

HEAD OF INTERNAL AUDIT ANNUAL REPORT 2023/24

Date: 22 August 2024

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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 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 2023/24

- 2 Throughout 2023/24 audit work has continued to be prioritised based on risk and the need to provide coverage of the council's framework of governance, risk management and control. This has seen audits drop out of the work programme and others added as risks and priorities have changed and as our understanding of key systems of internal control has developed.
- 3 We have also continued to promote good governance, provide advice and support, and make recommendations to management to help improve controls. We have met with the Director of Finance, directorate management teams and other officers on a regular basis to help identify and address governance issues and concerns, and to ensure audit work has remained targeted towards key areas. We also regularly attend Risk Management Group in order to keep abreast of emerging issues and monitor progress against previously agreed audit actions.
- 4 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular progress reports.
- 5 A summary of internal audit work undertaken during the year and relevant to the opinion is contained in annex A. This annex also shows other work undertaken by the internal audit team to support the council during 2023/24.
- 6 At the time of writing, five audits have been finalised since the previous report to this committee. A further three audit reports have been issued to the responsible officers but remain in draft. We expect these audits to be finalised over the next 3-4 weeks and reported to the October committee along with the other ongoing work.

- 7 Annex B provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 8 Annex C provides an explanation of our assurance levels and priorities for management action.

FOLLOW UP OF AGREED ACTIONS

- 9 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. As a result of this work we are generally satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits. A summary of the current status of follow up activity is included at annex D.
- 10 The summary of work undertaken now includes details of any priority 1 or 2 actions where they have been outstanding for more than three months (this was previously six months). This is to provide further information to the committee where implementation dates have slipped. At this stage there are no actions outstanding for more than 3 months apart from the historic actions relating to the Transporter Bridge.

PROFESSIONAL STANDARDS

- 11 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)
- 12 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment of Veritau's internal audit working practices was undertaken between June and August 2023 by John Chesshire,

an approved reviewer for the Chartered Institute of Internal Auditors (the UK and Ireland's local chapter)¹.

- 13 The assessment involved a full independent validation of Veritau's own self-assessment of conformance to the PSIAS, as well as to the wider International Professional Practices Framework which governs the performance of internal auditing globally. The report concluded that Veritau's internal audit activity generally conforms to the PSIAS² and, overall, the findings were very positive.
- 14 The feedback included comments that the internal audit service was highly valued by its clients. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning and the way in which we engage flexibly with our clients throughout the internal audit process, at the strategic and operational levels.
- 15 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 annex E.
- 16 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 Audit Committee. No changes are proposed at this time.
- 17 The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework. New IIA professional standards were published in January 2024 and will apply from 9 January 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) is currently reviewing the implications for the PSIAS. Any subsequent changes to the UK's PSIAS will be subject to consultation and will apply from 1 April 2025.



OPINION OF THE HEAD OF INTERNAL AUDIT

- 18 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 **Reasonable Assurance**.
- 19 We gave a Limited Assurance opinion in both 2021/22 and 2022/23. We also 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.

¹ Reported to the Audit Committee in December 2023.

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

- 20 Our improved opinion this year acknowledges the progress that the Council has made to address these previously identified issues. We have seen improvements in areas such as regeneration project governance.
- 21 We also recognise that the Council has made good progress to improve its governance and control arrangements following the issue by the government of Best Value notices in January 2023 and January 2024. The Council is currently implementing an improvement plan to address these issues and has reported regular progress on this to the committee.
- 22 Whilst we are satisfied that improvements have been made to address wider corporate issues, we have continued to identify areas of significant control weakness during the course of our work, and these are documented below.
- 23 In particular, our audit work in relation to Children's Services has highlighted weaknesses in relation to commissioning, purchasing cards and the use of agency staff. The weaknesses in relation to purchasing cards were also replicated across other directorates of the Council.
- 24 The audit of children's commissioning and contract management was undertaken during 2022/23 and reported to the committee in October 2023. It found weaknesses in relation to identifying suitable providers, forward planning, networking and engagement and information retention. A number of actions were agreed with management, and these have now all been implemented.
- 25 In December 2023, we reported to the committee on our work in relation to purchasing cards within Children's Services. This reviewed transactions between April 2022 and August 2023 and highlighted a number of issues relating to non-recording of VAT, reviewing and approving purchasing card spend, reviews of spend and dis-aggregating transactions to avoid approval limits.
- 26 We have agreed actions with management, and these have now been implemented. We are currently undertaking some follow-up work to determine whether the actions have had the desired effect. We hope to report our findings to the October meeting of this committee.
- 27 A third audit in Children's Services in relation to agency staff is currently at draft report stage. This has identified a number of issues relating to policies and procedures, authorisation of recruitment of agency staff, pre-employment checks and authorisation of timesheets. The findings are largely agreed with management, and we hope to report fully in our next progress report in October.
- 28 In addition to the work above, we reported to the committee in March 2024 on our review of the acquisition of the former Crown public house in February 2023. The review highlighted a number of issues including some relating to the organisational culture which existed at the time of the acquisition.

- 29 Given the results of our audit work during the year, it is clear that there is still work for the Council to do to ensure there is a consistently sound framework of governance, risk management and control in place. We will be undertaking follow-up work of previously identified issues during 2024/25.
- 30 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.

ANNEX A: INTERNAL AUDIT WORK IN 2023/24

Final reports issued

Audit	Reported to Committee	Opinion
Supplier relief	July 2023	No Opinion Given
Middlesbrough Development Company	August 2023	No Opinion Given
Children's commissioning & contract management	October 2023	Limited Assurance
Disabled Facilities grant	October 2023	Substantial Assurance
Schools themed audit – SFVS	October 2023	Reasonable Assurance
Regeneration projects	October 2023	Substantial Assurance
Disaster recovery (IT)	October 2023	Substantial Assurance
Council Tax and NNDR	October 2023	Substantial Assurance
Tees Community Equipment Service	December 2023	No opinion given
Homecare	December 2023	Reasonable Assurance
Procurement cards (Children's Services)	December 2023	Limited Assurance
Selective landlord licensing	December 2023	Substantial Assurance
IT applications – Liquid Logic	March 2024	Substantial Assurance
IT applications – iTrent	March 2024	Substantial Assurance
Acquisition of the former Crown public house	March 2024	No opinion given
Debtors	March 2024	Substantial Assurance
Public health governance	July 2024	Reasonable Assurance
Main accounting	July 2024	Substantial Assurance
Benefits and Council Tax Support	July 2024	Substantial Assurance
Health and safety	July 2024	Substantial Assurance
Creditors	July 2024	Substantial Assurance

Audits in progress

Audit	Status
Agency staff (Children's Services)	Draft report issued
Schools themed audit (business continuity)	Draft report issued
Teesside Pension Fund – administration	Draft report issued
Direct payments	Fieldwork complete
Use of residential care	Fieldwork complete
Early years funding	Fieldwork complete
Treasury management	Ongoing
Procurement	Ongoing
VAT accounting	Ongoing
Information governance	Ongoing
Continuing healthcare	Ongoing
Commercial property income	Ongoing
Procurement cards (follow-up)	Ongoing

Other work completed in 2023/24

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

- ▲ A review of grant claims including Family Life and Hubs, Changing Places Fund and Children's Services Practice Improvement.
- ▲ A review of returns completed by the Council for the Supporting Families scheme.
- ▲ A review of the effectiveness of arrangements in place to manage subcontractor systems and controls in relation to Middlesbrough Council's Community Learning Service (MCLS).
- ▲ Support and advice on improvements to processes in the Teesside Pension Fund.
- ▲ A Homes England compliance audit on the Council's Affordable Housing Programme.
- ▲ Analysis on procurement card use across the Council following the audit carried out in Children's Services.

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

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
Public health governance	Reasonable Assurance	Appropriateness of the governance framework, identification of issues, monitoring of risk, finance and performance.	8 March 2024	<p>Key actions agreed to address governance issues have not been fully implemented.</p> <p>The Inter Authority Agreement (IAA) (with Redcar and Cleveland Council) has not been reviewed as required.</p> <p>The Governance Board has not met as required.</p> <p>The risk register does not contain the necessary detail.</p>	<p>A governance framework will be completed including reporting, a complete risk register, performance framework and workforce development plan.</p> <p>The IAA will be fully updated.</p> <p>Governance updates including an annual progress report will be taken to the South Tees Health Scrutiny Committee.</p> <p>Risk registers will be updated.</p>

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed
Main accounting	Substantial Assurance	Control and suspense accounts, bank reconciliations, journals, budget monitoring.	25 March 2024	Procedures and controls are working well.	No significant actions agreed.
Benefits and Council Tax Support (CTS)	Substantial Assurance	Uptake of CTS, benefit fraud reporting, historic debt.	28 March 2024	Procedures and controls are working well.	No significant actions agreed.
Health and safety	Substantial Assurance	Premises risk assessments, control measures, incident reporting.	2 April 2024	Procedures and controls are working well.	No significant actions agreed.
Creditors	Substantial Assurance	Ordering of goods and services, supplier details, duplicate invoices, performance management.	18 July 2024	Purchase orders are being raised after invoices have been issued.	Data will be presented to LMT with actions agreed to improve compliance.

ANNEX C: AUDIT OPINIONS AND PRIORITIES FOR ACTION

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

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.

ANNEX 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 Audit Committee.

Actions completed

A total of 7 actions have been completed since the last report to this committee. A summary of the priority of these actions are included below.

Actions agreed	
Priority of actions	Number of actions agreed
1	0
2	5
3	2
Total	7

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

Actions Outstanding

A total of 7 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	3	1	0	0	3	0	0	0
2	1	2	0	0	1	0	0	0
3	3	3	1	1	0	0	1	0
Total	7	Total	1	1	4	0	1	0

Of the 7 actions outstanding 7 have had a revised date agreed.

Four P1 or P2 actions have currently been outstanding for more than 3 months. All of these actions relate to the audit of the Transporter Bridge, details of which have been reported previously to this committee. The actions are operational in nature and will not be dealt with until the bridge is brought back into operation, for which there is no agreed date. We have therefore removed the actions from our normal follow up process.

ANNEX 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 our audit management system (previously Sword Audit Manager but now replaced by K10 Vision)
- ▲ 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 and other members of the Internal Audit management team also participate in various professional networks and obtain 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 2024

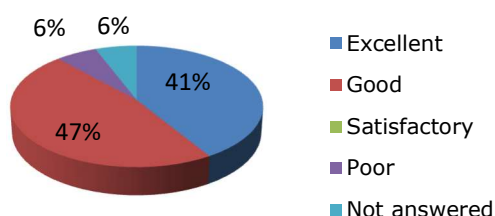
In March 2024 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked

³ As defined by the relevant audit charter.

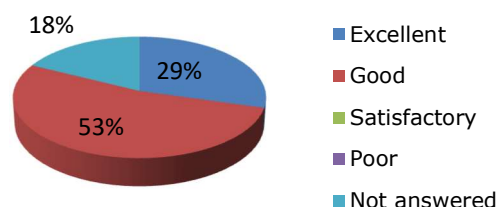
questions about counter fraud and information governance services. A total of 163 surveys (2023 – 176) were issued to senior managers in client organisations. A total of 17 responses were received representing a response rate of 10.4% (2023 – 10.8%). Respondents were asked to rate the different elements 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 6%).

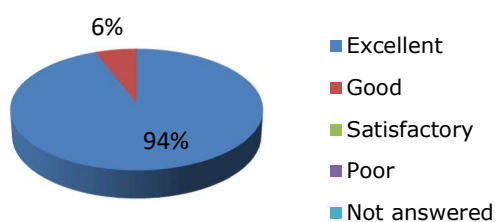
Quality of audit planning / coverage



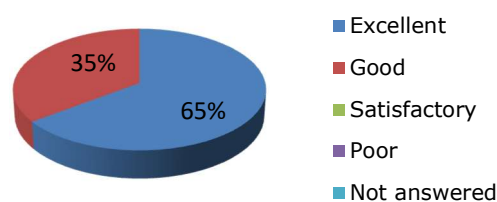
Provision of advice / guidance



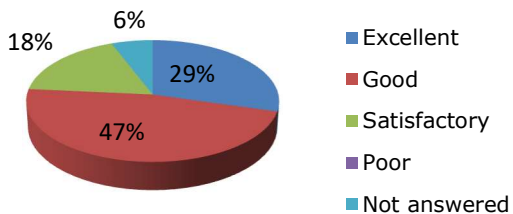
Staff conduct and professionalism



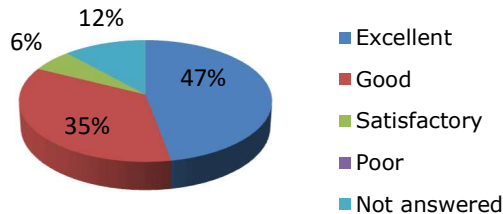
Ability to establish positive rapport



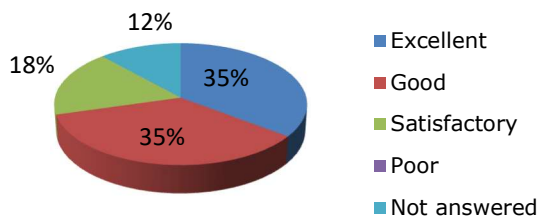
Knowledge of area being audited



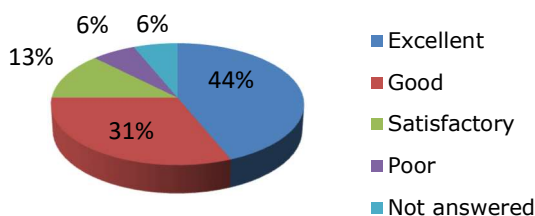
Minimising disruption for area being audited



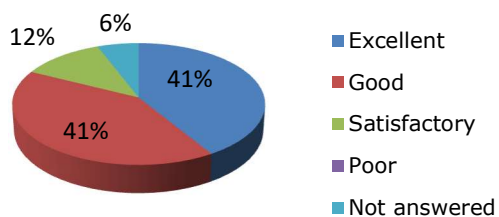
Communication of issues during audit



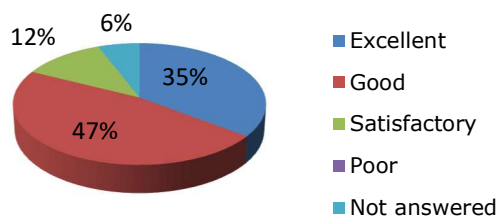
Quality of feedback at end of audit



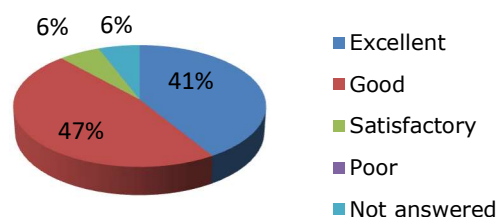
Accuracy / format / length / style of report



Relevance of audit opinions / conclusions



Overall rating for the Internal Audit service



The overall ratings in 2024 were:

	2024		2023	
Excellent	7	44%	13	69%
Good	8	50%	5	26%
Satisfactory	1	6%	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 2024

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist is reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

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 the areas of non-compliance, which remain unchanged from last year.

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

Conformance with Standard	Current Position
	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 may be 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?	The development of assurance mapping and the use of other sources of assurance has been included as an action in the refreshed internal audit strategy (see below). Our approach will be informed by further guidance from CIPFA and the LGA which is expected in 2024. Any use of the methodology will also be dependent on securing 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. The development of new and effective measurement tools is being done as part of the implementation of the refreshed 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's internal audit working practices was undertaken in summer 2023, by John Chesshire, an approved reviewer for the Chartered Institute of Internal Auditors. The report concluded that Veritau internal audit activity 'generally conforms' to the PSIAS⁴ and, overall, the

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

findings of the review were very positive. 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 engage flexibly with our clients throughout the internal audit process, at both strategic and operational levels.

The report concluded that Veritau 'generally conforms' to 59 of the 60 applicable principles. One area for improvement was highlighted relating to assurance mapping. The recommendation and our response are included in the table below:

Recommendation	Response
The Chief Audit Executive (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.

A copy the external assessment report was reported to this committee on 14 December 2023.

5.0 Improvement Action Plan

Overall, the 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 there is a need to continually review and update aspects of the service to ensure it stays up to date and continues to deliver good value.

We refreshed our internal audit strategy during 2023/24. The updated strategy identifies the working practices we will prioritise for development over the next three years, to ensure we:

- ▲ understand our clients' organisation, the environment they operate in and emerging pressures. We need to plan work flexibly to meet changing needs and target areas that are most important for our clients and where we can add the most value.
- ▲ focus on providing support at the right time. Retrospective audits providing commentary after the fact have limited benefit in a fast-changing environment. We should anticipate change, provide advice in advance, and focus on providing ongoing assurance in real time.

- ▲ maximise the benefit of audit work through the use of technology. For example, using data to analyse whole populations or detect emerging issues; develop better information for clients to help them understand and act on outcomes from audit work; and understand and make use of emerging technologies such as artificial intelligence to improve our efficiency.

To achieve these objectives, we will focus on the following key areas:

- ▲ embedding a strategic approach to work programme development and the use of the audit opinion framework
- ▲ Redesigning and modernising our audit working practices (including assignment planning and reporting)
- ▲ further developing our use of data analytics
- ▲ developing our key performance indicators and the measures of added value

Detailed action plans have been prepared to support each area of focus, and a number of these actions have already been completed. For example, our standard audit committee reports have been redesigned, a pilot exercise to test the use of agile audit techniques has been completed and new performance dashboards have been created (for use by auditors, managers and clients). Progress is being tracked each month. The next areas to focus on include taking steps to reduce elapsed time (the time between an audit starting and the final report being agreed) and providing clients with an interface to allow them to update agreed actions themselves.

In addition, we have replaced our existing audit management system with a new system called K10 Vision. The new system has been developed using the latest technology and offers improved functionality for both users and clients.

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.