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# Directorate for Internal Audit and Assurance

## Internal Audit Strategy

2022-23

Directorate for Internal Audit and Assurance

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## 1. Introduction

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- 1.1.** The Scottish Government (SG) continues to face significant changes in outlook and delivery requirements, as do many of Internal Audit's (IA) clients. In 2021-22, IA carried out a number of strategic reviews to provide assurance over governance and risk controls in the SG Covid-19 response. It also carried out targeted advisory work relating to processes and/or controls which had been developed at pace, or had been revised to accommodate the organisational response to Covid-19.
- 1.2.** IA continues to develop capability and raise its profile to be more prominent and be adequately resourced to respond confidently to on-going challenges. IA is one of the cornerstones of good corporate governance and the SG needs to ensure that IA remains fit for purpose and provides a valued and respected service to the organisation and a wider community of public bodies in Scotland. This strategy sets out the approach that IA intends to adopt to meet these challenges.

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## 2. The Internal Audit Vision

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**2.1.** In line with the wider SG, IA faces an increase in its responsibilities, and a shift in the way it discharges those responsibilities. As the SG progresses beyond the pandemic, IA's assurance offerings will focus on supporting work that is longer term, following the reactive work that has had to be taken forward in response to the pandemic. Through recent external and internal reviews of the function, IA has identified where clients have perceived added value, and where current ways of working have been a constraint. This has enabled IA to identify what to keep and what to leave behind.

**2.2.** To meet the challenges IA needs to be:

**2.3.** Open

- Accessible, trusted and an engaged and credible partner.
- Clear about its role and its expectation of others.

**2.4.** Capable

- A sector leading, independent assurance and advisory service that is trusted and valued by clients, partners and staff.
- Accountable, efficient and effective in its performance and approach.
- Competent, professional, inclusive, skilled and knowledgeable: proud of its role as internal auditors, an exemplar of fair work and an employer of choice.
- Well-led with consistently good management of people and change

## 2.5. Responsive

- Ambitious and confident that it can improve outcome for clients and stakeholders.
- Focussed on priorities, flexible and effective in how it matches resources and capabilities.
- Employing processes that are enabling and dynamic that make what IA does simple and better connected.

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## 3. Purpose and Mandate

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**3.1.** IA, in line with the Public Sector Internal Audit Standards (PSIAS), provides independent, objective assurance and is designed to add value and improve its clients' efficiency and effectiveness. It helps them accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**3.2.** Whilst IA delivery of compliance and assurance reviews is valued, stakeholders are looking for IA to help drive improvement in performance. IA needs to be engaging at the right level and delivering stakeholder needs. It needs to be providing value added assurance with business and commercial insights to drive improvements in performance and to continue to develop innovative and efficient methods for sharing messages and areas for improvement and good practice across the SG and wider public sector.

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## 4. People

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- 4.1.** In order to deliver this strategy, IA recognises the need to be sufficiently resourced, with staff possessing appropriate knowledge, skills and competencies. This includes the current ring fencing of the European Social and Investment Funds team, and the Co-sourcing Partnership with EY. This is supported by the wider Directorate which incorporates the Digital Assurance Office (DAO), the Portfolio, Programme and Project Assurance (PPPA) team, the Data Protection Officer (DPO) and the Head of Counter Fraud Profession (HoCFP). IA continues to assess the current skills available to ensure that it has sufficient experience to meet client needs now and in the future and that it responds appropriately.
- 4.2.** IA maintains a Resourcing Strategy and Succession Plan, which is reviewed and updated on a three-yearly basis. The Plan, which is currently being updated, sets out an assessment of the anticipated IA client base in the short to medium term; the assumptions that can be made with regards to resource requirement; the areas of uncertainty; the skill sets required and the proposed approach to securing the necessary resources. As part of the development of the 2022-23 IA plans for the SG and public body clients, the capability and capacity of IA to deliver those plans has been taken into account.
- 4.3.** The forward look at IA requirements over the next three years has shown that there is a level of uncertainty as to the provision required, primarily as a result of potential constitutional change. The Co-source Partnership with EY provides a route to address any short term capacity issues or specialist expertise required.
- 4.4.** The current position for 2022-23 is as follows;
- IA's client base will increase in 2022-23, as a result of the agreement to take on the provision of the Internal Audit service to the Scottish Prison Service and the newly created Environmental Standards Scotland and Consumer Scotland, giving a total of 24 public bodies alongside work on EU funding and the core SG Plan.
  - IA currently has a number of vacancies and is undertaking an external recruitment campaign for a range of roles. The EY Co-source Partnership is enabling these vacancies to be covered in the short-term whilst recruitment is undertaken.

- IA completed the procurement of the Co-source Partnership in August 2019 with a three year contract that is extendable for two further one year periods. IA has confirmed to EY that they wish to exercise the first of these two extensions, from September 2022 through to August 2023.

**4.5.** IA has created a combined Learning and Development Strategy and Plan. The Strategy and Plan are underpinned by a Continuing Professional Development (CPD) Programme that is reviewed and updated regularly. The majority of IA staff are expected to hold an appropriate professional qualification, or be working towards one, as reflected in Divisional objectives. IA will review progress made by the cohort of professional trainees and consider options to support more through to full qualification. IA will also reflect on implications for future recruitment policies.

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## 5. Audit Approach

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**5.1.** IA has developed an audit manual, setting out clear roles and responsibilities for team members. It includes detailed procedures and quality assurance processes that promote conformance with the PSIAS. Supplementary guidance was created in 2020-21 to allow a more agile approach during the pandemic organisational disruption. Elements of this approach are being assessed for longer term adoption and will be incorporated into the full manual as required during 2022-23. In addition to consistent application of the audit manual, IA will enhance quality and value through the following activities:

- a Quality Improvement Programme (QIP) updated annually that supports continuous improvement of the service in line with the International Professional Practices Framework;
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- best practice use of an audit management system (Galileo) through a process of annual review and adherence to a bespoke Galileo user manual;
- driving the data analytics strategy to improve efficiency and effectiveness of the tools available; and
- utilising the EY Co-source Partnership to provide access to additional capacity and specialist skills along with support to drive forward the development of IA.

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## 6. Integrated Assurance

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- 6.1.** As noted in paragraph 4.1, the formation of the Directorate for Internal Audit and Assurance (DIAA) now allows for a more integrated approach to assurance within the SG. In order to safeguard its independence, the work of IA remains segregated from the wider Directorate with resources, budget and operational control being ring fenced.
- 6.2.** The ambition is that the continued integration of IA, DAO, PPPA, DPO and HoCFP will provide stronger, more integrated assurance, where the teams can place reliance on the others work, enabling wider assurance to be provided across the SG. This will include the further development of combined integrated assurance reporting to the Scottish Government Audit and Assurance Committee (SGAAC) and DG Assurance meetings; inputs to the SG corporate risk registers risk landscape assessment; development of communications across our clients' bases; and the identification of further steps to develop a more integrated approach. This is reflected in the development of the DIAA Integrated Assurance Plan for 2022-23.

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## 7. Wider Stakeholder Engagement

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- 7.1.** In order to ensure that IA is keeping abreast of wider strategic and operational risks and emerging best practice in the profession, it will be important that it develops and maintains an outward facing focus as well as an internal one. To do that IA will:
- actively participate in the UK Government Internal Audit Leadership Group, working to continuously improve the delivery of IA services across central government departments;
  - pro-actively fulfil its role as the Responsible Internal Audit Standard Setter for the public sector in Scotland by engaging with the profession more widely, positioning it as the lead IA team in the public sector in Scotland; and

- ensure that its senior team networks regularly with other Heads of Internal Audit across both the public and private sector, through for example, conferences, Institute events, breakfast seminars and one to one contacts.

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## 8. Quality Assurance

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8.1. In order to assess progress against this strategy and to ensure the continuous drive for quality improvement, IA will:

- undertake an Internal Quality Assessment in 2022-23;
- continue to build on the process for reviewing and implementing the lessons learned feedback from audits which is part of the audit manual;
- build on the feedback received from the post-audit client satisfaction questionnaires and the annual satisfaction surveys;
- continue the Assessment of Service Quality approach with all clients ; and
- continue to build on the improved management information reporting to support the monitoring and reporting of Key Performance Indicators.

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## 9. Revisions to the Internal Audit Strategy

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9.1. This strategy will be reviewed, updated and presented to SGAAC annually.

Sharon Fairweather

Director of Internal Audit and Assurance

March 2022