Directorate for Internal Audit & Assurance

Annual Report 2022-23

23 May 2023

Directorate Overview

Integrated Assurance				
Internal Audit	Digital Assurance Office	Portfolio, Programme and Project Assurance	Data Protection Officer	Counter Fraud Service

Key challenges

- **Resourcing,** in particular recruiting and retaining DDaT and Internal Audit qualified staff from very competitive markets.

- **Resource pressures,** making it more difficult to contribute to wider corporate initiatives.

- **Increasing demands** for services across all divisions, as the number of programmes and projects increase, with no commensurate increase in assurance capacity.

- **Increasing awareness and expectations** from Ministers, Senior Management and the public – particularly in areas such as counter fraud - which cannot be met.

Forward look

- A **key focus** in 2023-24 will be to **develop communications and materials** that enable clients to better understand the services we provide and how to engage with the **integrated assurance offering**.

- A move towards **greater standardisation of tools and processes** between the assurance divisions will improve reporting.

- **More work** is needed on **collating and disseminating lessons learnt** and best practice. **Resource constraints** will limit our capacity to take this forward.

Division	F.T.E*
Director / Deputy-Director	2.0
Business Support Hub	4.0
Data Protection Officer	1.0
Portfolio, Programme and Project Assurance	2.0
Digital Assurance Office	17.31
Counter Fraud Service	2.0
Internal Audit – SG core	6.0
Internal Audit – other public bodies (24)	18.6
Internal Audit – European	10.2
Total	**63.11**

* Permanent funded posts as at 1 April 2023

Internal Audit

Integrated Assurance				
Internal Audit	Digital Assurance Office	Portfolio, Programme and Project Assurance	Data Protection Officer	Counter Fraud Service

Key Messages

- The 2022 Internal Quality Assessment confirmed that Internal Audit **conforms to the Public Sector Internal Audit Standards (PSIAS)** and **complied with the Code of Ethics.***

- Audit Scotland annual review of Internal Audit **did not identify any issues which would indicate that the work of internal audit cannot be relied upon for the purposes of external audit under ISA 610**.

- Key Performance Indicators and Assessment of Service Quality reviews show that the **services are valued by customers**.*

- **Bulletins** issued in year covered **Counter Fraud, Data Protection** and **Director's Reflections.**

- **Challenges with completing the full audit programmes within the year,** primarily due to resourcing constraints. An alternative approach is being taken in 2023-24.

- The **use of Data Analytics remains limited** and needs to be a key area of development focus going forward.

Client Universe
Core SG
Executive Agencies
Non-Ministerial Offices
Audit Authority – European Structural and Investment Funds

Key Performance Indicator *	2022-23
Satisfaction survey - % satisfied / very satisfied	100 %
Audit reviews completed in year	72% final report 18% draft report 10% on-going
Audits completed within resource budgets	73%
Audits completed within timescales	95%

* Details available on request

Internal Audit

Integrated Assurance				
Internal Audit	Digital Assurance Office	Portfolio, Programme and Project Assurance	Data Protection Officer	Counter Fraud Service

Co-Source Partnership with EY

Commenced September 2019 and extended in August 2022. The contract allows for extensions to August 2024.
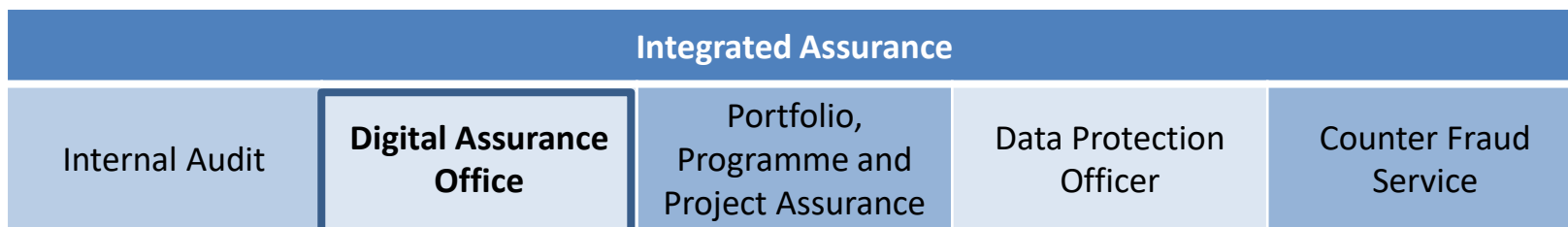
During 2022-23 the partnership delivered the following services:

- Common Agricultural Programme (CAP) - full delivery of the service.
- European Structural and Investment Funds (ESIF) – full delivery of system audit programme.
- Short-term cover for vacancies in Internal Audit team across a number of client areas.

The co-source partnership has delivered a considerable level of added value to aid the continuing development of best practice in Internal Audit, including support on:

- Data analytics and data visualisation.
- Advice and professional support to Senior Internal Audit Managers
- Spotlighting of professional practice and continuous improvement

Digital Assurance Office

Integrated Assurance				
Internal Audit	**Digital Assurance Office**	Portfolio, Programme and Project Assurance	Data Protection Officer	Counter Fraud Service

Key Messages

- The **Technology Assurance Framework** covers **major project reviews** and assessment of new digital services against the **Digital Scotland Service Standard.**

- Improved **resourcing** position with full complement of permanent staff in place by the end of 2022-23.

- **Continuous Improvement** team in place to identify:

  - opportunities to improve project practice;

  - improvements to the Technology Assurance Framework; and

  - the impact of assurance.

- DDaT secondment arrangements for **Digital Standard assessors** working well with two assessor roles rotated during the year.

- **Volume of reviews** at similar levels to previous three years (see next slide).

- **Six-monthly updates** on major projects and the Technology Assurance Framework continue to be provided **to the Public Audit Committee.**

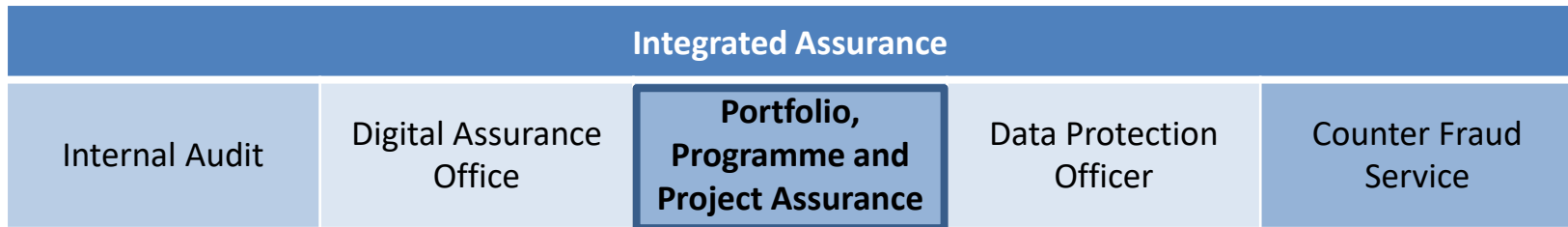| Client Universe |
|---|
| Core SG |
| Executive Agencies |
| Non-Ministerial Offices |
| Non-Departmental Public Bodies |
| Other significant bodies e.g. Scottish Fire and Rescue Service and Police Scotland |

Key Performance Indicator *	2022-23
Beneficial impact of major project review on project.	100%
Satisfaction with accuracy of major project review report.	100%
Satisfaction with Digital Assurance Office during major project review.	100%
Final report for major project review received in acceptable time.	100%
Sufficient time allocated to major project review.	100%

* 20 post-reviews returned of 43 issued. Details available on request.

Digital Assurance Office

Integrated Assurance				
Internal Audit	**Digital Assurance Office**	Portfolio, Programme and Project Assurance	Data Protection Officer	Counter Fraud Service

	2022-2023	2021-2022	2020-2021
Major Digital Project Business Justification Gate	2	6	3
Major Digital Project Pre-Procurement Gate	8	7	14
Major Digital Project Delivery Gate	6	12	6
Major Digital Project Go-Live Gate	6	8	1
Major Digital Project Health Check	16	11	7
Major Digital Project Assurance of Action Plan	7	5	3
Digital Standard Discovery Assessment	6	7	14
Digital Standard Alpha Assessment	10	12	11
Digital Standard Beta Assessment	12	13	8
Digital Standard Checkpoint	0	2	2
Total	**73**	**83**	**69**

Scottish Government, Directorate for Internal Audit & Assurance

Portfolio, Programme and Project Assurance

Integrated Assurance				
Internal Audit	Digital Assurance Office	**Portfolio, Programme and Project Assurance**	Data Protection Officer	Counter Fraud Service

Key Messages

- The Portfolio, Programme and Project Assurance Hub (PPPA) manages and arranges independent assurance of major investment programmes and projects.

- The PPPA is an **accredited Hub of the Infrastructure and Projects Authority (IPA)** and has a close working relationship with the IPA, Northern Ireland Programme and Project Centre of Expertise, Welsh Office of Project Delivery and Scottish Futures Trust.

- The PPPA team is supporting work to develop and implement an SG major projects register, establish a Project Council and improve project delivery capability.

Client Universe
Core SG
Executive Agencies
Non-Ministerial Offices
Non-Departmental Public Bodies
Health Bodies
Other significant bodies covered by the Scottish Public Finance Manual

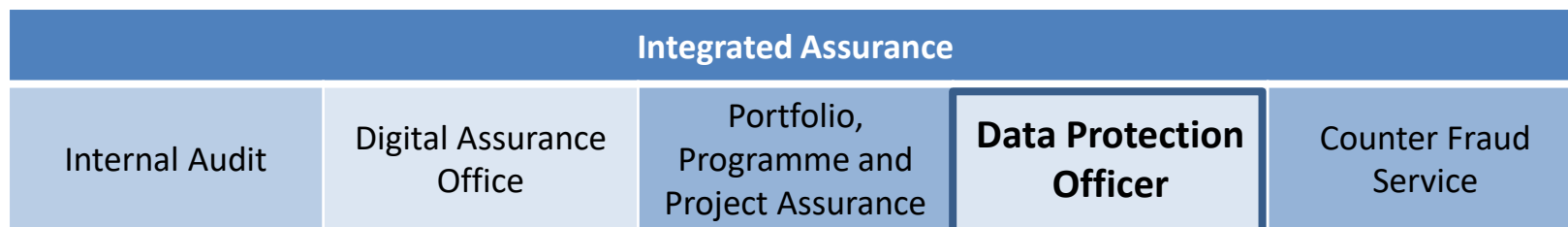| Key Performance Indicator *	2022-23
The review had a beneficial impact on the project.	100%
The conduct of the review team was satisfactory	100%
Review fixed within 12 weeks of assessment meeting.	100%
Service provided by the PPPA was satisfactory	100%

* Details available on request

Portfolio, Programme and Project Assurance

Integrated Assurance				
Internal Audit	Digital Assurance Office	**Portfolio, Programme and Project Assurance**	Data Protection Officer	Counter Fraud Service

	2022-2023	2021-2022	2020-2021
Gate 0 – Strategic Assessment (Programme Only)	22	15	9
Gate 1 – Business Justification	4	4	0
Gate 2 – Delivery Strategy	5	7	2
Gate 3 – Investment Decision	5	3	3
Gate 4 – Readiness for Service	1	4	4
Gate 5 – Operations Review and Benefits Realisation	2	2	2
Assurance of Action Plan	7	9	0
Healthcheck/ Project Assessment Review	7	5	6
Critical Friend Review	0	0	0
Total	**53**	**49**	**26**

Data Protection Officer

Integrated Assurance				
Internal Audit	Digital Assurance Office	Portfolio, Programme and Project Assurance	**Data Protection Officer**	Counter Fraud Service

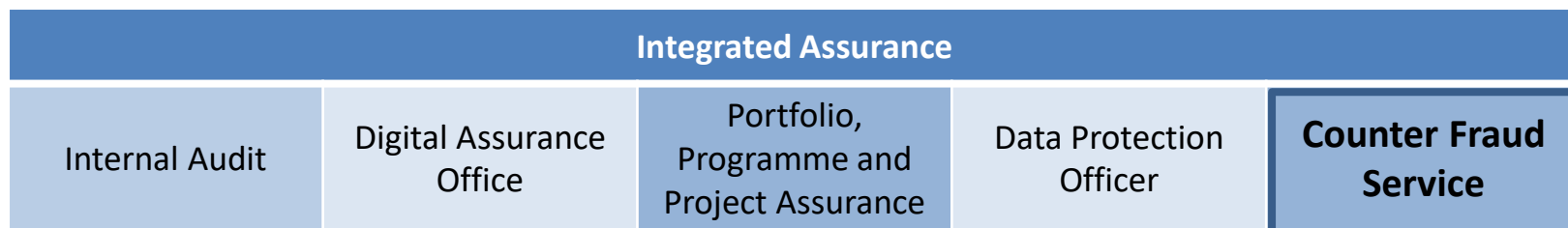| Client Universe |
|---|
| Core SG |
| Executive Agencies |

Key Messages

- The **Data Protection Officer** (DPO) role is **mandatory,** should act without direction and **reports directly to the highest management level** of the organisation. Within SG, this has been met by positioning the role in DIAA with a link to the Senior Information Risk Officer (DG Corporate).

- The role focusses on compliance and assurance and is the **organisation's link to the Information Commissioner's Office** (ICO) and **the public**. The DPO works closely with the Information Assurance and Data Protection Branch and other assurance providers in DIAA and elsewhere to provide an integrated view of controls and compliance.

- Around **100 data handling incidents** were recorded in the last year with one being reported to ICO with no further action taken. A consensual audit of data protection compliance was undertaken by ICO this year with mostly **good and reasonable levels of assurance** given. Data protection policies and controls are in place and **data subject rights are being met** despite a large increase in access requests due to the Scottish Redress Scheme. Focus in the coming year is on **implementing ICO audit recommendations.**

Counter Fraud Service

Integrated Assurance				
Internal Audit	Digital Assurance Office	Portfolio, Programme and Project Assurance	Data Protection Officer	**Counter Fraud Service**

Key Messages

- Established in April 2021, the **Counter Fraud Service** is focused on **improving and enhancing the assurance** available to key stakeholders for the risk of fraud and corruption against public finances and services.

- **Close working relationships** developed with colleagues from **Governance & Risk Branch**, and the role of the **Integrity Group** within SG has been updated and refreshed.

- **Strong networks developed** with the UK Government **Public Sector Fraud Authority** and with the **International Public Sector Fraud Forum**. The Head of Counter Fraud Profession is now vice chair of **CIPFA's Procurement, Fraud and Anti Corruption Forum**.

- A new **Fraud Risk Management Framework** which was implemented in 2022-23, focused on introducing new tools and resources to SG colleagues in managing fraud risk.

- With a team of two FTE, **current resource is limiting the pace of delivery** of the Counter Fraud Plan. This is restricting the impact of the Counter Fraud Service, particularly in the areas of SG counter fraud maturity, fraud awareness and training, Strategic Fraud Risk Profiling across SG and operational fraud response capability.
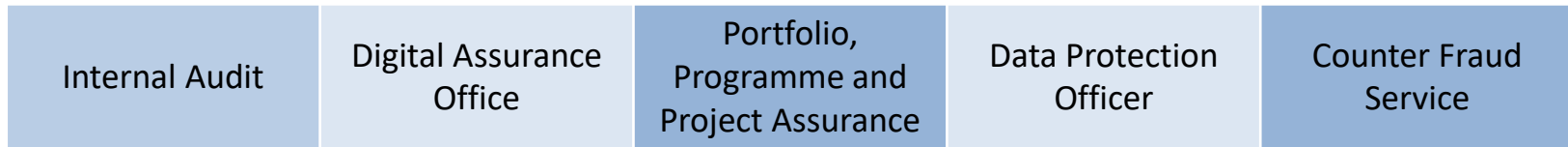
Client Universe

Core SG Executive Agencies

As Head of Profession – wider stakeholder engagement role across public bodies, including Local Authorities

Scottish Government, Directorate for Internal Audit & Assurance

Internal Audit and Assurance - Safeguarding the Future

Integrated Assurance				
Internal Audit	Digital Assurance Office	Portfolio, Programme and Project Assurance	Data Protection Officer	Counter Fraud Service

Quality

- The practice of **internal audit and assurance is continuously evolving**, and **DIAA will need to continuously develop its approach.** Modern practices include data analytics, the use of automation and artificial intelligence, and an increased focus on organisational culture and behaviours.

- **Internal Audit** is required to undertake its **next (5 yearly) External Quality Assessment in 2025** which will provide a good indication of the continuing progress being made.

- The **Co-Source Partnership contract expires in 2024**. The partnership has brought significant benefits to Internal Audit and its clients, including supporting continuous improvement – the procurement for a **new partnership provides the opportunity to extend this to encompass wider aspects of assurance**.

Resources

- The **level of investment** that the organisation has historically and currently makes **in assurance** – Internal Audit, Digital Assurance, Counter Fraud, Programme and Project Assurance **– is critically low** (as shown in comparisons to other organisations).

- Whilst new corporate systems will enable some efficiencies, **the increase in digital and other projects and programmes** will put **unsustainable pressure** on assurance resources.

- **Decisions** will need to be made as to **the level of risk that the organisation is willing to take** as a consequence.

Integrated Assurance

Systems and Processes

- The **Digital Assurance Office** currently manages its workload (covering > 500 projects) on **excel**. This is not efficient and is **no longer sustainable**, particularly as the number of digital projects will continue to grow.
- No systems are in place to support the management of cases stemming from whistleblowing, data protection or fraud.
- The current **internal audit system (Galileo) will no longer be supported from 2025** so will need replacing. This will require investment, but also provides **an opportunity to look at modern systems** that **can be used more widely** across DIAA and the SG in relation to **assurance and risk management**.

Efficiency

- The use **of Data Analytics** in Internal Audit is **currently limited** to areas such as social security. The **new corporate systems** will provide the opportunity for a more efficient and effective approach to **data analytics and continuous auditing**. The **Internal Audit** function **needs to be ready** to capitalise on the opportunities those systems will provide.

- The Directorate needs to develop **a more flexible approach to the use of its resource** across the assurance divisions to maximise its efficiency. In order to progress this, recent recruitments have been in broader **"assurance" roles** rather than specific assurance divisions.