

Our Ref: AW/CM  
Date: 25 February 2014

Council Offices  
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Laurence Slavin  
Audit Scotland

Dear Laurence

Subject: Review of Adequacy of Internal Audit Arrangements

I refer to previous discussions and your letter of 19 February 2014 regarding the above subject. I am pleased to be advised that your team once again can place reliance on the internal audit team and as you state this avoids duplication of effort while positively supporting the overall planning and risk assessment process. I note the points you make and would offer the following in response:

### **Independence**

As the council strives to deliver the strategic priorities, the internal audit team are very much part of supporting the transformation agenda. Designing and implementing the appropriate structures, providing leadership and direction and supporting the development to achieve the most skilled and competent workforce, has been and continues to be, part of that change for the internal audit function also. In doing so, the independence of the function is paramount and as you state, specific arrangements have been introduced to protect that independence.

In addition, as part of good governance, we are reviewing key policies, codes of practice and procedures on a regular basis to ensure they are fit for purpose. The financial regulations were amended as part of this ongoing process taking specific cognisance of the statutory / advisory roles of the Head of Finance and Head of People.

At paragraph 1130 of the Public Sector Internal Audit Standards (Impairment to Independence or Objectivity) it is stated:

*If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties.*

I would like to take this opportunity to re affirm the assurance given that this will not impact upon the independence of internal audit. In order to comply with the PSIAS, the Chief Audit Executive is required to disclose any impairment to independence and objectivity, should this arise.

### **Risk based methodology**

The documentation describing the methodology will be reviewed to provide clarity as appropriate and additional content may be included. This will be undertaken in conjunction with information gathered as

part of a training event on risk based auditing which the Section Head (Internal Audit) is attending during March 2014.

**Internal Audit involvement in system changes**

Mechanisms to enhance the ability for Internal Audit to be made aware of system changes across the Council will continue to be explored. The Audit and Risk Manager will explicitly discuss this with Department Management Teams as part of his annual development and review of the Internal Audit Plan. In addition, through the ICT project board, there will be a requirement to include Internal Audit (the ICT Security Officer) as part of the project planning process.

Yours sincerely

Angela Wilson

Executive Director Corporate Services