

ANNUAL REPORT FROM THE CHAIR – 2015

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 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 groups key values including: Respect; Openness and Honesty; Adding Value; Professional Team working; Sharing Best Practice; Integrity; Continuous Improvement.
- 1.3 One of the Group's previous objectives to seek statutory recognition for the role of Internal Audit in Scotland has been achieved through The Local Authority Accounts (Scotland) Regulations 2014 which came into force on 10 October 2014. The regulations require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector. The standards require internal audit to have suitable operational independence from the authority.
- 1.4 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 2015.

2. SLACIAG ACTIVITY AND ACHIEVEMENTS DURING 2015

- 2.1 SLACIAG met four times during 2015:
- 20 March 2015 – hosted by East Ayrshire Council;
 - 8 and 9 June 2015 – SLACIAG Conference in Dundee;
 - 18 September 2015 – hosted by Renfrewshire Council; and
 - 27 November 2015 – hosted by Falkirk 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 membership of SLACIAG also continues to change, with new members joining and 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 2015. At that meeting the Treasurer, Kenneth Ribbons of West Lothian Council, provided an update on the Group's finances, which continue to show a healthy financial position. This allowed rates for attendance at the June 2015 Conference to be held at a level which offered very good value, enabled support for training provision, and allowed subscriptions to be held at the same rate.

- 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. Owen Smith of Audit Scotland gave his perspective on the 2014/15 National Fraud Initiative exercise. Laura Friel, Corporate Director - Finance and Corporate Support of North Ayrshire Council, spoke very enthusiastically and positively about the integration work being undertaken, both at a local and a national level.
- 2.5 SLACIAG's biennial Conference on 8 and 9 June 2015 in Dundee, which had a theme of 'Transforming Internal Audit' was very positive and productive. 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.
- 2.6 Tracy Forth, Intelligence Team Leader, National Anti-Fraud Network (NAFN) enlightened the delegates on the resources and services provided by NAFN which was followed by a workshop on how these could be utilised within our counter fraud practices to positive effect.
- 2.7 Andrea Calder, Corporate Improvement Manager, Dundee City Council, and Colin O'Kane, Senior Business Improvement Analyst, ACCA, provided their own perspectives, insights and experiences of Transformational Change in Scottish Local Government covering risks, challenges and opportunities, and the role of internal audit.
- 2.8 Brian Moore, Chief Officer Health & Social Care Partnership, Inverclyde Council, gave his Chief Officer perspective on Health and Social Care Integration and the role of Internal Audit. 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 was used as a platform for future meetings.
- 2.9 The morning of Day 2 of the Conference focussed on our own teams and individuals to consider the challenges facing Internal Audit, the management of client expectations, and how Internal Audit can demonstrate added value. Tree of Knowledge came recommended by many of our employing organisations so we asked for their involvement. Gavin Oattes brought a fresh perspective to the conference, engaging and energising the delegates with his presentation style, whilst focusing our thoughts towards how we can effectively meet the challenges ahead.
- 2.10 Probably the most significant development during 2015 was the inaugural meeting in September 2015 of the Heads of Internal Audit from NHS Boards joining SLACIAG members to share our thoughts on the implications of Health and Social Care Integration for our organisations and our internal audit services. Paul Leak of the Scottish Government joined the Group and our colleagues to get to grips with the risks, challenges and opportunities associated with Health and Social Care Integration, and we used the opportunity to talk about the evolving regulations and guidance, as well as some of the issues to be considered by Internal Audit both pre and post implementation. It was agreed that there would be an annual joint LA/NHS Heads of Internal Audit meeting in September to discuss integration matters.
- 2.11 2015 was also a pivotal year in relation to the implementation across a number of Councils of the SLACIAG peer review approach to External Quality Assessment 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. This was discussed at the November 2015 meeting. Over the course of 2016 and subsequent years this approach will continue to be rolled out to all remaining Councils willing to participate, and a timetable for this programme has been agreed.
- 2.12 Another significant development during 2015 was the Scottish Local Authority Investigators Group (SLAIG), which was formerly affiliated to IRRV, becoming the corporate fraud sub-group of SLACIAG. The synergies are apparent given the renewed corporate fraud focus in the public sector and the extent to which Internal Audit can input into prevention and detection of fraud within their organisations (particularly where there is shared responsibility across Internal Audit and Corporate Fraud teams). The mission statement of SLAIG, which consists of counter fraud practitioners from local authorities in Scotland, is to: Raise the profile of the counter fraud agenda; Share good practice; Raise awareness of the risk of fraud; and Ensure that fraud is investigated in a professional manner. SLAIG will provide a periodic update to the full meeting of SLACIAG on the work of their sub-group in accordance with SLACIAG's constitution.

- 2.13 The counter fraud theme continued at the November 2015 meeting when Fraser Paterson (National Counter Fraud Manager - Prevention) gave a very interesting presentation on the role of the NHS Counter Fraud Service, strategy including the 4D principles (deter, disable, detect, deal with), and the outcomes of some recent cases.
- 2.14 The Group continued to strive to source and provide value for money training and development for its members. The June 2015 Conference was an interactive event with participation in workshop sessions aimed at exploring various topics in more detail and it also provided an opportunity to identify specific training and development needs or themes. The Training Sub-Group arranged training events on Counter Bribery and Corruption and on Social Media provided by CIPFA in November 2015. Both events were very well attended, offered excellent value, and attracted positive feedback from delegates. Further opportunities for training and development will continue to be explored for members of SLACIAG and its computer audit and counter fraud Sub-Groups.

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: Contract for outsourced IT services; Key Cyber Security Risks; Social Media; Audit of cloud computing; ICT resilience; Information Governance; Systems Security; The Digital Agenda; Public Sector Network compliance.

4. SUMMARY

- 4.1 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.
- 4.2 Specific challenges ahead for members and for the Group will include: implementing the full programme of peer review External Quality Assessments; the provision of a statutory internal audit service in conformance with the mandatory requirements of the PSIAS; and responding 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 Conference which 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 two years as Chair, and wish the Group every success for the future.



Jill Stacey (Chief Officer Audit and Risk, Scottish Borders Council)
Chair of SLACIAG
17 March 2016