






# ANNUAL HEAD OF INTERNAL AUDIT REPORT

20 July 2023

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 present 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 Council's 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 2022/23

- 2 During 2022/23, audit work has continued to be prioritised based on the risk and priorities of the Council and our work programme has developed during the year as a result. We have continued to ensure that we provide sufficient coverage of the Council's framework of governance, risk management and control whilst also remaining responsive to emerging issues.
- 3 The Council continues to face significant financial pressures as a result of the continued increase in demand for its services and the impact of inflation and economic uncertainty. In particular, Children's social care has been identified by the Council as its most significant financial risk.
- 4 In addition, the Council has had a number of governance issues identified by Veritau and the external auditors, EY resulting in a Best Value Improvement notice being issued in January 2023. Audit work undertaken during the year has included a significant allocation of time spent on these governance-related issues including work relating to the allegations made by former Executive members.
- 5 A summary of internal audit work undertaken during the year is included in appendix A, below.
- 6 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

- 7 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 on outstanding management actions is included in appendix D.



## PROFESSIONAL STANDARDS

- 8 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)
- 9 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 PSIAS<sup>1</sup>. The next external assessment will be conducted by the Institute of Internal Auditors in August 2023, and the findings from the assessment will be reported to this committee.
- 10 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.
- 11 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 for approval. No changes are proposed at this time.

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



## OPINION OF THE HEAD OF INTERNAL AUDIT

- 12 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 provides **Limited Assurance**. No reliance was placed on the work of other assurance providers in reaching this opinion.
- 13 In giving this opinion, attention is drawn to the following significant control weaknesses which are considered relevant to the preparation of the 2022/23 Annual Governance Statement.
- 14 In our 2021/22 opinion, we highlighted a number of governance weaknesses which led us to conclude that the issues identified were not limited to one specific area or audit and were instead indicative of wider issues around relationships between members and officers, and a lack of clear separation of their respective roles.
- 15 During the year we reviewed the Council's governance arrangements in respect of the Middlesbrough Development Company, a wholly owned subsidiary of the Council. This followed on from allegations made by former Executive members about a number of governance-related issues. Whilst the audit is still at draft report stage, we have informed officers of our findings. We compared the current governance arrangements against CIPFA good practice and found a number of weaknesses. These included a lack of clarity in respect of roles and responsibilities (including officers and members), the composition and training of members of the Board, performance management and documentation of Board meetings. Since the audit commenced, the Council has taken the decision to wind up the company.
- 16 Improvements are also required in a number of other areas. An audit of burials during the year identified various governance-related issues. There was no overarching strategy for the service and policies were not being updated. Same day burial services were not offered consistently and the gifts and hospitality policy was not always being adhered to. Similarly, a review of senior management reviews found that there was no defined process for evaluating the effectiveness of senior management reviews or formally reporting financial and other outcomes.
- 17 Given the results of our audit work during the year, we have not seen sufficient evidence that the Council's governance, risk management and control framework has significantly improved. In addition, we note that the government issued a Best Value Improvement notice in January 2023. The Council is currently implementing an improvement plan to address these issues.
- 18 In order to test whether the required improvements to project management arrangements have been made, we are currently carrying out an audit of regeneration project governance. We intend to report the findings of this audit soon. In addition, we plan to further review other previously identified areas of concern such as procurement.

- 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. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching this opinion. The opinion is based on internal audit work completed during the year including that detailed in this report and other monitoring reports to the committee during the year.

## APPENDIX A: 2022/23 INTERNAL AUDIT WORK

### Final reports issued

Audit	Reported to Committee	Assurance Level
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	Substantial Assurance
Future High Streets Fund	September 2022	Substantial Assurance
Home working	September 2022	Substantial Assurance
ICT change management	September 2022	Substantial Assurance
Benefits - overpayments	September 2022	Substantial Assurance
Main Accounting	December 2022	Substantial Assurance
Teesside Pension Fund – investments	March 2023	Substantial Assurance
Firewalls (ICT)	March 2023	Substantial Assurance
Creditors	March 2023	Reasonable Assurance
Payroll	March 2023	Substantial Assurance
Burials	March 2023	Limited Assurance
Towns fund governance	March 2023	Substantial Assurance
CCTV (follow-up)	March 2023	No Opinion Given
Senior management reviews	April 2023	No Opinion Given
Supplier relief	July 2023	No Opinion Given

### Audits in progress

Audit	Status
Children’s commissioning & contract management	Draft report issued
Middlesbrough Development Company	Draft report issued
Disabled Facilities grant	Draft report issued



Audit	Status
Tees Community Equipment Service	Fieldwork complete
Schools themed audit – Schools Financial Value Standard	Fieldwork complete
Regeneration projects	Fieldwork complete
Domestic abuse	In progress
Council Tax and NNDR	In progress
Homecare	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 of grant claims including the Children’s Services Practice Improvement grant, Green Homes grant, Adult Weight Management grant, and the Biodiversity net gain grant.
- A review of returns completed by the Council for the Supporting Families scheme
- A review of Covid grant schemes including Track and Trace and the Contain Outbreak Management Fund
- Data analysis on debtors accounts to provide feedback on potential data errors including duplicate entries
- Ongoing governance work relating to allegations made by former Executive members
- An annual review of a number of trust funds administered by the Council

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

10

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Supplier relief	No opinion given	A review of financial information submitted to the Council by a key supplier, in support of supplier relief claims made during Covid lockdowns.	16 May 2023	We were broadly satisfied with the reported expenditure during the period concerned. However, there were some items identified for the Council to verify with the provider.	None.

## 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 completed

A total of 3 actions have been completed since 16 March. A summary of the priority of the 3 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	0	1	0	0	0	0	0	0
2	0	2	0	0	0	0	0	0
3	3	3	0	0	0	1	1	1
<b>Total</b>	<b>3</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>

### Actions Outstanding

A total of 15 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	5	1	0	0	5	0	0	0
2	8	2	0	0	7	1	0	0
3	2	3	0	0	0	1	1	0
<b>Total</b>	<b>15</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>2</b>	<b>1</b>	<b>0</b>

Of the 15 actions outstanding 13 have had a revised date agreed and 2 are currently being followed up.

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

Eleven Priority 1 and 2 actions have currently been outstanding for more than 6 months. Of these, 8 relate to the audit of the Transporter Bridge and details have been reported previously to this committee. The actions relate to operational issues, and these will not be dealt with until the bridge is brought into operation for which there is no agreed date.

We will monitor the position and follow up again when there is a plan for the bridge to become operational, but will remove the actions from follow up reporting to this committee until that point.

Details of the remaining actions are included in the table below. Revised dates have been agreed and we will follow these up when the new implementation dates become due.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Debtors	2	Sep 21	Sep 23	The VAT Officer will investigate cases with incorrect VAT treatment identified during the audit and will	A new VAT officer is now in place who will investigate and produce

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
				provide further training and guidance for relevant staff.	some key points on the incorrect VAT treatment with further training and guidance provided where necessary. A VAT audit is planned during 2023/24.
Burials	2	Dec 22	Sep 23	The charter will be completed in conjunction with the Head of Democratic Services clarifying the roles, responsibilities and expected conduct of the Council in relation to death registration, burials and cremations, as well as the expected conduct of Funeral Directors. The charter will include a section relating to expected behaviour based on the Council's dignity & respect Policy and clarify the hierarchy of actions the council will take in the event that the standards are not maintained.	The service has some ongoing operational issues and has requested a delay to the implementation of these actions.
Burials	2	Dec 22	Jul 23	The arrangements for same day burials including the out of hours service will be reviewed and the circumstances in which they are offered documented.	

## 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 meetings
- ▲ 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
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, completed audit work is 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 board<sup>2</sup> 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 2023**

In March 2023 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 176 surveys (2022 – 154) were issued to senior managers in client

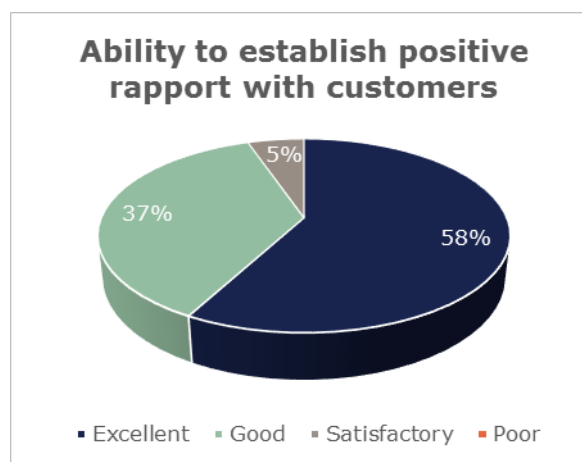
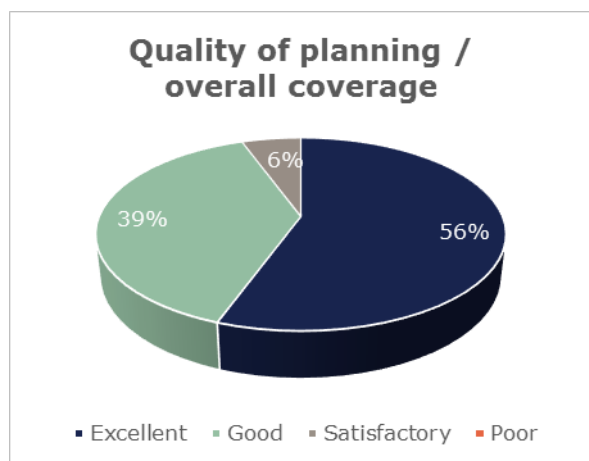
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<sup>2</sup> As defined by the relevant audit charter.

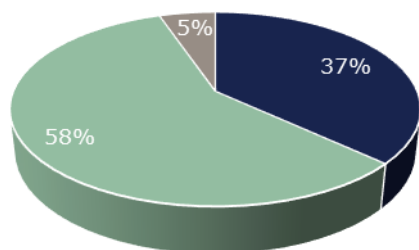


organisations. A total of 19 responses were received representing a response rate of 10.8% (2022 – 12%). Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

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%).

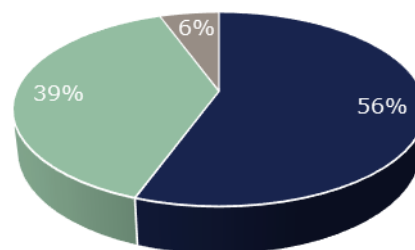


### Knowledge of system / service being audited



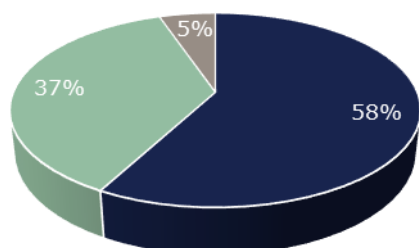
■ Excellent ■ Good ■ Satisfactory ■ Poor

### Minimising disruption to the service being audited



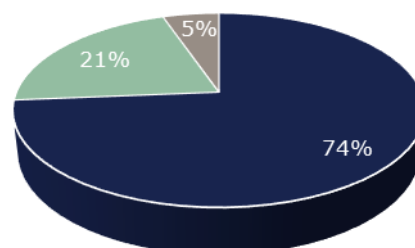
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### Communicating issues during the audit



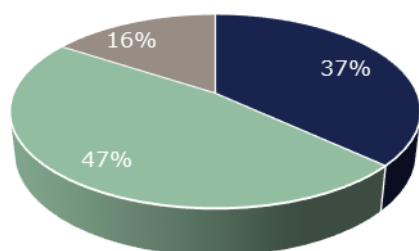
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### Quality of feedback at end of audit



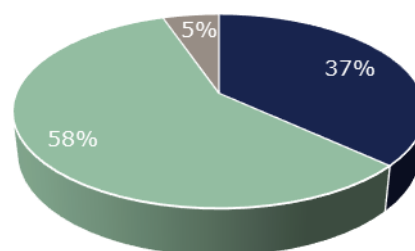
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### Accuracy, format, length & style of audit report

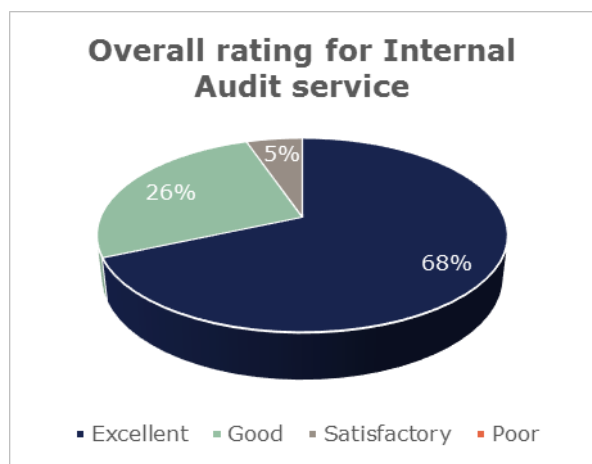


■ Excellent ■ Good ■ Satisfactory ■ Poor

### Relevance of audit opinions & conclusions



■ Excellent ■ Good ■ Satisfactory ■ Poor



The overall ratings in 2023 were:

	<b>2023</b>		<b>2022</b>	
Excellent	13	68%	9	47%
Good	5	26%	9	47%
Satisfactory	1	5%	1	5%
Poor	0	0%	0	0%

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

### **3.0 Self-Assessment Checklist 2023**

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 added. This relates to performance monitoring. Monitoring of performance is undertaken on an ongoing basis. For example, monitoring of the quality, efficiency and effectiveness of audit delivery is a routine consideration as part of audit supervision and management arrangements. However, it is difficult to identify and define tangible indicators of performance that provide meaningful information to internal audit clients. Historic targets focussed on data that could be quantified (for example numbers of audits complete or numbers of recommendations made). However, these do not provide any information about the value of audit

work delivered. This issue is not unique to Veritau and is an area of ongoing discussion as part of internal audit professional networks. Development of new tools for measuring performance has been identified as a priority as part of the internal audit strategy (see below).

<b>Conformance with Standard</b>	<b>Current Position</b>
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 (assurance mapping) has been developed as part of the internal audit strategy (see below). However, this will only be used where we are able to secure client engagement in the assurance mapping process.
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	Historic targets used as performance measures do not provide meaningful information about the value of audit work delivered. Development of new measurement tools is a priority as part of the internal audit strategy (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 PSIAS<sup>3</sup> 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.

Another external assessment is due. Veritau has commissioned the Institute of Internal Auditors to carry out an assessment in summer 2023. The work will be undertaken in July and August. The results of the assessment will be reported to this committee when completed.

## **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 are taking to modernise our practices. The five key areas for development identified in the strategy 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

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<sup>3</sup> PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

- ▲ 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.

A full review of the strategy is currently underway. A refreshed three-year strategy will be adopted in autumn 2023. This will incorporate any areas for development highlighted by the upcoming external quality assessment being undertaken by the IIA. Establishing new tools to measure the value provided by audit work will remain a priority. Based on current thinking and development work, this is likely to encompass a balanced scorecard type approach.

Due to other service delivery priorities, no new quality assurance reviews have been undertaken by the Quality Assurance Group in 2022/23. This does not impact directly on compliance with internal audit standards (there is no requirement for this additional layer of quality assurance). However, we feel the work of the group represents good practice. The re-establishment of additional quality assurance reviews will be a priority for 2023/24.

## **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.