in addition to core business:

Date	Topics / Speakers
11 March 2022	<p><b>Update from the Chartered Institute of Internal Auditors (CIIA)</b></p> <ul style="list-style-type: none"> <li>Graham Gillespie, former Chair of the Scottish Region Committee, and Partner at Wyllie Bissett</li> </ul> <p><b>Data Analytics</b></p> <ul style="list-style-type: none"> <li>Derek Jamieson, Director, Regions, Chartered Institute of Internal Auditors</li> </ul> <p><b>North Ayrshire Performance Dashboard</b></p> <ul style="list-style-type: none"> <li>Craig Valentine, Team Manager / ICT; Dyllan North, Snr Tech Officer / ICT, and Isla Hardy, Corporate Policy &amp; Performance Officer, all North Ayrshire Council</li> </ul> <p><b>Police Scotland – Serious Organised Crime overview</b></p> <ul style="list-style-type: none"> <li>Ricky Hutton, Police Scotland</li> </ul>
17 June 2022	<p><b>Scottish Government Business Support Funding: Fraud Risks and Counter Fraud Controls</b></p> <ul style="list-style-type: none"> <li>Zac O'Neil, Head of Counter Fraud Profession at the Scottish Government</li> </ul> <p><b>CIPFA new Position Statement covering audit committees in UK local government bodies</b></p> <ul style="list-style-type: none"> <li>Diana Melville, Governance Advisor at CIPFA</li> </ul> <p><b>Breakout Session to discuss CIA Issues and Challenges</b></p> <p>Three separate groups to discuss key issues facing our internal audit functions, including hybrid working, workforce planning and the skills mix of audit committees, and to share approaches being taken to address these.</p>
16 September 2022	<p><b>Overview from CIPFA (technical accounting issues; internal audit; economic pressures; anti-corruption; leadership; “micro-modules” free training resources on CIPFA website)</b></p> <ul style="list-style-type: none"> <li>Kirsty Stanners, Head of Policy and Technical CIPFA</li> </ul> <p><b>Breakout Session to discuss Audit Committee structures, remits, self-evaluation, learning and development</b></p> <p>Q1 appointment of external members (CIPFA guidance)</p> <p>Q2 annual self-evaluation using CIPFA toolkits and annual report to Council</p> <p>Q3 use of CIPFA knowledge and skills for members’ training</p> <p><b>Breakout Session to discuss workforce issues</b></p> <p>Q1 what could SLACIAG do to encourage new people into the Internal Audit profession?</p> <p>Q2 Is 'Grow Your Own' an effective workforce strategy?</p>
9 December 2022	<p><b>Records Management requirements for public sector bodies, issues, risks and role of Internal Audit</b></p> <ul style="list-style-type: none"> <li>Khopolo Jamangile, Records and Information Security Manager, Perth &amp; Kinross Council</li> </ul> <p><b>Overview from CIIA (IPPF Internal Audit standards subject to change; Audit Committee Service; CIIA virtual forums (Data Analytics; Heads of Internal Audit; Local Authority HIA; Fraud; (possible LA Fraud); Auditing Culture)</b></p> <ul style="list-style-type: none"> <li>Derek Jamieson, Director, Regions, Chartered Institute of Internal Auditors</li> </ul>

- 3.2 There are increasing challenges for the EQA2 schedule including staff resourcing issues in Councils, knock-on effect of delays in EQA2 completions during the pandemic response and recovery periods, and conflicts of interest arising from increased Internal Audit shared services arrangements. Responsibility is on the reviewee Council CAE to meet EQA requirements and to keep their Audit Committee informed of any delays in meeting the 5-year timeframe. In light of these extraordinary circumstances there is likely to be some flexibility on timescales subject to transparency.
- 3.3 In light of recent events, it was agreed at the December 2022 meeting that there was a need for the SLACIAG EQA Sub-Group and Moderation Panel to be re-established. A number of volunteers were forthcoming and the following were appointed:

EQA Sub-Group		Moderation Panel	
Pamela Redpath	Fife Council	Paul MacAskill	Argyll & Bute Council
Andrew Paterson	Orkney Islands Council	Ken Adamson	North Lanarkshire Council
Cecilia McGhee	South Ayrshire Council	Gordon O'Connor	Stirling Council

- 3.4 The Treasurer, Yvonne Douglas, South Lanarkshire Council provided regular updates on the financial position of SLACIAG and produced the annual accounts, which were considered by the Group. Thanks to those at North Lanarkshire Council for completing the audit of the 2021 Accounts. Those at South Ayrshire Council have volunteered to complete the audit of the 2022 Accounts in early 2023.
- 3.5 The Group regularly discussed the development and training needs of our teams. Prior to the pandemic a Training Sub-Group collated training needs assessments and procured the best available products to meet the needs. The current approach is that information is shared on training courses available through providers that have previously delivered training to SLACIAG Members for chief internal auditors to evaluate and book any courses through their own organisations.
- 3.6 The following carry forward actions were noted: Chair to invite a CIPFA representative to a quarterly meeting once per year; Chair to engage with COSLA for SLACIAG collaboration; All to contact Jacqueline Clark, Perth and Kinross Council, if any interest in trainees looking to join a trainee community to assist with networking and their development.
- 3.7 The following actions were noted, a number of which could be explored within the content of the SLACIAG Conference 2023:
- Share training content used for audit committees and best practice self-evaluation toolkits to support audit committee members' development to fulfil roles.
  - Need to upskill team members on digital skills and data analytics e.g. Power BI.
  - Need to reassess fraud risk controls due to reducing resources and the wider operating environment of local authorities.
  - Use the SLACIAG Conference 2023 as a platform to inform the business of future quarterly meetings of SLACIAG, CASG and SLAIG; revisit remits and expected outcomes, assign projects/development activity, and enhance skills and knowledge.
  - Engage in CIAA Heads of Internal Audit Forum and LA HIA Forum that provide useful insights on relevant topics and Internal Audit developments.
- 3.8 All Agendas, Minutes, and Presentations of SLACIAG meetings, EQA Framework Guidance, and other relevant documents are uploaded to the SLACIAG Knowledge Hub to enable access by all members in a secure way.

#### 4. COMPUTER AUDIT SUB-GROUP

- 4.1 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.
- 4.2 The Computer Audit Sub Group (CASG) met three times in 2022, all meetings were virtual, with topics/speakers as follows in addition to core business:

Date	Topics / Speakers
7 April 2022	<b>Data Analytics</b> <ul style="list-style-type: none"><li>• Andrew Low and Mary Fitton, Senior Business Technology Consultants, Azets</li></ul> <b>Cyber Security Audit</b> <ul style="list-style-type: none"><li>• Peter Moore, East Lothian Council</li></ul>
18 August 2022	<b>Use and Control of Social Media</b> <ul style="list-style-type: none"><li>• Jason Ross, Clackmannanshire Council</li></ul> <b>Power BI</b> <ul style="list-style-type: none"><li>• Jimmy Dawe, Fife Council</li></ul>
24 November 2022	<b>Audit Report Presentation – IT Asset Management</b> <ul style="list-style-type: none"><li>• Peter Moore, Senior Auditor, East Lothian Council (CASG Chair)</li></ul> <b>Email Security Threats and Data Loss Prevention</b> <ul style="list-style-type: none"><li>• Alex Smith, Account Executive, Egress Software Technologies</li></ul> <b>Cloud Hosted Environments – Including Cloud Governance, Cloud Security and Cloud Migration</b> <ul style="list-style-type: none"><li>• Andy Milne, Service Manager Technical and Hosting, Fife Council</li></ul>

- 4.3 A common discussion point at CASG meetings during 2022 has been the sustainability of the sub-group in part due to lower number of specialist computer auditors in Councils exacerbated by retirements of experienced individuals in the past few years, the planned retirement of the current CASG Chair, and some wider developments that could affect its current remit and outputs. The sub-group is keen to influence its future, and to gain some insights from CIIA Data Analytics Forum.
- 4.4 In my role as Chair of SLACIAG, I joined at the start of the 24 November 2022 CASG meeting to ensure engagement with the sub-group. I spoke about the future of CASG and how it could meet requirements going forward around new developments, particularly around Data Analytics. I emphasised that the sustainability of CASG and other sub-groups is dependent upon significant effort involved in planning and holding meetings and good participation from all members to optimise the benefits. I promoted the SLACIAG Conference, which will be held as an in-person event on 15 and 16 June 2023 open to the wider teams to fulfil personal learning and development, including CASG members, as an opportunity to encourage wider collaboration and share good practice, and to influence the future of CASG or new sub-group.
- 4.5 All Agendas, Minutes, and Presentations for CASG meetings are uploaded to the SLACIAG Knowledge Hub (CASG sub-folder) to enable access by all members in a secure way.

## 5. SCOTTISH LOCAL AUTHORITY INVESTIGATORS GROUP (SLAIG)

- 5.1 The main aim of the Scottish Local Authority Investigators Group (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.
- 5.2 The Scottish Local Authority Investigators Group (SLAIG) met four times in 2022, all meetings were virtual, with topics/speakers as follows in addition to core business:

Date	Topics / Speakers
17 February 2022	<p><b>Presentation on Pension Scams</b></p> <ul style="list-style-type: none"> <li>Bryan Mackie - Police Scotland</li> </ul> <p><b>Overview of the work of the National SOC Interventions Unit and update on products, suitable to LAs, that have been developed</b></p> <ul style="list-style-type: none"> <li>Ricky Hutton - Police Scotland</li> </ul>
25 May 2022	<p><b>Overview of the scope and business areas of the Counter Fraud Service in Scotland with a focus on Prevention, Detection and Investigation</b></p> <ul style="list-style-type: none"> <li>Darrell Thomson, National Counter Fraud Manager, NHS Scotland</li> </ul> <p><b>Insight to the Digital Economy Act recently adopted in Scotland, potential for data sharing between public bodies and the process to be adopted</b></p> <ul style="list-style-type: none"> <li>Art Mitchells-Urwin, Counter Fraud Manager, Cabinet Office</li> </ul>
31 August 2022	<p><b>Overview of how the Scottish &amp; Northern Ireland Operational Intelligence Unit operates and how Immigration can impact our everyday activities</b></p> <ul style="list-style-type: none"> <li>Jennifer Robertson, Home Office, Scottish &amp; Northern Ireland Operational Intelligence Unit</li> </ul> <p><b>Overview of work in Interventions to Disrupt and Detect Serious &amp; Organised Crime Groups in Scotland</b></p> <ul style="list-style-type: none"> <li>Jo Lennie, Detective Inspector, Police Scotland</li> </ul> <p><b>Audit Scotland reports: Fraud &amp; Irregularity 2021/22 and the National Fraud Initiative (NFI) in Scotland 2022</b></p> <ul style="list-style-type: none"> <li>Anne Cairns, Audit Scotland</li> </ul>
13 December 2022	<p><b>Overview of Communications Data and the Investigatory Powers Act</b></p> <ul style="list-style-type: none"> <li>Sarah Cooper, National Anti-Fraud Network (NAFN)</li> </ul>

- 5.3 The SLAIG Chair at the 13 December 2022 meeting proposed that the Sharing of Good Practice/Fraud Prevention sessions should be reintroduced into the agenda. The aim is to develop a good practice guide for SLAIG members.
- 5.4 In my role as Chair of SLACIAG, I joined at the start of the 13 December 2022 SLAIG meeting to ensure engagement with the sub-group. I promoted the SLACIAG Conference, which will be held as an in-person event on 15 and 16 June 2023 open to the wider teams to fulfil personal learning and development, including SLAIG members, as an opportunity to encourage wider collaboration and share good practice. It is hoped that post-Conference 2023 there may be an opportunity for SLAIG members to work on new initiatives to enhance skill sets and develop smarter counter fraud practices. SLAIG is keen to gain some insights from the CIIA Counter Fraud Forum.
- 5.5 All Agendas, Minutes, and Presentations of SLAIG meetings, and other relevant documents are uploaded to the SLAIG Knowledge Hub to enable access by all members in a secure way.

## **6. CONCLUSION**

- 6.1 Notwithstanding the challenges that continue to affect our organisations, SLACIAG and its sub groups have had another successful year, as evidenced by the attendance at our virtual meetings and the range of topics discussed. Chief Internal Auditors considered matters such as data analytics, counter fraud and crime, performance, audit committees, internal audit national developments, and records management, and discussed key issues facing our assurance functions, including hybrid working, workforce planning and the skills mix of audit committees, and shared approaches being taken to address these. In line with their remits, the CASG and SLAIG virtual meetings focussed on computer audit and counter fraud matters respectively.
- 6.2 SLACIAG has continued to meet virtually with all of our meetings in 2022 (SLACIAG, Management Committee, CASG, SLAIG) using videoconferencing software. We have noted greater attendance at virtual meetings in all Groups and agreed to continue virtual meetings to be inclusive for our members in organisations that are located across the whole of Scotland, given the climate emergency declared by many of them. We will consult on the option of one per year in-person meeting of each of the Groups. The biennial Conference will be held as an in-person event on 15 and 16 June 2023 open to the wider teams to fulfil personal learning and development, as an opportunity to encourage wider collaboration and share good practice.
- 6.3 I would like to thank the Management Committee and the office bearers of our sub groups for their work in organising meetings and responding to the challenges that have arisen. I would also like to thank our speakers for giving up their time to join us at our virtual meetings and assist us in enhancing our effectiveness as internal auditors and fraud investigators.
- 6.4 My thanks are also extended to our members for their support, as evidenced not just by engaging in our virtual meetings, but also by the generous advice and assistance provided in relation to the myriad of audit, risk and governance questions which have arisen within our membership during the year.
- 6.5 I am very proud to be chairing a Group of such dedicated and hard-working public sector professionals in these challenging times.

**Jill Stacey**

**Chief Officer Audit & Risk, Scottish Borders Council**

**Chair of SLACIAG**

**16 March 2023**