

REPORT



External Quality Assessment (EQA)

A report for Veritau



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The Chartered Institute of Internal Auditors

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(EQA)

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1.1 Background and Scope

The Veritau Group (Veritau) comprises 78 inhouse team members and is wholly owned by four local authorities, following the recent local government reorganisation in North Yorkshire. 34 of these team members are currently involved in delivering Internal Audit services. This focus is supplemented by specialist teams covering Counter Fraud and Information Governance.

Veritau provides Internal Audit and other assurance services to local authorities and other public sector bodies including national park authorities, a children's trust, academy and multi-academy trusts. Client arrangements are established for each contract. Clients appoint a chief officer to manage internal audit contracts with Veritau. Reporting arrangements are established at each client via an Internal Audit Charter.

Veritau previously had an external quality assessment (EQA) in 2018, undertaken by SWAP. We are delighted that Veritau have commissioned us to undertake this EQA.

Our review included a full validation of Veritau's own self assessment against the Public Sector Internal Audit Standards (PSIAS) and International Professional Practices Framework (IPPF), interviews with key stakeholders from across the primary client base, and short discussions with members of the Internal Audit function .

We conducted this EQA in a remote format - over June-August 2023.

1.2 Key Achievements

Veritau are a well-established Internal Audit service, valued by the key stakeholders we spoke to during this EQA review.

The governance framework over Veritau is mature, with well-established board oversight. The board primarily comprises directors appointed by member councils. Operationally, Veritau report to client Audit Committees (or equivalent) with effective relationships marked by appropriate support, challenge, oversight, engagement, reporting, and performance monitoring.

The Chief Executive - with an extensive local government background - leads Veritau, supported by a deputy, and seven Assistant Directors, four of which manage Audit Assurance teams. Stakeholders view the Chief Executive as a trusted and respected leader. A clearly written and effective Internal Audit Strategy highlights key priorities and areas of focus for the service.

Veritau undertake a range of diverse assurance engagements. These include coverage of traditional and emerging areas of governance, risk, and control relevant to the public sector.

We received positive responses to our questions about the wider function and its services from those we interviewed. Key stakeholders felt confident in the way Veritau had established effective working relations, their approach to planning, and the way in which the function engages flexibly with its clients throughout the internal audit process, at both strategic and operational levels.

Veritau develop and deliver an annual risk-based audit plan for their clients. Key stakeholders felt clearly engaged and appropriately involved in the design of this. The CAE and their senior colleagues actively monitor the function's performance and

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have implemented appropriate engagement-level quality assurance checks. We believe that the function's supporting operational, engagement-level procedures, documentation and associated templates are primarily fit for purpose.

1.3 EQA Assessment Conclusion

We are pleased to report that Veritau conforms with nearly all the Standards, as well as the Definition, Core Principles, and the Code of Ethics, which form the mandatory elements of the PSIAS and the Institute of Internal Auditors' IPPF, the globally recognised standard of quality in Internal Auditing.

To summarise, we are pleased to report that Veritau are good in their:

- Reflection of the Standards
- Focus on performance, risk and adding value
- Operating with efficiency

We believe that Veritau are satisfactory in their:

- Quality Assurance and Improvement Programme

Finally, like many Internal Audit functions at the present time, we consider that Veritau needs improvement in their:

- Coordinating and maximising assurance

The need to consider how best to rely on and coordinate with other assurance providers remains an emerging area of internal audit, and assurance practice, as does assurance mapping. It depends as much on the nature and effectiveness of the other assurance providers, and the willingness and awareness of the value in this from senior management and audit committees, as it does on internal audit.

In addition to the conformance recommendations, there is scope for improvement in a small number of other areas as summarised in Section 3.2 below. It will be appropriate for the function to say in reports and other literature, once it has addressed the issues raised, that it "conforms to the IIA's Professional Standards".

Our overall opinion is that the Internal Audit function "generally conforms" to the PSIAS and the IIA Standards (See [Appendix A1](#) for our Grading definitions) (See [Section 2](#) for more detail).

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1.4 SWOT Analysis

Strengths What works well	Weaknesses What could be done better
<ul style="list-style-type: none">• Internal Audit management are experienced, work well together and key stakeholders respect - and have confidence - in their competence, public sector expertise, and capabilities• The function draw upon work with different clients to add value when conducting similar reviews across their client base• An effective, well-presented Internal Audit Strategy guides the service, with the next iteration due later this year• Risk-based annual plans cover relevant, topical areas and are developed through effective stakeholder engagement and remain flexible, agile in nature and can be modified• Stakeholders value the function's professionalism, communications, and engagement reporting.• The work and skills of the wider Counter Fraud and Information Governance teams support internal audit delivery• The function maintains an up-to-date view of skills and competencies that is regularly revisited and refreshed.• The Learning and Development policy and Audit Trainee Development Programme show commitment to personnel	<ul style="list-style-type: none">• Formal assurance mapping, coordination, and reliance - where appropriate - should be progressed with some key clients• Response rates to post-audit and wider customer satisfaction surveys are low and the function may miss out on operational stakeholder insights
Opportunities What could deliver further value	Threats What could stand in your way
<ul style="list-style-type: none">• Further development of the function's data analytics and AI capabilities would add additional value and insights• An updated strategy covering data analytics and IT auditing, integrated with the results of the QAIP and the function's development needs, could usefully drive improvement priorities• The Internal Audit Manual could include specific reference to relevant standards to reinforce why certain activities are needed• A Balanced Scorecard, with revised KPIs, could usefully focus internal audit effort more on outputs, outcomes, insight and added value• Further agile, efficient planning and delivery could prove more beneficial	<ul style="list-style-type: none">• Failure to retain experienced internal audit staff could threaten service resilience and delivery. Succession could become a challenge• Emerging risks and increasing complexity in the external environment could threaten the function's ability to deliver insight and add value in specialist service areas• Client budget cuts could impact service delivery and threaten the CAE's ability to deliver an effective service and annual opinion• Over-expansion could be seen negatively by some existing clients who may worry that they will see a loss of quality in service provision• Automatic public release of internal audit reports by some clients can cause delays in engagement finalisation and communication of results• Excessive remote working could impact client engagement and relationships, particularly for new team members or when clients change

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1.5 Conformance Opinion

The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards.

There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that Veritau conforms to 59 of the 64 relevant principles, with partial conformance on one principle. The four remaining principles were not applicable to Veritau as they relate to situations that have not occurred to date.

This is summarised in the table below.

Summary of conformance	Standards	Generally conforms	Partially conforms	Does not conform	Not relevant	Total
Definition of IA and Code of Ethics	Rules of conduct	12				12
Purpose	1000 - 1130	8				8
Proficiency and Due Professional Care (People)	1200 - 1230	4				4
Quality Assurance and Improvement Programme	1300 - 1322	6			1	7
Managing the Internal Audit Activity	2000 - 2130	11	1			12
Performance and Delivery	2200 - 2600	18			3	21
Total		59	1		4¹	64

¹ We have marked four principles as 'not applicable' as they relate to situations that have not occurred to date (Attribute Standard 1322, Performance Standards 2421, 2430 and 2431).

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1.6 Further Improvement Opportunities

In addition to our one recommendation to improve conformance, there is scope for improvement in areas as summarised below:

Proficiency

- We support the CAE's intention to further develop the function's data analytics and AI capabilities to add additional value and insights.

Enhancing Internal Audit due professional care and policies and procedures

- The CAE could consider direct referencing of the Standards in relevant sections of the Veritau Internal Audit Manual to clearly demonstrate why particular activities, actions and steps are required. This will be more beneficial for new entrants who join the function in the future.

Quality Assurance and Improvement Programme

- The CAE could document a formal improvement plan that captures and integrates the various teams, methodology, data and other service enhancement actions and initiatives to underpin key priorities and objectives in the Internal Audit Strategy refresh.
- Response rates to post-audit and wider customer satisfaction surveys are low and the function may miss out on operational stakeholder insights. The CAE could revisit the approach and process for soliciting customer feedback to help ensure it maximises added value.
- We support the CAE's intention to develop a balanced scorecard for the internal audit service and revisit the function's KPIs.

Planning

- The CAE should continue the move away from traditional annual planning to further enhance agility.

1.6 Acknowledgement

We would like to thank Max Thomas and his team, for their time, assistance and support during this review, and all of those who took part in the review, for their cooperation, together with their open and honest views.

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Supporting continuous improvement the Standards



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2.1 Area for Improvement [Standards 2050]

Standard 2050, Coordination and Reliance

The chief audit executive should share information, coordinate activities and consider formal reliance upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

While some reliance is placed on the work of some internal and external assurance providers, and the CAE is exploring opportunities to place reliance and better coordinate activity with other second-line assurance providers, this could usefully be formalised and supplemented with assurance mapping across all key clients to add further value.

The function have approached this to varying degrees, with some clients, while others have been less interested. Further engagement with Audit Committees and senior management may help raise awareness of the value of this activity.

	Recommendation	Response and action date
1	The CAE 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.	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. Target implementation date – 31 March 2024.

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Supporting continuous improvement



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The Chartered Institute regards conformance to the IPPF as the foundation for effective Internal Audit practice. However, our EQA reviews also seek feedback from key stakeholders and we benchmark each function against the diversity of professional practice seen on our EQA reviews and other interviews with Chief Audit Executives/Heads of Internal Audit, summarised in an Internal Audit maturity matrix.

We then interpret our findings into suggestions for further development based upon the wide range of guidance published by the Chartered IIA UK and Ireland.

It is our aim to offer advice and a degree of challenge to help Internal Audit functions continue their journey towards best practice and excellence.

In the following pages we present this advice in two formats:

- A matrix describing the key criteria of effective Internal Audit, highlighting the level of maturity the Internal Audit function has achieved and the potential for further development, recognising that effective Internal Audit goes further than purely conformance with the IIA Standards. [\(See 3.1\)](#)
- A series of improvement opportunities and suggestions which the Internal Audit function could use as a basis for an action plan. [\(See 3.2\)](#)

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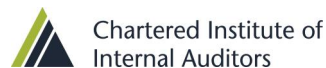


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3.1 Internal Audit matrix

		IIA Standards	Focus on performance, risk and adding value.	Coordination and maximising assurance	Operating with efficiency	Quality Assurance and Improvement Programme
Assessment levels	Excellent	Outstanding reflection of the IIA standards, in terms of logic, flow and spirit. Generally Conforms in all areas.	IA alignment to the organisation's objectives risks and change. IA has a high profile, is listened to, and is respected for its assessment, advice, and insight.	IA is fully independent and is recognised by all as a 3 rd line. The work of assurance providers is coordinated with IA reviewing reliability of.	Assignments are project managed to time and budget using tools/techniques for delivery. IA reports are clear, concise, and produced promptly.	Ongoing efforts by IA team to enhance quality through continuous improvement. QA&IP plan is shared with and approved by AC.
	Good	The IIA Standards are fully integrated into the methodology – mainly Generally Conforms.	Clear links between IA engagement objectives to risks and critical success factors with some acknowledgement of the value-added dimension.	Coordination is planned at a high level around key risks. IA has established formal relationships with regular review of reliability.	Audit engagements are controlled and reviewed while in progress. Reporting is refined regularly linking opinions to key risks.	Quality is regarded highly, includes lessons learnt, scorecard measures and customer feedback with results shared with AC.
	Satisfactory	Most of the IIA Standards are found in the methodology with scope to increase conformance from Partially to Generally Conform in some areas.	Methodology requires the purpose of IA engagements to be linked to objectives and risks. IA provides advice and is involved in change, but criteria and role require clarity.	The 3 lines model is regarded as important. Planning of coordination is active, and IA has developed better working relationships with some review of reliability.	Methodology recognises the need to manage engagement efficiency and timeliness, but further consistency is needed. Reports are informative and valued.	Clear evidence of timely QA in assignments with learning points and coaching. Customer feedback is evident. Wider QA&IP may need formalising.
	Needs improvement	Gaps in the methodology with a combination of Non-conformances and Partial Conformances to the IIA Standards.	Some connections to the organisation's objectives and risks but IA engagements are mainly cyclical and prone to change at management request.	The need to coordinate assurance is recognised but progress is slow. Some informal coordination occurs but reviewing reliability may be resisted.	Multiple guides that are slightly out of date and form a consistent and coherent whole. Engagement go beyond deadline and a number are10efered.	QC not consistently embedded across the function. QA is limited / late or does not address root causes.
	Poor	No reference to the IIA Standards with significant levels of non-conformance.	No relationship between IA engagements and the organisation's objectives, risks, and performance. Many audits are ad hoc.	IA performs its role in an isolated way. There is a feeling of audit overload with confusion about what various auditors do.	Lack of a defined methodology with inconsistent results. Reports are usually late with little perceived value.	No evidence of ownership of quality by the IA team.

Note: The maturity level of the function will depend on several factors, including the maturity and the risk appetite of the organisation. Consequently, not all audit functions will aspire to being "Excellent" across the board.

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3.2 Further improvement opportunities

This section of the report details additional feedback and observations which, if addressed, could further strengthen the impact of Veritau. These observations are not conformance points but support Veritau's ongoing development.

These suggestions do not require a response; they will not form part of any subsequent follow up if undertaken.

Opportunity A: Standard 1210 Proficiency

Improvement opportunity	
1	We support the CAE's intention to further develop the function's data analytics and AI capabilities to add additional value and insights.

Opportunity B: Standard 1220 Due Professional Care and 2040 Policies and Procedures

Improvement opportunity	
2	The CAE could consider direct referencing of relevant Standards in specific sections of the Veritau Internal Audit Manual to clearly demonstrate why particular activities, actions and steps are required. This will be more beneficial for new entrants who join the function in the future, but is also useful as a reminder of what internal audit does, and why, to existing team members.

Opportunity C: Standard 1300 Quality Assurance and Improvement Programme

Improvement opportunity	
3	The CAE could document a formal improvement plan that captures and integrates the various methodology, data and other service enhancement actions and initiatives to underpin key priorities and objectives in the Internal Audit Strategy refresh.

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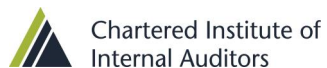
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Opportunity D: Standard 1300 Quality Assurance and Improvement Programme and 1311 Internal Assessments

Improvement opportunity

4	The CAE could revisit the approach and process for soliciting customer feedback to help ensure it maximises added value.
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Opportunity E: Standard 1300 Quality Assurance and Improvement Programme and 1311 Internal Assessments

Improvement opportunity

5	We support the CAE's intention to develop a Balanced Scorecard for the Internal Audit function and revisit the associated KPIs.
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Opportunity F: Standard 2010 Planning

Improvement opportunity

6	The CAE should consider whether a move away from traditional annual planning - at least with some clients - may further enhance agility.
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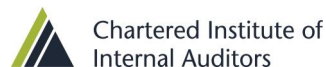
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A1 Global Grading Definitions

We have used the following rating scale in this report:

Generally Conforms (GC)	The reviewer has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.
Partially Conforms (PC)	The reviewer has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.
Does Not Conform (DNC)	The reviewer has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. They may also represent significant opportunities for improvement, including actions by senior management or the board.

Often, the most difficult evaluation is the distinction between general and partial. It is a judgement call keeping in mind the definition of general conformance above. The reviewer must determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices does not reduce a “generally conforms” rating.

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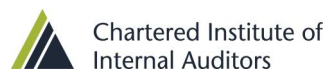
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A2 Stakeholder Interviews and feedback

We interviewed the following individuals as part of the review.

Stakeholders	Title / Position
Tracy Davies	Assurance Manager, Sunderland City Council
Rob Davisworth	Chief Accountant, Redcar and Cleveland Council
Gary Fielding	Section 151 Officer, North Yorkshire Council
Richard Flinton	Chief Executive, North Yorkshire Council
Anton Hodge	Assistant Director - Resources, North Yorkshire Council
Barry Khan	Assistant Chief Executive Legal and Democratic Services, North Yorkshire Council
Cllr Nigel Knapton	Former chair of Hambleton DC audit committee
Cllr Cliff Lunn	Chair of the North Yorkshire Council Audit Committee
Debbie Mitchell	Section 151 Officer, City of York Council
Cllr Carole Morgan	Chair of Governance Committee, Redcar and Cleveland Borough Council
David Portlock	Independent member of North Yorkshire Council Audit Committee and Chair of the Pension Fund Board
Bryn Roberts	Monitoring Officer, City of York Council
Lee Yale-Helms	Director of Finance & Resources, Birmingham Children's Trust
Internal Audit Function	Title / Position
Stuart Cutts	Assistant Director - Audit Assurance
Connor Munro	Assistant Director - Audit Assurance
Richard Smith	Deputy Chief Executive
Max Thomas	Chief Executive

Feedback from stakeholder interviews

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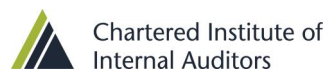
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Working with the business

“The Internal Audit service have delivered some real added value and have helped save a lot of time as we have involved them actively in our recent period of change. They have been great in responding flexibly and delivering helpful advice.”

“The Internal Audit service is well-regarded on the whole.”

“Veritau and their plan is flexible, and topics can be moved around to better meet operational needs.”

“Remote working has gone well, but it would be good to see them more in-person.”

“We have good, effective relations, with a fortnightly catch up, a monthly review of progress against plan and other meetings as, and when required.”

“The wider perspective they bring from working with other organisations is very useful for us.”

“I see just the right amount of balance between support, advice and challenge.”

“They are very professional and have handled the occasional disagreements effectively and well.”

“They are respected by Audit Committee members and listened to.”

“In the pandemic they were very patient with operational areas, and this was highly valued.”

Communication

“Audit Committee reporting is good - Max is a seasoned professional and his team support him well.”

“They could be a little more robust from time to time with the business. I sometimes feel that they been a bit soft.”

“Veritau are very fair and very open – they certainly bring to our attention what they think we will need.”

“Their reports are good, well-structured and clear.”

“How they phrase recommendations can be a bit pessimistic and their reports can be a bit negative in tone sometimes. There can sometimes be a lengthy delay between draft and final, but some of that may be down to us.”

“Veritau are not afraid to say when things are wrong and to highlight the need for improvement.”

“Reports for the Audit Committee are always very detailed and give us good value.”

“Their reporting is just about right, and I have got used to their reports over the years.”

Internal Audit plans and coverage

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“Internal Audit’s plans are absolutely focussed on the key objectives and risks of the Authority.”

“I feel that we are suitably involved in the annual planning process, with one-to-one meetings, conversations with service leads and discussion at Audit Committee. As a result, the plans tend to look at the right things.”

“They involve the Committee in developing the forward plan and definitely seek our input.”

“I do get the assurance that I need from them. They can’t look at everything, so their work is targeted well.”

“I think that I am getting the assurance I need. They do give us good value, respond to requests well, and are looking at the right things.”

“Their work on cyber security and business continuity has added real value.”

“Key stakeholders here have the opportunity to feed into the Internal Audit plan and Veritau are certainly open to suggestions of subjects to audit.”

“They have done some good work with us on assurance mapping, but I am unclear what happens next and how it will integrate into future internal audit planning here.”

Value

“My impression of Max and the team is that they are excellent and strive to add real value.”

“Given their size, they have access to specialists and expertise that is really helpful for us. This is also beneficial as Veritau can bring a richness of experience and wider perspectives from what they have seen with other clients.”

“As a whole, the service is high quality and I’m a very happy stakeholder when it comes to Internal Audit.”

“The service has been excellent, and the clients have all been happy here. They have delivered quality and benefit to us.”

“I have been incredibly impressed with the quality of their anti-fraud work.”

“They demonstrate a real willingness not just to audit us, but to understand the organisation.”

“I am generally very happy with the Internal Audit service, with their leadership and I have absolute trust in them.”

“They support us hugely, are incredibly versatile, and very flexible in focussing on the right things at the right time.”

“They have added value in everything they have looked at so far and have really helped change things away from the traditional internal audit we had before. Their experience of other clients – and their own risk-based approach – are all most welcome.”

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Disclaimer: John Chesshire undertook this review in Quarters Two and Three 2023 on behalf of the Chartered Institute of Internal Auditors. This report provides management, Veritau Group and client Audit Committees with information about Veritau of that date. Future changes in environmental factors and actions taken to address recommendations may have an impact upon the operation of Internal Audit in a manner that this report cannot anticipate.

Considerable professional judgment is involved in evaluating. Accordingly, it should be recognised that others could draw different conclusions. We have not re-performed the work of Internal Audit or aimed to verify their conclusions. This report is provided on the basis that it is for your information only and that it will not be quoted or referred to, in whole or part, without the prior written consent of the Chartered Institute of Internal Auditors.

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