






ANNUAL HEAD OF INTERNAL AUDIT REPORT

22 July 2022

APPENDIX 1



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BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Council's audit charter. These require the Head of Internal Audit to bring an annual report to the Corporate Affairs and Audit Committee. The report must include an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



INTERNAL AUDIT WORK CARRIED OUT IN 2021/22

- 2 During the last year, the Covid pandemic has continued to have a significant impact on the Council's working practices. In addition, much of the Council's resources have been directed towards responding to Covid related issues.
- 3 A summary of internal audit work undertaken during the year is included in appendix A, below. Whilst staff have begun to return to offices, audit work has continued to be successfully carried out remotely for the majority of audits.
- 4 Audit work undertaken during the year concentrated on the key risks and priorities of the Council. This has included a significant allocation of time on work relating to the allegations made by former Executive members. Regular updates have been provided to the Corporate Affairs and Audit Committee on the latest priorities.
- 5 Appendix B, below, provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee. Appendix C provides an explanation of our assurance levels and priorities for management action.



FOLLOW UP OF AGREED ACTIONS

- 6 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. A summary of the current position is included in appendix D.



PROFESSIONAL STANDARDS

- 7 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the committee each year as part of the annual report. The QAIP consists of various elements, including:
- maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity
 - regular customer feedback
 - training plans and associated training and development activities
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the standards)
- 8 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit working practices was undertaken in November 2018. This concluded that Veritau internal audit activity generally conforms to the PSIAS¹.
- 9 The outcome of the recently completed self-assessment demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP are given in appendix E.
- 10 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Corporate Affairs and Audit Committee. No changes are proposed at this time.



OPINION OF THE HEAD OF INTERNAL AUDIT

- 11 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council is that it

¹ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

provides **Limited Assurance**. No reliance was placed on the work of other assurance providers in reaching this opinion.

- 12 In giving this opinion, attention is drawn to the following significant control weaknesses which are considered relevant to the preparation of the 2021/22 Annual Governance Statement.
- 13 An audit on the project management of Boho X found significant weaknesses in governance and decision making. It found that the project was not always managed in line with the Council's Constitution and the Council's project management framework. In addition, the Council's elected Mayor held undocumented meetings with external contractors without officers present, following agreement by a senior officer.
- 14 The audit has now been finalised and actions have been agreed with management. A summary is included in the list of completed audit assignments at Appendix B.
- 15 During the year a further audit work was carried out on a number of allegations made by former Executive members. This work was fact-finding in nature and intended to provide management with information on the allegations enabling them to make a decision on the next steps to be taken.
- 16 Whilst our work on this is not yet complete, the findings have largely been agreed with officers. The work found issues related to those for the Boho X audit including governance weaknesses, a lack of challenge or advice from officers, and examples of the Mayor holding undocumented meetings with external contractors.
- 17 These findings lead us to conclude that the concerns identified are not limited to one area or audit and are indicative of wider issues around relationships between councillors and officers and a lack of clear separation of their respective roles, in practice.
- 18 Actions agreed for the issues identified from the Boho X audit will be followed-up during 2022/23 and further updates will be brought to the Corporate Affairs and Audit Committee.
- 19 The overall opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. In giving the opinion, we would note that the Covid-19 pandemic has continued to affect the Council over the last year, with a consequential impact on business operations and controls. The work of internal audit has been directed to the areas considered most at risk, or that offer the most value for the authority overall. However, not all the areas affected by the Covid-19 pandemic will have been reviewed.

APPENDIX A: 2021/22 INTERNAL AUDIT WORK

Final reports issued

Audit	Reported to Committee	Assurance Level
Use of CCTV	September 2021	Limited Assurance
Officer and member decision making	September 2021	Reasonable Assurance
Schools themed audit – pupil premium	September 2021	Reasonable Assurance
Teesside Pension Fund – investments	September 2021	Substantial Assurance
Teesside Pension Fund – administration	September 2021	Substantial Assurance
Governance arrangements	September 2021	Substantial Assurance
Main accounting system	September 2021	Reasonable Assurance
Cyber security awareness	September 2021	Substantial Assurance
Social Care and emergency payments	December 2021	Substantial Assurance
Council Tax and NNDR	December 2021	Substantial Assurance
Council Tax Support and Housing Benefits	December 2021	Reasonable Assurance
Youth Employment Initiative	December 2021	Substantial Assurance
Project Management- Boho X	July 2022	Limited Assurance
Asset maintenance	July 2022	Substantial Assurance
Teesside Pension Fund – Overpayments	July 2022	Substantial Assurance
Schools themed audit – purchasing cards & asset management	July 2022	Reasonable Assurance

Audits in progress

Audit	Status	Assurance Level
ICT change management	Draft report issued	Substantial Assurance
Home working	Draft report issued	Substantial Assurance
Future High Street Fund governance	In progress	
Burial grounds	In progress	
Benefits – overpayments	In progress	
Children’s commissioning & contract management	In progress	
Middlesbrough Development Company	In progress	

Other work

Internal audit work has been undertaken in a range of other areas during the period, including those listed below.

- A review into sub-contracting at the Middlesbrough Community Learning Service
- A review of grant claims including the Bus Service Operators Grant, Tees Valley Combined Authority grants and claims relating to Scambusters
- A review of returns completed by the Council for the Supporting Families scheme
- A review of Covid grant schemes including for the Culture Recovery Grant
- A review of a number of trust funds administered by the Council
- Fact-finding work relating to allegations made by former Executive members
- A review of supplier relief provided to the Council’s leisure centre provider
- An analysis of procurement exercises awarded to local suppliers
- A review of debtors data including potential duplicate entries using data analytics software

APPENDIX B: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
TPF - Overpayments	Substantial Assurance	Applying pension increases, new records, overpayments.	May 2022	No issues identified.	
Asset maintenance	Substantial Assurance	Recording of maintenance, management of assets, monitoring and reporting arrangements.	June 2022	No issues identified.	
Schools themed audit – purchasing cards and asset management	Reasonable Assurance	Compliance with policies, monitoring of card usage, asset management arrangements, disposals.	June 2022	Some of the schools reviewed did not have sufficient supporting narrative on the school’s finance system detailing purchases using purchase cards.. Asset management policies did not always have adequate reference to disposals and regular inventory checks were not carried out.	The omissions will be rectified and any updates or inventory checks required will be carried out.
Project Management – Boho X	Limited Assurance	Compliance with the project management framework and Constitution, communication of decisions, retention of information, project risk management.	June 2022	The report and detailed findings were brought to the Committee in April 2022. The report has since been finalised with no amendments.	A detailed action plan has now been agreed and shared with the Committee. These actions will be followed-up when they become due.

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX D: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Corporate Affairs and Audit Committee.

Actions followed up

A total of 10 actions have been completed since the last report to this committee in December 2021. A summary of the priority of the 10 completed actions are included below.

Actions agreed		Actions agreed by directorate						
Priority of actions	Number of actions agreed	Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
1	2	1	0	0	2	0	0	0
2	4	2	0	0	0	4	0	0
3	4	3	0	0	1	2	1	0
Total	10	Total	0	0	3	6	1	0

Actions Outstanding

A total of 21 actions with original due dates that have passed are still outstanding. A summary of the priority of these actions is included below.

Actions agreed		Actions agreed by directorate						
Priority of actions	Number of actions agreed	Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration
1	7	1	0	0	7	0	0	0
2	7	2	0	0	6	1	0	0
3	7	3	0	0	0	5	2	0
Total	21	Total	0	0	13	6	2	0

Of the 21 actions outstanding 11 have had a revised date agreed. The remaining 10 actions are currently being followed-up with the service.

Actions outstanding for more than 6 months (Priority 1 and 2)

Fourteen actions have currently been outstanding for longer than 6 months beyond the agreed implementation date and are included in the table below. Revised dates have been agreed and we will follow these up when the new implementation date becomes due.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Transporter Bridge	2	Mar 21	Apr 23	Management should ensure that maintenance and staff meetings at the Transporter Bridge are regularly held and minuted. All identified actions should be recorded and followed up to ensure that remedial action is delivered by action owners within the agreed timescales.	There is no agreed date for when the bridge will return to operational service. Some initial work has been carried out to address the actions and emergency repairs are being undertaken but this will not make the bridge operational. Officers would require further funding to be agreed to bring the bridge back into full operation. As a result, the remaining actions which largely relate to operational issues have been revised to an implementation date of April 2023.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Transporter Bridge	2	Mar 21	Apr 23	Senior staff from both Transport & Infrastructure and Property & Commercial Services should meet regularly to ensure that relevant matters are discussed and minuted (e.g. maintenance or inspection programmes and day-to-day issues relating to the Transporter Bridge). All identified actions should be recorded and followed up to ensure that remedial action is delivered by action owners within the agreed timescales.	As Above
Transporter Bridge	1	Mar 21	Apr 23	Management should review the effectiveness of the current management arrangements for the Transporter Bridge. Going forward, the Council should consider external technical consultancy or guidance to ensure that both the service and the structure remain fit for purpose.	As Above
Transporter Bridge	1	Mar 21	Apr 23	Management should ensure that effective governance arrangements are implemented for the Transporter Bridge. This should include performance being regularly reported to all stakeholders and a service level agreement agreed between the Council and Stockton Borough Council which details all management responsibilities to ensure that the facility remains fit for purpose.	As Above

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Transporter Bridge	1	Mar 21	Apr 23	A documented maintenance schedule must be produced (by an appropriately qualified in-house employee or external consultant) to detail what checks are to be carried out at the Transporter Bridge and their associated frequency. Documented systems should be adopted whereby individuals sign for checks carried out on a registered job card as soon as they have been completed. A maintenance log should be created to detail all activities that are undertaken by on site staff as well as outside contractors.	As Above
Transporter Bridge	2	Mar 21	Apr 23	A training needs analysis should be compiled for all staff at the Transporter Bridge. This analysis should highlight the training required, differentiating between mandatory training for legislative requirements and other advisable training for best practice. The analysis should identify how and by whom the training will be delivered and the associated frequency. Training records for all staff should be maintained to ensure an up to date record of all staff training completed and to be completed is available.	As Above
Transporter Bridge	1	Mar 21	Apr 23	Management should ensure that, in the interest of safety for members of staff, public, visitors, activity agents and for the vessels that travel underneath the	As Above (survey completed in December 2021).

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
				structure, that the Transporter Bridge has a full structural survey. All remedial actions identified as a result of that survey must be addressed as directed by the survey findings. The facility should remain closed until it has been deemed fit for purpose by surveyors.	
Transporter Bridge	1	Mar 21	Apr 23	Management should organise a risk workshop with all relevant staff for the purposes of compiling a register that captures all risks facing the Transporter Bridge including health and safety risks and those relating to the strategic objectives of the Transporter Bridge i.e. risks that could prevent the attainment of the Council's vision and aims. The risk register should then be periodically reviewed (e.g. at least twice a year) to ensure that the risks remain relevant and that planned mitigation actions are implemented according to timescales.	As Above
Debtors	2	Sep 21	Sep 22	The VAT Officer will investigate cases with incorrect VAT treatment identified during the audit and will provide further training and guidance for relevant staff.	A new VAT officer is now in place who will investigate and produce some key points on the incorrect VAT treatment with further training and guidance provided where necessary.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Use of CCTV	2	Sep 21	Feb 22 ²	The CCTV Code of Practice and associated procedures to be supplied to all scheme managers and responsible officers, with appropriate briefings and/or training.	Procedures have been developed. A meeting with scheme managers will be held to confirm their understanding and the action will then be completed.
Use of CCTV	2	Dec 21	Feb 22	The Single Point of Contact (SPoC – this is the Operational Community Safety Manager) will produce an annual report based on a review of annual self-assessments from scheme managers, which will include scheme performance against key measures and targets to be agreed with the Head of Strategy, Information and Governance (SRO).	The Annual report has now been produced; once agreement from the Head of SRO has been evidenced then the action will be completed.
Use of CCTV	1	Dec 21	Feb 22	Scheme managers and responsible officers will be identified for all schemes and they will maintain Code Assessment Packs, demonstrating compliance with the Council’s local code of practice. The Operational Community Safety Manager will produce an annual report based on a review of annual self-assessments by scheme managers.	Initial actions delivered but evidence required of ongoing maintenance of compliance records. A meeting will be held with scheme managers to follow up on compliance and once this has taken

² The CCTV actions all had revised dates of 28 February 2022. A follow-up of these actions is now underway and the actions are expected to be completed once satisfactory evidence is provided as per the narrative included in the ‘reasons for delay’ column.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
					place the action will be complete.
Use of CCTV	1	Sep 21	Feb 22	A central register of all public space surveillance camera equipment operated by the Council, including the location of each piece of equipment, its asset reference, and the manager responsible, will be developed and maintained by the Operational Community Safety Manager.	Cameras have been mapped to create a central register that contains their location and object ID. A follow-up audit will be carried out in July-August 2022 to confirm implementation and agree any additional actions that may be required.
Use of CCTV	2	Dec 21	31/03/2022	Contract owners to work with the North East Procurement Organisation (NEPO) and the CCTV provider to enforce current contract stipulations regarding performance and to update them where required in line with the Council's Code Assessment Pack and annual review process.	Monthly meetings have been held; evidence of these to be provided and if satisfactory the action will be complete.

APPENDIX E: INTERNAL AUDIT - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular performance appraisals
- ▲ regular 1:2:1 meetings to monitor progress with audit engagements
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented using the company's automated working paper system (Sword Audit Manager)
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ performance against agreed quality targets monitored and reported to each client on a regular basis
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit work are subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors

and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of ongoing performance management arrangements, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan, internal audit strategy action plan, and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board³ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

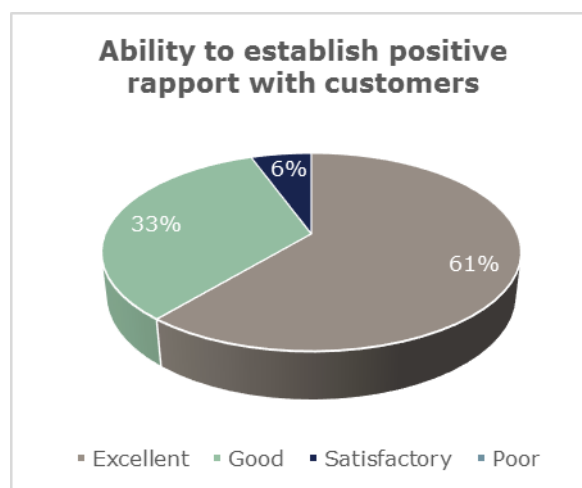
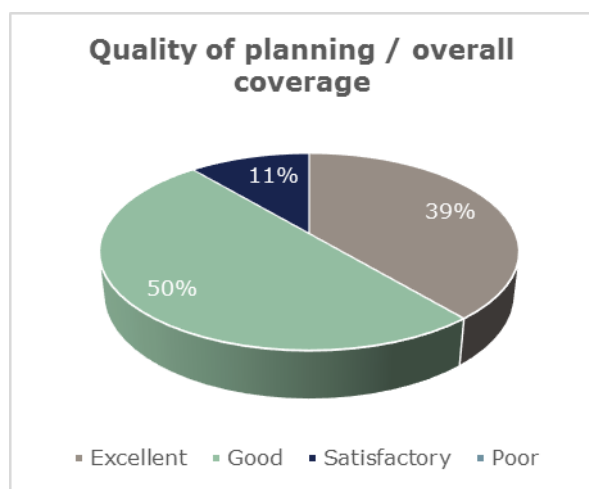
2.0 Customer Satisfaction Survey 2022

In March 2022 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of

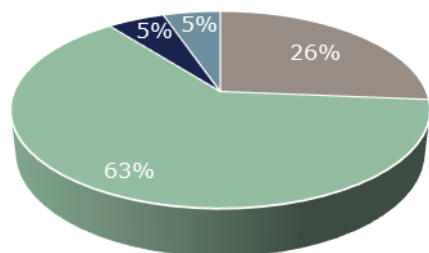
³ As defined by the relevant audit charter.

154 surveys (2021 – 165) were issued to senior managers in client organisations. A total of 19 responses were received representing a response rate of 12% (2021 – 12%). The surveys were sent using Smart Survey (an online survey tool) and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 5%).

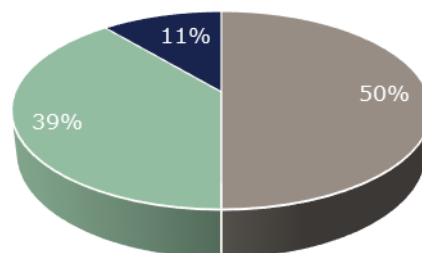


Knowledge of system / service being audited



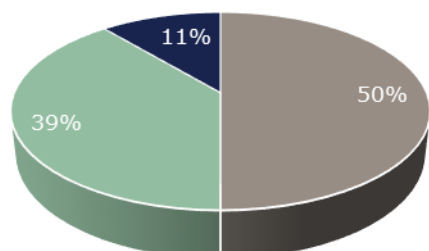
■ Excellent ■ Good ■ Satisfactory ■ Poor

Minimising disruption to the service being audited



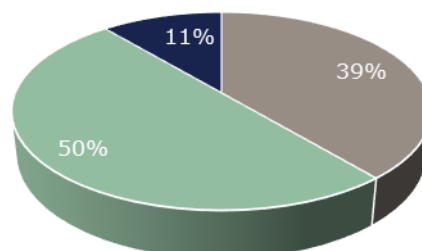
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Communicating issues during the audit



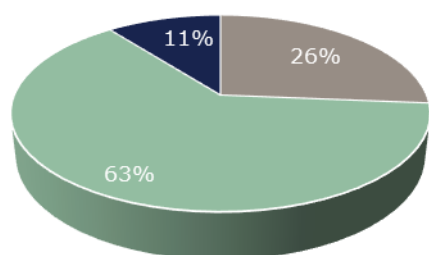
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Quality of feedback at end of audit



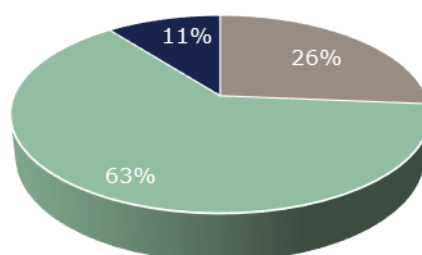
■ Excellent ■ Good ■ Satisfactory ■ Poor

Accuracy, format, length & style of audit report

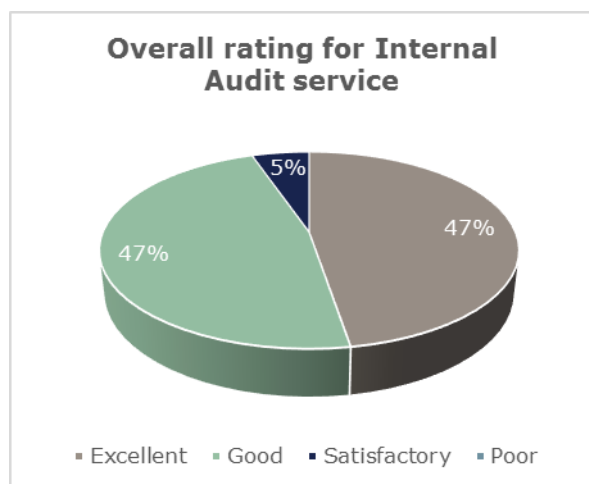


■ Excellent ■ Good ■ Satisfactory ■ Poor

Relevance of audit opinions & conclusions



■ Excellent ■ Good ■ Satisfactory ■ Poor



The overall ratings in 2022 were:

	2022		2021	
Excellent	9	47%	11	58%
Good	9	47%	6	32%
Satisfactory	1	5%	0	0%
Poor	0	0%	2	11%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist 2022

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 and has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards. A comprehensive update of the checklist was undertaken in 2020, following revisions by CIPFA.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant. Existing arrangements are considered appropriate for the circumstances and require no further action.

The following table shows areas of non-compliance. These remain largely unchanged from last year, although one area has been removed from the table. This related to whether risk based plans set out the respective priority of audit work. New flexible planning arrangements introduced mean that working practices now comply with the standards in this area.

Conformance with Standard	Current Position
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was last undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report is available on request.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS⁴ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014.

5.0 Improvement Action Plan

Overall, internal audit services provided by Veritau continue to meet the requirements of the Public Sector Internal Audit Standards. However, we recognise that the pace of change in local government and the wider public sector mean that we need to update aspects of the service to ensure it stays up to date and continues to deliver good value.

Between autumn 2020 and autumn 2021, Veritau undertook a fundamental review of internal audit practices. This resulted in the development of a new three year strategy which details how we will improve the internal audit service for our clients. The strategy sets out the actions we will be taking within Veritau to modernise our practices, from 2021 to 2024. The five key areas we are focussing on are:

- ▲ increasing engagement across all clients; to improve communication and ensure we understand what represents good value and where internal audit work should be focussed
- ▲ further development of strategic planning frameworks; focussing on further development of assurance mapping arrangements and other activities that help us ensure we provide assurance in the right areas at the right time
- ▲ redesign and modernisation of audit processes; to ensure we can respond quickly as priorities change, reduce time to deliver findings and manage resources efficiently
- ▲ increasing investment in high value data analytics work; shifting the focus of work towards a data driven model that provides wider assurance in real time
- ▲ introducing better measures of outcomes from audit work, to enable us to direct resources to areas of most value to our clients.

Strategy focus area 2 includes further development of assurance mapping arrangements. This is an outstanding issue from previous improvement plans. We are currently undertaking a pilot assurance mapping exercise in partnership with officers at one of our key clients. The lessons learnt from this will be used to further develop processes to be rolled out as part of our core internal audit service. Completion of actions in this area will further reduce the areas of non-conformance with the standards (section 3 above).

In the 2020/21 QAIP we reported on the findings from the last Quality Assurance Group review, focussed on the follow up of agreed actions. The findings have been finalised and a programme of work is underway to improve these processes. This includes updates to processes (including integration with client risk management systems where appropriate), a full review of all outstanding

⁴ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

actions across all clients, and further training for all auditors. This work will be completed in 2022/23.

A further review by the group in 2021/22 focussed on the consistency of opinions given for individual audit assignments. This follows the adoption of a revised four level opinion framework introduced in 2020/21, in accordance with recommendations from Cipfa. It was found that in almost all cases the opinions given on completed work was consistent with the guidance contained in the Veritau audit manual, and supported by the number and priority of actions. Auditors continue to use the guidance and professional judgement when forming conclusions on individual pieces of work. We will feedback and discuss the wider findings as part of auditor training in 2022/23.

6.0 Overall Conformance with PSIAS *(Opinion of the Head of Internal Audit)*

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.