



The Scottish Parliament
Pàrlamaid na h-Alba

Internal Audit Plan 2023/24

5 June 2023

Reference: LT (2023) Paper 15

Executive summary

1. Leadership Team is invited to consider and provide feedback on the draft Internal Audit plan for 2023/24 attached at ANNEX A. Subject to LT comments, the draft plan will be presented to the Advisory Audit Board (AAB) meeting on 21 June 2023 for formal approval.

Issues and options

2. Public Sector Internal Audit Standards (PSIAS) define internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” Further information on PSIAS is set out at ANNEX B.
3. The overall objective of internal audit for the SPCB is to provide the assurances described by PSIAS to the Clerk/Chief Executive (as Accountable Officer) and the SPCB (via the AAB) on the adequacy and effectiveness of the management arrangements, processes and systems of internal control established to manage risk, enable the achievement of strategic objectives while ensuring accountability for public funds.
4. A risk-based approach to planning has been undertaken for the detailed annual plan for 2023/24. Risk based internal auditing requires that resources be prioritised to those areas of highest risk, thereby offering assurance that the controls designed to mitigate those risks are operating effectively.
5. To achieve optimum value, the internal audit planning approach ensures that there are clear links between objectives, risks and controls. Overall, the systems of control in place need to be aligned to the achievement of the organisation’s business objectives. The risk-based approach provides an audit plan that contributes to the achievement of the business objectives and assists in providing wider audit assurance by ensuring that key risks are addressed.

6. To ensure that all areas of greatest risk in relation to the audit process have been identified, the following have been considered in the preparation of the strategic and annual plans:

- The Strategic Plan for The Scottish Parliament;
- The Delivery Plan for The Scottish Parliamentary Service;
- The Strategic Risk Register;
- Audit Scotland's Reports and Management Letter/(s);
- Views of the Head of Internal Audit;
- Liaison with other Head of Internal Audit from UK legislative bodies;
- Areas for review identified by Leadership Team, at this meeting; and
- Areas for review identified by the Audit Advisory Board, prior to the approval of this draft plan.

7. The Internal Audit Plan has been prepared in accordance with the approach agreed by the AAB. The current resource available for internal audit is 250 days with approximately 200 days input by the Head of Internal Audit supported by approximately 50 days of input by an external provider of internal audit services (currently out to tender) as follows:

Resource	Responsibilities
Head of Internal Audit	• Ownership of the internal audit service; • Strategic and operational audit planning; • Perform detailed audit reviews per the audit plan; • Set and agree scope and approach for audit reviews with SPCB management; • Monitor audit Contractor performance; • Reviewing and issuing of draft audit reports prepared by Contractor; • Undertake special reviews and investigations as instructed by the AAB and Clerk/Chief Executive (as Accountable Officer); • Regular reporting to AAB and senior Management; • Prepare final assurance statement for Accountable Officer; and • Overall responsibility for quality and monitoring of internal audit.
Contractor (Currently delivered by Grant Thornton UK LLP)	• As directed by the Head of Internal Audit, develop the scope, approach, audit objectives and work programmes for agreed audit assignments; • Undertake detailed audit reviews across the following broad areas: general assurance, gateway and similar type peer reviews of key programmes and projects; and specialist assurance reviews; • Prepare high quality draft audit reports for review and issue by the Head of Internal Audit; • Undertake detailed follow up of previous agreed audit recommendations; • Undertake any other ad hoc internal audit work as directed by the Head of Internal Audit.

8. The internal audit plan is currently in draft form and Leadership Team members are invited to comment on the individual assignments proposed, as well as suggest other areas that may benefit from internal audit input.

Governance

9. Key governance issues have been considered for this paper. Internal Audit forms a key part of and contribution to the overall governance arrangements for the SPCB and the Scottish Parliamentary Service. An Equalities Impact Assessment has not been considered necessary.

Resource implications

10. An established budget is in place to cover the cost of the overall internal audit service including the fees paid to the support contractor.

Communications

11. No communications are planned in the short term. This paper is for LT's attention only and is designed to facilitate the ongoing identification and management of risk.

Publication Scheme

12. This paper may be published in accordance with regular arrangements for Leadership Team papers.

Next steps

13. Following comments and feedback from the Leadership Team, the draft internal audit plan will be updated and presented to the AAB on 21 June 2023 for formal approval.

Decision

14. Formal approval is not required from LT as the plan must be formally approved by the AAB. However, comments and feedback from LT is requested in respect of:
 - Any other additional areas which may benefit from independent review and audit assurance?
 - The proposed timing of planned internal audit reviews?
 - Areas within the plan that may should be removed or deferred?

Andy Munro

**HEAD OF INTERNAL AUDIT
OFFICE OF THE DEPUTY CHIEF EXECUTIVE**

31 May 2023

Annex A – Draft Internal Audit Plan 2023/24

Planned Audit Area	Overall Aim of the Review	Planned Resource	Indicative Timing and Report to AAB
Reimbursement of Members Expenses: Claims for Reimbursement in 2023/24	The review seeks to offer independent assurance on the completeness, accuracy and validity of claims using targeted sampling, identified by detailed analytics. This work will take place after year end to ensure that all 2023/24 reimbursement claims are included in the population to be sample tested; including those claims submitted post year-end. This approach is designed to offer maximum assurance to Audit Scotland given their reliance previous on internal audit work in this area.	20	June 2024 to AAB in September 2024
Corporate Cards	The Scottish Parliament Corporate Card has been extended to a sample of Members to enable an efficient payment route for low value purchases, travel and other business expenses. Given the retrospective nature of transaction approval, the Corporate Card Policy includes the requirement for internal audit to undertake annual reviews of a sample of transactions to offer independent assurance that systems and controls are embedded and are operating effectively.	10	November 2023 to AAB in March 2024
Procurement Project Reviews	Independent internal audit reviews are performed on a sample of procurement projects annually. The review will focus on procurement route options, will contribute to the SPCB's Procurement Strategy and the assurance arrangements set out in annual procurement reports to LT and the SPCB. To ensure maximum coverage of risk, the sample of procurement projects is agreed with the Head of Procurement.	10	September 2023 to AAB in December 2023
Catering Contract	Prior to the COVID-19 pandemic, annual internal audit reviews of the catering contract were performed to obtain assurance that the financial operating model of the contract aligned with contractual expectations. Given the increase in footfall since the Parliament fully re-opened, this audit will review the current arrangements in place in respect of recording income and expenditure; and the preparation of monthly service invoices to ensure accuracy, validity and	20	October 2023 to AAB in December 2023

Planned Audit Area	Overall Aim of the Review	Planned Resource	Indicative Timing and Report to AAB
	completeness. The audit will further review contract performance monitoring arrangements fore to ensure these are proportionate and robust.		
Corporate Systems	An inherent risk of business-critical projects is an inability to demonstrate the tangible improvements that arise from the initial investment decision. Focussing on the project plan (business case) this review will identify the objectives and expected outcomes of the project seeking assurance that these are consistent with Specific, Measurable, Achievable Realistic and Timely (SMART) principles. The review will further extend to reviewing the development of project milestones, arrangements for identifying and mitigating project risks and the approach to budgetary control.	20	July 2023 to AAB in December 2023
Risk Management	Developmental work in respect of risk management has been ongoing since responsibility for facilitating risk management transferred to the Resilience Office in 2021. The review will include: the arrangements for identifying risk, the development of controls and actions to mitigating risk and monitoring and reporting on risk exposure. A sample of risk mitigations will be further selected to seek assurance that the actions as described are in place and are operating effectively.	10	December 2024 to AAB in March 2024
Digital Strategy Delivery	The review will focus on the Scottish Parliament's delivery strategy to challenge and test the controls and actions developed to mitigate the key risks of successful implementation and delivery. The scope will include an assessment of capacity versus workload, resourcing challenges and project management arrangements, resourcemanagement of the project	20	September 2023 to AAB in December 2023
Cyber Security	Using industry standard frameworks to assess cyber resilience, the review will seek assurance by way of detailed testing and investigation that the controls and actions set out for IT continuity are in place and are operating effectively (review b/fwd. from 2022/23).	20	September 2023 to AAB in December 2023

Planned Audit Area	Overall Aim of the Review	Planned Resource	Indicative Timing and Report to AAB
Building Maintenance Project – Prioritisation	The review will seek to challenge the schedule of works around asset replacement in the Holyrood building. This has identified this as a critical area in the coming years and has confirmed that independent assurance would add value to the work ongoing and planned (review b/fwd. from 2022/23).	20	March 2023 to AAB in June 2023
Scotland's Futures Forum	Although exempt from formal audit under the provisions of the Companies Act 2006, a detailed review of the 2017/18 Financial Statements of Scotland's Futures Forum will be undertaken during. In addition, a review of internal control arrangements will be undertaken, and advice and guidance will be provided whenever appropriate. The report from this work will be reported directly to the Board of Scotland's Futures Forum.	5	September 2022 to SFF Ltd Board in October 2022
Audit Advice to the Scottish Commission for Public Audit		20	
Audit Advice and Guidance to LT: • Risk Management • Assurance Framework • KPI and milestone development and improvement • Contingency		40	
Audit Liaison (External / Internal)		2	
Follow up of Previously Agreed Audit Recommendations		8	
Planning 2023/24		5	
Training and Administration		15	
Standards Commission for Scotland		5	
TOTAL		250	

Annex B - Internal audit charter

1. The Internal Audit Strategy and Charter for the Scottish Parliamentary Corporate Body (SPCB) defines the purpose, authority and responsibility of internal audit services in respect of the following areas:
 - i. The definition of Internal Audit, code of ethics and standards;
 - ii. Internal Audit resources;
 - iii. The role and position of Internal Audit in the organisation;
 - iv. Internal Audit access;
 - v. The scope of Internal Audit work;
 - vi. The role of Internal Audit in respect of fraud and corruption; and
 - vii. Internal Audit reporting.
2. The Internal Audit Charter has been prepared in accordance with, and is designed to meet the requirements of, Public Sector Internal Audit Standards (PSIAS)¹ as adopted by the Relevant Internal Audit Standard Setters² in April 2013.

The Definition of Internal Audit, Ethics and Standards

3. Internal audit for the SPCB is an independent, objective assurance and consulting activity designed to add value and improve operations. It helps to accomplish strategic its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
4. Internal Auditors must conform to the following Code of Ethics:
 - Integrity;
 - Objectivity
 - Confidentiality; and
 - Competence.
5. These principles and rules of conduct are applicable to both in-house and external providers of internal audit services.
6. In addition, PSIAS sets out the attribute and performance standards that internal audit will adhere to.

¹ <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

² The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

Internal Audit Resources

7. Internal Audit services for the SPCB are provided by the Head of Internal Audit who will report the findings of all internal audit activity directly to the SPCB's Advisory Audit Board (AAB) and Clerk/Chief Executive.
8. The Head of Internal Audit will be supported by an external provider of internal audit services with proven expertise and experience in the profession. The appointment of an external provider will be subject to open competition every 5 years (maximum).

The Role and Position of Internal Audit in the Organisation

9. The Head of Internal Audit will be a member of the Office of the Deputy Chief Executive and will report to the Deputy Chief Executive of the Scottish Parliament for line management purposes.
10. The Head of Internal Audit will also have regular one to ones and open access to the Clerk/Chief Executive as required and a direct reporting line to the Chair of the AAB with regards the findings of all internal audit activity. Findings are also communicated to the SPCB indirectly, and on an ongoing basis, by way of two MSP Members of the AAB who are also members of the SPCB. The AAB reports on its work to the SPCB annually and there is scope to report any significant findings from internal audit activity to the SPCB as and when it arises.

Internal Audit Access

11. The Clerk/Chief Executive and Leadership Team shall ensure that Internal Audit staff have the right of access to all personnel, properties and records relevant to their duties.

The Scope of Internal Audit Work

12. Responsibility for the framework of governance, risk and control rests with management to ensure that appropriate and adequate arrangements are established. Internal Audit is responsible for conducting independent appraisals in these areas and for giving assurance and advice to the Advisory Audit Board and Principal Accounting Officer in that regard. In addition to the above, advice and guidance is provided as required.
13. The Head of Internal Audit will evaluate the framework of governance, risks and controls that management has established to provide assurance that:
 - organisational objectives are being achieved;
 - risks are being identified and managed effectively;
 - there is economical and efficient use of resources;
 - there is compliance with established policies, procedures and regulations;
 - assets are properly controlled and safeguarded; and
 - there is integrity and reliability of information and data provided to management.

The Role of Internal Audit in respect of Advice and Guidance to Management

14. Internal Audit activity can extend to consulting and advisory work which does not form part of regular internal audit plans. It is the responsibility of the Head of Internal Audit to clearly identify such work as part of annual internal audit planning and in the body of any associated outputs and/or reports. The Head of Internal Audit will also ensure that appropriate measures are in place to ensure no conflict of interest arises and appropriate measures are in place to maintain the independence of the internal audit function.

The Role of Internal Audit in respect of risk management advisory work

15. The Head of Internal Audit facilitates the framework of strategic risk management on behalf of the Leadership Team, (LT) of the Scottish Parliamentary Service. The Head of Internal Audit is not responsible for the controls or actions designed by LT to manage and mitigate risk. The Head of Internal Audit will also ensure that any audit work on the risk framework is performed and reported to the AAB independently.

The Role of Internal Audit in respect of Fraud and Corruption

16. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal Audit is required, however, to be alert in all aspects of work to any risks and exposures that could allow fraud or corruption.
17. Any evidence or reasonable suspicion of an irregularity relating to funds, property or records shall be reported immediately to the Investigating Officer in accordance with the SPCB's Fraud Policy Statement. The Investigating officer will, with assistance from Internal Audit, oversee the response to each suspected fraud, ensuring that any investigation is proportionate and prompt, that appropriate action is taken and that lessons learned are brought to the attention of relevant managers.

Internal Audit Reporting

18. Internal audit reports will as a minimum:
 - define the scope of the work carried out;
 - outline the results of the work undertaken and recommendations made;
 - include management comments; and
 - include an agreed Action Plan.
19. Findings from reviews should be discussed with the auditee during and/or following completion of fieldwork.

20. A draft report will be issued to management for discussion and comment. The draft report should be issued within two weeks of the completion of the fieldwork. Management comments should be issued within two weeks of receipt of draft report.
21. Final reports shall be issued within two weeks of receipt of management comments.
22. Agreed distribution lists for draft and final reports will be agreed with auditees, Office Heads and Group Heads where appropriate.
23. A programme of follow up of agreed Action Plans will be implemented and reported.
24. A full copy of final draft reports and a progress report against the audit plan will be issued to each meeting of the Advisory Audit Board.

Performance Monitoring

25. The following range of measures will be included within the performance and quality monitoring process:
 - Audits completed within deadlines;
 - Performance against Plan; and
 - Resource input.
26. Internal Audit is subject to independent and detailed assessed by the SPCB's external auditor (currently Audit Scotland). This review informs the extent to which external auditors can place formal reliance on the work of internal audit and is carried out in accordance with the terms of International Standard on Auditing 610 (Considering the Work of Internal Audit).
27. The outcome of this external review is reported annually to the Advisory Audit Board and the Clerk/Chief Executive.
28. In accordance with the requirements of PSIAS, a comprehensive self-assessment of internal audit will be subject to an independent verification report once in every 5 years.

Andy Munro

Head of Internal Audit

May 2023