

FALKIRK COUNCIL

Subject: SCOTTISH LOCAL AUTHORITIES CHIEF INTERNAL AUDITORS' GROUP – ANNUAL REPORT 2011/12
Meeting: AUDIT COMMITTEE
Date: 29 October 2012
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

1.1 The purpose of this paper is to update Members on the work of the Scottish Local Authorities Chief Internal Auditors' Group (SLACIAG).

2. SLACIAG ANNUAL REPORT 2011/12

2.1 The SLACIAG Group is made up of the Heads of Internal Audit from each Scottish Local Authority, and has the broad aim of championing Internal Audit best practice by drawing on the experience and expertise of its members.

2.2 Each year, the Group prepares an Annual Report highlighting achievements and ongoing workstreams and I attach, at **Appendix 1**, the report for 2011/12. As set out in the report, 2011/12 was a year of change and significant development for SLACIAG, with the development of the 'Leadership, Quality, and Performance' agenda and the establishment of closer working relationships with CIPFA and the Chartered Institute of Internal Auditors (CIIA).

2.3 This theme of change is likely to continue, with new Public Sector Internal Audit Standards (developed jointly by CIPFA and the CIIA) being implemented in April 2013. There will be a need to ensure that, as a Group, there is a preparedness to embrace and comply with those new Standards.

2.4 Falkirk Council have a significant role in the work and success of the Group, with the Internal Audit Manager acting as Secretary of SLACIAG, and a Senior Internal Auditor fulfilling the same role for the Computer Audit Sub-Group (which has the aim of furthering the practice of technical Information Systems auditing across member Authorities).

2.5 Looking towards 2013, the Group intends organising and holding a summer conference open to all Internal Auditors employed in Scottish Local Government. The potential for a subsequent event, specifically for Audit Committee Members, is also under discussion.

2.6 In summary, the SLACIAG Group allows members to draw on mutual support, and to identify effective joint working opportunities. This is of particular benefit at a time when training and development budgets are stretched and the need to continue to add value is critical.

3. RECOMMENDATIONS

3.1 Members are invited to note:

3.1.1 the report summarising the work of SLACIAG; and

3.1.2 the SLACIAG Annual Report 2011/12.

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Internal Audit Manager

Date: 12 October 2012



ANNUAL REPORT FROM THE CHAIR – 2011/2012

1. INTRODUCTION

- 1.1 SLACIAG comprises the Heads of Internal Audit from each Scottish Local Authority, Strathclyde Police, and Strathclyde Partnership for Transport.
- 1.2 The overarching vision of the Group 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 we have four key objectives, namely:
- 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 work during 2011/12 and to provide a position statement in relation to each of our four key objectives.

2. ACTIVITY

- 2.1 As with previous years, SLACIAG held a series of formal meetings during 2011/12.
- 2.2 A summary of the outcomes from the first of these, our 2011 Annual Conference, was included in last year's Annual Report. To recap, however, the Conference theme was 'Leadership, Quality, and Performance (LQP)' and was the starting point for the broader SLACIAG LQP improvement programme. Key outputs from the Conference were the agreement of the Vision and Objectives set out above, and the development of an Action Plan to help ensure their practical implementation. Section 3 below provides details of our progress to date against each objective.
- 2.3 The Group also met in September 2011 and March 2012, with both meetings well attended¹. As well as allowing members to discuss Action Plan progress and other relevant Internal Audit developments and issues, external speakers delivered presentations on topics such as:
- the role of the Audit Committee;
 - collaboration between CIPFA and the CIIA;
 - social networking and other emerging IT risks and opportunities; and
 - the Scottish Government's approach to risk management and counter fraud.
- 2.4 The Group is supported by a Management Committee, and an Annual General Meeting will be held in August 2012 to confirm Committee Membership and the roles of the various Office Bearers.
- 2.5 The success of the Group depends on the commitment of its members. This has always been a strength of SLACIAG, and it has been pleasing to see this continue during 2011/12 as the membership of the Group changes and evolves. It is testament to members' perception of the value of the Group that attendance and involvement has remained strong at a time when greater demands are being placed on us all, individually and collectively.

¹ The meeting scheduled for December 2011 was cancelled at short notice due to bad weather.

3. OBJECTIVES – POSITION STATEMENT

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

- 3.1 Much work has been undertaken on this objective.
- 3.2 SLACIAG has built positive relationships with both the CIIA and CIPFA, and is in the process of making arrangements to become a formal Special Interest Group of the latter. This will bring many benefits, not least the opportunity for us to review and update the Group's existing constitution and to tap into the resources and technical expertise of CIPFA Scotland. From CIPFA Scotland's perspective the link-up allows them to draw on SLACIAG's combined experience and know-how, and this has already realised benefit through CIPFA Scotland and SLACIAG's joint response to the Scottish Government's consultation on Police and Fire Service reform.
- 3.3 As well as the developing relationship with CIPFA Scotland, SLACIAG is now represented on the CIIA Scotland management committee, and productive discussions with other stakeholders, such as Audit Scotland and the Association of Local Authority Risk Managers (ALARM) Scotland, suggest that there is further scope for mutually beneficial partnership and joint working.
- 3.4 As Chair of SLACIAG I was delighted to be appointed as a Practitioner Member to the Internal Audit Standards Advisory Board (IASAB), the group established by CIPFA and the CIIA to develop pan-public sector Internal Audit Standards. IASAB has recently issued a set of draft Standards for consultation, and SLACIAG will seek to provide a comprehensive and considered response to that consultation, cementing our position as an important group in the shaping of Internal Audit policy and practices.
- 3.5 As well as building our profile with external stakeholders, we have sought to build on existing channels of involvement and communication for our own members. We have updated and refreshed our website, and have used social media such as LinkedIn to facilitate discussion and debate. SLACIAG continues to use short life working groups to deliver individual projects, and by opening up these working groups to non-HIAs we have benefitted from new ideas and fresh thinking.
- 3.6 Our work on Leadership, Quality, and Performance was featured in the leading national Internal Auditing journal, and it is our aim to further raise our profile in this way by encouraging our members to write on topics of interest and relevance.

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

- 3.7 As a natural progression from the relationships we are building with our key stakeholders, it is our aim to identify and develop work programmes to benefit all of our constituent Authorities.
- 3.8 This objective will be more fully developed over the coming year, but already short life working groups have started to develop:
- a common suite of Internal Audit performance indicators; and
 - a Training Needs Analysis based on CIPFA's 'Excellent Internal Auditor' good practice guide.
- 3.9 Looking forward, the implications of putting the IASAB standards into practice undoubtedly offers the opportunity for further joint working between Internal Audit teams, not least through the new requirement for five yearly external assessments of Authorities' compliance with the Standards.

To consider the development and training needs of our people

- 3.10 The development of the Training Needs Analysis referred to above will be key to identifying common future training needs.

- 3.11 SLACIAG has, however, always been proactive in identifying and sourcing relevant and good value training for its members. During 2011/12, for example, external trainers were commissioned to deliver sessions on topical subjects such as Assurance Mapping and the Balanced Scorecard. Both of these areas feed directly into other SLACIAG workstreams, and feedback on course content, delivery, and value was very positive.
- 3.12 As well as continuing with our programme of scheduled meetings, it is SLACIAG's intention to organise and deliver a formal conference during 2013 that will be open to SLACIAG members and the senior members of our Internal Audit teams. This will provide another opportunity to attract high profile and respected experts in the Internal Audit field to the benefit of our members.

To seek statutory recognition for the role of Internal Audit in Scotland

- 3.13 When developing the Action Plan it was acknowledged that this would be a longer term objective, and it remains so. That said, the various links and collaborations detailed above should be seen as a first step in pursuing this objective, and we will continue to canvass for statutory recognition as and when the opportunity arises.

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 issues. This includes raising awareness of new standards, updates to legislation, and new and current topics of interest.

- 4.2 During 2011/12 CASG met three times, in Dundee, Irvine, and Glasgow. Meetings have included presentations and discussions on a range of topics. The purpose of these presentations is to keep the group updated and informed on computer audit developments, resources, and techniques. In the past year these have included:

- security and cloud computing;
- data classification;
- auditing in a virtual world;
- primary tasks for an Information Security Officer;
- data security at third party suppliers;
- continuous auditing;
- expectations from LA computer audits;
- Payment Card Industry Data Security Standard.

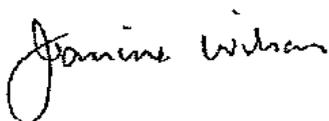
- 4.3 CASG meetings continue to be well attended and cater for computer audit knowledge from novice through to professional level.

5. SUMMARY

- 5.1 The year 2011/12 was one of change for SLACIAG, and I'm pleased that an encouraging start has been made to achieving the challenging objectives we set ourselves. Progress in areas such as building relationships with our stakeholders and in recognising and addressing the training and development needs of our members has been particularly pleasing. It is important, however, that momentum is not lost, and that will be my priority, as Chair, over the coming year.

- 5.2 I hope that the value of the Group, to its members and stakeholders, is evident, and that you will see the Group grow and develop further during 2012/13.

- 5.3 Finally, I think it's important for me to sign off by formally recognising and acknowledging the contributions and commitment of my fellow committee and Group members.



Janine Wilson (Chief Internal Auditor, Angus Council)
Chair of SLACIAG
01 August 2012