

Directorate for Internal Audit and Assurance

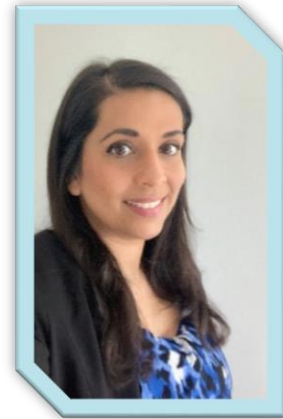
Annual Performance Report 2023-24

Contents

Introduction from Jennifer Inglis-Jones, Director of Internal Audit and Assurance	2
Who we are and what we do	5
Vision	5
Clients	5
Principles	6
What we offer	6
Portfolio, Programme and Project Assurance Hub	6
Digital Assurance Office	6
Internal Audit	6
Counter Fraud	7
Data Protection Officer	7
What we delivered and how we performed	8
Client Satisfaction	8
How we did it – new approaches	8
Integrated reporting	9
Recognising maturity	9
Sharing lessons learned	9
Raising awareness	9
Assurance amplified	10
ePC review	10
Benefits of independence	11
Integrated assurance - Social Security	12
Improving our Audit approach	13
Our professions	14

Introduction from Jennifer Inglis-Jones, Director of Internal Audit and Assurance

Our Mission is to give the right independent assurance and advice to support our partners to continuously improve the delivery of services in Scotland. We provide support to the Scottish Government and a wide range of public bodies and report directly to the Scottish Government's Permanent Secretary and Audit and Assurance Committee.



This year saw increased, proactive requests for targeted internal audit and assurance support from the most senior levels within the Scottish Government and public bodies. Alongside this, the Directorate has operated against a backdrop of significant financial pressure and resource challenges. Successfully delivering for our clients in this climate has required us to continue to develop our ways of working to be integrated, flexible and agile.

We have made significant progress against the priority areas we set out last year: developing our communications and materials, greater standardisation of tools and processes, and collating and disseminating lessons learnt. To enhance our impact we have streamlined our Scottish Government reporting, focusing on key themes and drawing together our insights from across the Directorate.

Within our Digital Assurance Office we have developed an approach to publishing and promoting our insights from assurance as well as preparing case studies in partnership with other organisations, which has been well received. Our Counter Fraud Service delivered awareness sessions at the In the Service of Scotland Event in 2023 and wider engagement as part of International Fraud Awareness Week.

We have continued to integrate our assurance offering and optimise our audit plan delivery through the development of our resourcing matrix, which you can read more about in this report. Within Internal Audit, in line with Public Sector Internal Audit Standards, we have delivered a Quality Improvement Plan, which in 2023-24 focused on the roll out of the resourcing matrix, delivery of year one of our Data Analytics Strategy and undertaking our standard programme of quality assurance checks and assessments of service quality.

Collaboration and working with partners has been central to successful delivery. From the Portfolio, Programme and Project Assurance Team as members of the newly established Project Council working with colleagues in the Programme and Project Management Centre of Expertise to improve reporting on major projects, to the targeted advice provided by the Data Protection Officer (DPO) across the Scottish Government and public body landscape.

We have a range of professions represented in our skilled staff, which you can read more about on page 14. We are committed to nurturing our staff and continue to build our capability. We invested in professional training over the year and have supported a number of staff to achieve their professional qualifications. We have taken strides to embed cross-Directorate working as the norm, creating Assurance Officer roles that allow our people to gain experience working across our functions. In the course of the year we spent two in-person strategy days together as a Directorate, and implemented a programme of all Directorate sessions connecting our work with wider Scottish Government initiatives and covering specific areas of interest including accessibility and security.

I was pleased to see positive responses to the 2023 People Survey, with our staff reporting higher than the Civil Service Benchmark across a number of areas. However, we are not complacent and we will build on what we do well, and improve in targeted areas which we have agreed are priorities for us in 2024-25.

As we look ahead to 2024-25, we will be refreshing our strategy to 2027. To achieve our vision we will have a laser focus on people, professions, innovation and quality. Our delivery plan in 2024-25 will focus on targeted priorities at team and Directorate-level, including: working towards readiness for the implementation of the new Global Internal Audit Standards which come into effect in January 2025; ensuring we have a sustainable funding model and secure funding for a cross Directorate system to allow us to develop our insights reporting, data analytics and automation; moving forward with a refreshed Target Operating Model for Counter Fraud; considering the impact of legislative changes for the role of the DPO; and commencing a refresh of our approach to independent project assurance.

Despite a challenging delivery landscape in 2023-24, thanks to the commitment of our people we have delivered well for our clients, in the service of Scotland. I am grateful to each person in the Directorate for continuing to deliver to a high standard – providing value-add independent assurance services with impact.

“I am very grateful to DIAA for the independent assurance and advice they have provided to me over the course of 2023-24. The DIAA provide supportive challenge and professional advice. This is crucial, now more than ever, to help us deliver for the people of Scotland. The range of independent assurance professionals in DIAA and their service offer has supported improvements in the governance, control and delivery of a number of key priorities in the DG Corporate family. I am particularly grateful for the integrated assurance approach the DIAA is developing to ensure that key government priorities are subject to the right assurance at the right time. DIAA will continue to play a pivotal role in supporting the Scottish Government and wider public bodies to build strong foundations and deliver well”-Lesley Fraser, DG Corporate

Who we are and what we do

Our mission: “We give the right assurance and advice to support our partners to continuously improve the delivery of services in Scotland.”

The Directorate for Internal Audit and Assurance sits within the Director General Scottish Exchequer portfolio. We are independent from the other functions of the DG and report directly to:

- the Permanent Secretary
- the Chair and Members of the Scottish Government Audit and Assurance Committee (SGAAC)
- the Audit and Risk Committees of those organisations for which we provide an Internal Audit Service
- Accountable Officers of public bodies to which we provide a service

Our independent audit and assurance functions provide insights and advice to support organisations deliver effectively, maximising their contributions to the delivery of National Outcomes.

Vision

Our vision is to work in an integrated way, providing assurance and advice at the right time, whilst continuously striving to improve our services and give the best value, driven by the common purpose of delivering the National Outcomes in the service of Scotland.

Clients

Each of our teams has a different remit and group of service clients, as represented in this diagram.

In line with our vision we strive to provide our services in an integrated way where possible.



Principles

Our independent services are delivered in line with the following principles:

 <p>1</p> <p>We are a 'critical friend' open, honest and transparent. Supportive to our clients and willing to challenge</p>	 <p>2</p> <p>We give reasoned advice that adds value and supports successful delivery</p>	 <p>3</p> <p>We work collaboratively to plan assurance so that it is delivered at the right time, proportionate and risk based</p>	 <p>4</p> <p>We're accountable, efficient and effective in our performance and approach</p>	 <p>5</p> <p>We're competent, professional, inclusive, skilled and knowledgeable</p>
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What we offer

Portfolio, Programme and Project Assurance Hub

Services: We arrange and manage Independent Assurance Reviews for investments assessed by the Senior Responsible Owner as high-risk.

Clients: Scottish public bodies covered by the Scottish Public Finance Manual.

Contact: PPPAssurance@gov.scot

Digital Assurance Office

Services: We manage the Technology Assurance Framework (TAF) which is mandated for digitally enabled projects. Our engagement managers provide advice to Senior Responsible Owners and project teams to support successful delivery outcomes. We provide independent assurance of major digital projects throughout the project lifecycle and assess new or transformed digital services for compliance with the Digital Scotland Service Standard.

Clients: Scottish Government and other [Central Government public bodies \(excluding health bodies\)](#).

Contact: DigitalAssurance@gov.scot

Internal Audit

Services: We agree risk-based internal audit plans, designed to add value and improve clients' operations. We support clients to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. We lead the internal audit profession in the Scottish Government connecting across the UK to promote and support improvements in professional practice

Clients: Scottish Government, Executive Agencies and Non-Ministerial Offices.

Contact: DIAABusinessSupportHub@gov.scot

Counter Fraud

Services: We help teams to conduct strategic fraud risk analysis, fraud risk assessments and developing counter fraud policy and practice. We work with key partners to provide expertise and independent assurance on the strategic and operational management of fraud risk, and response to fraud. We also lead, promote and support the Counter Fraud profession within Scottish Government.

Clients: Scottish Government, and other Central Government bodies.

Contact: counterfraudmailbox@gov.scot

Data Protection Officer

Services: Working closely with the Information Assets and Data Protection branch, the Data Protection Officer (DPO) provides staff across government with advice and assurance in how they handle and protect data. Including reviewing Data Protection Impact Assessments (DPIA) and Data Protection Risk Assessments and responding to incidents and breaches. The DPO is also the point of contact for members of the public with data concerns and the [Information Commissioner's Office](#).

Clients: Scottish Government and Executive Agencies (excluding Accountant in Bankruptcy)

Contact: DataProtectionOfficer@gov.scot

What we delivered and how we performed



Client Satisfaction

We gather client feedback in a range of ways, the Director of DIAA conducts Assessment of Service Quality reviews with a rolling programme of 15 public body clients. This year seven were conducted in person along with a Non Executive Director and the other eight clients were issued a survey. Overall the response was 94% very satisfied or satisfied. Our Internal Audit function was rated the highest for 'Quality of Support' in the Cabinet Office's 2023 Functions Quality Survey. DAO, Counter Fraud Service and Internal Audit teams also issue post activity surveys where appropriate.

Our planning is key to delivering for our clients on time. We flex our audit and assurance activity plans throughout the year, to accommodate emerging priorities and tight resources for clients. We also support with ad hoc advisory and support requests across DIAA.



Figure 1-The above figures relate to: DAO major digital project SRO feedback forms (12 responses), CFS post work surveys (10 responses) and post Audit surveys (47 responses).

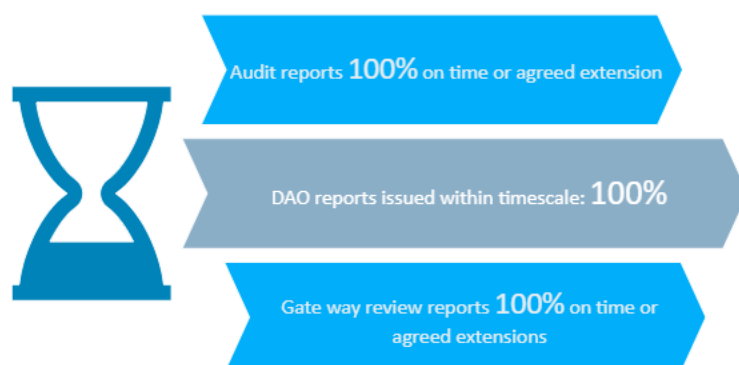


Figure 2-The Audit and Gateway timeliness figures comes from internal tracking records, the DAO figure comes from 12 responses to major digital project review SRO feedback forms.

How we did it – new approaches

Integrated reporting

The 2022-23 annual report signalled our intention to improve our reporting and we used this year as an opportunity to test thematic reporting of the outcomes from our assurance activity. We have streamlined our reporting providing shorter, sharper updates to generate discussion and highlight key issues.

Thematic reporting allows us to paint a fuller picture for senior leaders, raise areas of common challenges and highlight good practice. Taking this approach drove greater collaboration across our teams and is a way of working we will continue to build upon.

Recognising maturity

In recognition of the maturity of the Social Security Programme and its high achievement in compliance with the Digital Scotland Service Standard, our Digital Assurance Office have been offering more earned autonomy to the Programme. This has included design of a peer review approach to support the user centred design elements of the Programme's work without requiring a full assessment of the Standard to be carried out.

Sharing lessons learned Raising awareness

The Portfolio, Programme and Project Assurance Team and the Digital Assurance Office analysed the outcomes and recommendations from Gateway reviews, major digital project reviews and Digital Standard assessments to draw out insights around common challenges. These insights have been shared within the Scottish Government to inform the guidance and training provided on programme and project management and digital service delivery. These insights have been shared to wider stakeholders through our regular engagement and DIAA bulletin.

Directly supporting those delivering projects, the Digital Assurance Office produced three sets of insights, sharing them with those delivering digital projects through the [Digital gov.scot blog](#). [Eight case studies](#) in collaboration with National Records of Scotland on the delivery of the Census 2022 were published early in 2024, with more case studies underway.

Raising awareness

The Counter Fraud Service continued to lay strong foundations by introducing counter fraud principles, aligning best practice and supporting on fraud risk assessments. They increased engagement with senior leaders, finance and risk colleagues.

Wider engagement work included a Fraud Awareness week campaign highlighting the variety across the Counter Fraud profession, as well as an In the Service of Scotland session educating participants about public sector fraud.



Assurance amplified

To demonstrate the added value of integrated assurance we have chosen four examples of our work to spotlight and included testimonials from clients.

ePC review

Internal Audit was commissioned by the Permanent Secretary to conduct a targeted review of ePC (Electronic Purchasing Card) transactions. There was significant media attention on the use of ePC cards and a requirement for an independent, high quality review to be delivered at pace.

We responded by pivoting and standing up a rapid response team. By trialling a rapid response team approach we were able to provide consistent clarity on progress, forward actions, and support the client in a high profile and fast moving scenario.

We worked closely with the ePC Team, provided progress updates at regular check-ins led by the Permanent Secretary and worked closely with comms colleagues when finalising our contributions to an overarching management report which was published alongside a Ministerial statement.

At all times we worked with independence, integrity and objectivity. Our review provided assurance to the Permanent Secretary and provided a number of recommendations for improving the controls relating to ePC expenditure moving forward.

These independent insights and associated recommendations, alongside the ePC Team's openness to improvement and new ways of working has led to a number of improvements to how ePC cards are used and ultimately how public monies are spent. Including:

- Changed spending limits, controls, and user numbers.
- More engagement with the ePC provider to get more data for quality assurance.
- Awareness sessions for staff on their responsibilities.
- Increased transparency to the general public, with the updated ePC policy and more detailed transactions being published.

"This was an Audit like no other!! The team were excellent to work with in what was a stressful, high profile and fast moving situation."
-ePC Team lead

Benefits of independence

A key benefit of our services is providing a trusted advisor role for programmes as well as independent advice and support for any colleagues raising concerns. The Scottish Government is running a large change programme to upgrade its HR, finance and purchasing systems. The DPO has played a vital role in testing the robustness of the new system and the information governance practices. By providing consistent and constructive challenge, we have ensured that data protection has been built into activity.

By bringing to life the purpose of Data Protection Impact Assessments (DPIA) and the roles of Information Asset Owners, the DPO was able to demonstrate risks in the programme approach and steps to mitigate them. By using his knowledge of similar programmes the DPO was able to flag issues, improve programme practices and ensure data was handled in line with the DPIA.

The DPO was essential in achieving balance between the programme's focus on delivering the technology and thoughtful and secure data practice. Since the DPO's intervention, data protection has been built into delivery plans with proactive engagement from information asset owners and a forward schedule of DPIAs.

The independence of the DPO gave SG staff a safe space to identify issues around the handling of personal data, empowering staff to speak up about risk. Independence also gives the DPO the authority to pause activity and drive change. Providing proportionate, reasonable and supportive challenge has safeguarded personal staff data and ensured the programme has embedded data protection into the future of the systems.

“The team were great to work with from start to finish. They were on hand to support us throughout the process of completing the counter fraud assessments...we actually had a couple of live incidents where counter-fraud advice was required and through the relationships developed the CF team were able to provide advice and guidance which was incredibly helpful.” Counter Fraud Risk Assessment

Integrated assurance - Social Security

Taking an integrated assurance approach allows us to tailor how we support each individual client. This approach is seen strongly in the services we provide to Social Security Scotland and the Social Security Programme. Together they are delivering an ambitious programme of work, radically reforming the devolved benefits system and managing the Scottish social security system effectively.

Social Security Scotland and the Social Security Programme are delivering a wide range of projects, digital services and auditable areas of work simultaneously. We ensure our teams have internal regular engagement to build a fuller picture of activity, share observations on good practice and improvement areas and ensure the most appropriate assurance route is followed.

Our teams also meet quarterly with Social Security Scotland and the Social Security Programme in an Integrated Assurance Forum which takes a holistic view of assurance and considers whether there are any assurance gaps or opportunities to carry out assurance activities. The Forum considers the overall landscape in addition to the day to day assurance engagement that the Programme and Agency have with individual DIAA teams.

This close working enables us to design a responsive audit and assurance approach with the aim of providing the right type of assurance at the right time. This includes providing more earned autonomy to the Programme in recognition of its maturity and strong assurance record.

The success of this approach has improved how we plan our assurance approach to other clients, which we have embedded in our work with the Shared Services Programme and Transport Scotland.

'The assurance process was hugely beneficial in terms of identifying what the issues are, what we need to do and then supporting us to drive those changes through'

- Service team, Digital Standard assessment

'Well informed reviewers who listened and probed appropriately. Practical recommendations that can be progressed. I had a strong feeling that the review team objective was to help and assist us in successful delivery rather than look for flaws'

- Senior Responsible Owner, major digital project review

Improving our Audit approach

This year saw us introduce a number of improvements to our audit approach as part of our Quality Improvement Programme. To ensure we are targeting our expertise as effectively as possible, we developed a resourcing matrix. This was critical to ensuring delivery in light of the challenges we faced in 2023-24. We also delivered the first year of our Data Analytics Strategy – a key priority to ensure we are set up for success in the future.

The aim of the resourcing matrix is to establish an effective mechanism to manage our Internal Audit resources, and provide a clear, consistent and approved account of our team structure, resource mix, and prospective work. This tool was implemented at rapid pace to allow us to give a clear and evidenced picture of what can be achieved with the resource available. This allows us to maximise the impact of our limited resource.

The matrix approach we have taken embeds cross-team working as the norm, which allows our staff of all levels to increase their experience and knowledge across the client base. This has benefited our clients too – through development of greater cross-organisation insights and opportunities to share good practice. We have developed the tool with the input of the whole team – seeking regular feedback and keeping this new way of working under review. It will be part of our continuous improvement approach.

Our data analytics strategy looks to enhance our performance and improve the quality of our findings. Data analysis helps us to apply better testing and targeting during fieldwork. This allows us to better support clients who are already under pressure at the time of their reviews and live the values of in the service of Scotland, particularly collaboration and kindness.

We have also continued to work with our co-source partner, EY, through buddying and mentoring, targeted workshops and seeking ad-hoc advice to apply private sector principles and approaches to our ways of working wherever possible.



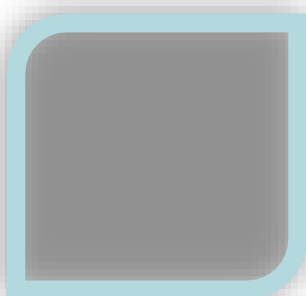
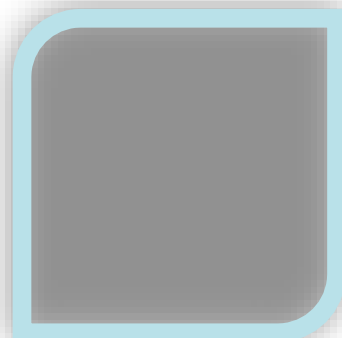
Our professions

We value the development of our staff, and have a range of professions represented across our directorate. Our staff are continuously learning and striving to improve, our skills and advice are sought after and time spent in the DIAA has led staff to promotion and success elsewhere in government and the wider public sector.

Our Director Jennifer Inglis-Jones is Head of the Internal Audit profession. She is responsible for providing the Annual Assurance Opinion and maintaining the standard of service provided.

Jennifer keeps close links with our external professional standard setters, Audit Scotland, the Chartered Institute for Public Finance and Accountancy (CIPFA), who maintain the 'Public Sector Internal Audit Standards' (PSIAS), and the Chartered Institute of Internal Auditors (Chartered IIA).

[Redacted] the Scottish Government Head of Profession for Counter Fraud. [Redacted] chairs the Government Counter Fraud Profession Network-with leads from across Scottish Government, Social Security Scotland, SAAS, HMRC, NHS and Local Authorities. [Redacted] is working with the UK Government and Public Sector Fraud Authority to establish membership for SG Counter Fraud Professionals. [Redacted] works closely with the Governance and Risk team to develop guidance and tools.



The Head of DAO [Redacted], our engagement managers and Digital Standard Assessors are all members of the Digital, Data and Technology (DDaT) profession. This provides us with a career framework and access to learning and development opportunities. This helps us to actively manage our learning and maintain and develop our knowledge on the range of digital disciplines which we encounter through our assurance work.

Our Portfolio, Programme and Project Assurance Team are members of the Project Delivery Profession. They are active members of the profession, working closely with the PPM Centre of Expertise to support the newly established Project Council and raise awareness of key tools like the Scottish Government's Principles for Programme and Project management.