

<b>Report of:</b>	Head of Internal Audit, Veritau
<b>Relevant Executive Member:</b>	Executive Member for Finance and Governance
<b>Submitted to:</b>	Audit Committee
<b>Date:</b>	14 December 2023
<b>Title:</b>	Internal audit and counter fraud progress report
<b>Report for:</b>	Information
<b>Status:</b>	Public
<b>Strategic priority:</b>	All
<b>Key decision:</b>	No
<b>Why:</b>	Not applicable
<b>Subject to call in?:</b>	No
<b>Why:</b>	Not applicable

**Executive summary**

This report provides the committee with:

- an update on internal audit and counter fraud work undertaken.
- information on the outcome of Veritau's recent external quality assessment

## **Purpose**

1. To provide Members with an update on the delivery of internal audit and counter fraud work and on reports issued and other work completed since the last update report to this committee. The report also provides Members with information on Veritau's recent external quality assessment.

## **Background and relevant information**

2. Internal audit provide independent and objective assurance and advice on the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
3. The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
4. Fraud is a significant risk to the public sector. Annual losses are estimated as being as high as £58 billion in the United Kingdom. Veritau are engaged to deliver a counter fraud service for Middlesbrough Council. The service helps the Council to mitigate fraud risks and to take appropriate action where fraud is suspected.
5. The purpose of this report is to provide an update on internal audit and counter fraud work carried out in 2023/24. The Council's internal audit and counter fraud work programmes were approved by this Committee in June 2023.
6. The report also provides information on Veritau's recent external quality assessment which was completed between June and August 2023.

## **Internal Audit Progress report**

7. The internal audit progress report is contained in appendix 1. This includes a summary of current work in progress, internal audit priorities for the year, completed work, and follow-up of previously agreed audit actions.

## **Counter Fraud Progress report**

8. The counter fraud progress report is contained in appendix 2. A range of work is detailed including activity to promote awareness of fraud, work with external agencies, and information on the level of fraud reported to date.

## **External quality assessment**

9. To comply with the PSIAS, an external quality assessment (EQA) of our internal audit working practices is required at least every 5 years. Our previous assessment was completed in 2018 and a further review was therefore due in 2023. The Chartered Institute of Internal Auditors was commissioned to undertake the EQA, which was completed between June and August 2023.

10. The outcome of the review was very positive, and the overall opinion was that our internal audit function 'generally conforms' to the standards. This is the highest opinion that can be provided<sup>1</sup>
11. The feedback included comments that the internal audit service was highly valued by its member councils. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engaged flexibly with our clients throughout the internal audit process, at both strategic and operational levels.
12. The report concluded that Veritau generally conforms to 59 of the 60 applicable principles. A copy of the full EQA report is included at appendix 3. One area for improvement was highlighted relating to assurance mapping. The recommendation and our response are included in the table below.

Recommendation	Response and Action Date
<p>The CAE [Head of Internal Audit] should continue to develop a proportionate, formal approach to assurance mapping, coordination and where appropriate, reliance, to enhance the function's risk-based planning, delivery and the effectiveness of assurance provided to key stakeholders.</p>	<p>Agreed – we will develop our approach to assurance mapping and working with other internal and external assurance provision. The approach will be flexible to reflect the different sectors and clients we provide internal audit services to.</p> <p>Target implementation date 31 March 2024</p>

13. At the time of writing this report, the Global Institute of Internal Auditors is making their final revisions to the new Global Audit Standards following a period of worldwide consultation earlier in 2023. The Global Audit Standards will effectively replace the International Standards for the Professional Practice of Internal Auditing, combining all mandatory elements which form the International Professional Practices Framework.
14. According to current timescales, the Global Audit Standards are expected to be published in January 2024. Internal audit providers will then have 12 months to adapt and adopt before the Standards come into effect in 2025.
15. Veritau is tracking development of the Global Audit Standards closely, and we will ensure that any changes to required practice are reflected in our processes.

**What decision(s) are being recommended?**

That the Audit Committee

- Notes the latest update on internal audit and counter fraud work.

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<sup>1</sup> Guidance in the standards suggests a scale of three ratings, 'generally conforms', 'partially conforms', and 'does not conform'.

- Notes the information on the outcome of Veritau's recent external quality assessment.

**Rationale for the recommended decision(s)**

16. Internal audit professional standards require that progress in delivering internal audit work, and the findings and outcomes from audit work are reported to the committee.

**Other potential alternative(s) and why these have not been recommended**

17. This report is for information. There are no other options available.

**Impact(s) of the recommended decision(s)**

***Financial (including procurement and Social Value)***

18. There are no specific impacts or implications.

***Legal***

19. There are no specific impacts or implications.

***Risk***

20. There are no specific impacts or implications.

***Human Rights, Public Sector Equality Duty and Community Cohesion***

21. There are no specific impacts or implications.

***Climate Change / Environmental***

22. There are no specific impacts or implications.

***Children and Young People Cared for by the Authority and Care Leavers***

23. There are no specific impacts or implications.

***Data Protection / GDPR***

24. There are no specific impacts or implications.

## Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
n/a	n/a	n/a

## Appendices

1	Internal audit progress report December 2023
2	Counter fraud progress report December 2023
3	External quality assessment final report 2023

## Background papers

Body	Report title	Date
n/a	n/a	n/a

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