

HEAD OF INTERNAL AUDIT ANNUAL REPORT 2024/25

21 July 2025

APPENDIX 1

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Assurance



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Background



- 1 The work of internal audit is governed by the Global Internal Audit Standards in the UK Public Sector 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 outcomes from the internal audit service's quality assurance arrangements, including a statement on conformance with professional standards.

Internal audit work carried out in 2024/25



- 2 Throughout 2024/25 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 removed from 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 Assistant Director – Finance and 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.
- 4 The results of completed audit work have been reported to service managers and 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 2024/25.
- 6 At the time of writing, eight audits have been finalised since the previous report to this committee. A further two audit reports have been issued to the responsible officers but remain in draft. Fieldwork is complete in another audit. We expect these audits to be finalised over the next 3-4 weeks.

- 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 details of progress on ongoing audits. This includes when audits were started, the scope of the audit, commentary on progress including any issues that have caused delays and an expected date for the issuing of the final report and a summary to this committee.
- 9 Annex D provides an explanation of our assurance levels and priorities for management action.

Follow up of agreed actions



- 10 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed. Based on follow up work completed 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 E.

Professional standards



- 11 In order to comply with professional standards, the Head of Internal Audit is required to develop and maintain ongoing quality assurance arrangements. The objective of these arrangements is to ensure that working practices continue to conform with the standards. A summary of quality assurance processes and any areas identified for development are reported to the committee each year as part of the annual report. The arrangements consist 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 Public Sector Internal Audit Standards (PSIAS), as well as to the wider International Professional Practices Framework which governed the performance of internal auditing globally at the time the assessment was undertaken. 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 Effective 1 April 2025, the PSIAS were replaced by what are known as the Global Internal Audit Standards in the UK Public Sector. These standards are made up of the Institute of Internal Auditors' Global Internal Audit Standards (GIAS) and the Application Note: Global Internal Audit Standards in the UK Public Sector (the Application Note). The Application Note interprets the GIAS, clarifying how they should be applied in UK public sector organisations.
- 16 In the UK, the body responsible for interpreting the GIAS and setting expectations for the performance of internal audit in the public sector is known as the Internal Audit Standards Advisory Board (IASAB). The IASAB is made up of six Relevant Internal Audit Standard Setters (RIASS) representing central and local government, and the health sector. The RIASS for UK local government is the Chartered Institute of Public Finance and Accountancy (CIPFA). The IASAB developed the Application Note, releasing it in the early part of 2025.
- 17 The Global Internal Audit Standards (from which the Application Note provides its local government interpretations) were launched on 9 January 2024 and became effective on 9 January 2025. Veritau has used a GIAS conformance readiness tool provided by the IIA, alongside the specific public sector interpretations and requirements of the Application Note to prepare for the introduction of the new standards.
- 18 Our overall assessment is that Veritau conforms to the Global Internal Audit Standards in the UK Public Sector. However, we have identified a small number of actions to help strengthen our ability to demonstrate conformance. In addition, we have identified a further set of actions to continuously improve service delivery.

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.

- 19 Details of Veritau's ongoing quality assurance arrangements and the outcomes from our conformance assessment are set out in annex F.
- 20 The internal audit charter sets out how internal audit at the Council will be provided in accordance with professional standards. The charter is reviewed on an annual basis. Updates to the charter have been made to ensure that it meets the requirements of the Global Internal Audit Standards in the UK Public Sector. The Council already has a well-established internal audit service and so very few changes have been made to the charter. Those changes which have been made will have no impact on how the service is delivered. The updated charter is contained in annex 2 of this report.

Opinion of the Head of Internal Audit



- 21 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**.
- 22 The 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. No reliance was placed on the work of other assurance providers in reaching this opinion.
- 23 In giving our opinion, there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Council's annual governance statement.
- 24 However, we are bringing to the attention of the committee the audits of direct payments and domestic abuse. Direct payments was reported to this committee in December 2024 and the details of the domestic abuse audit are contained within this report at annex B.
- 25 Both of these audits received an opinion of Limited Assurance and contained a number of findings rated as Significant. The Council has provided detailed action plans in order to address these issues and whilst the findings are significant for the service and should be addressed as soon as possible we do not believe they indicate wider control issues. We are therefore not recommending them for inclusion in the Council's annual governance statement.

ANNEX A: 2024/25 INTERNAL AUDIT WORK

Final reports issued

Audit	Reported to Committee	Opinion
Public health governance	August 2024	Reasonable Assurance
Main accounting	August 2024	Substantial Assurance
Benefits and Council Tax Support	August 2024	Substantial Assurance
Health and safety	August 2024	Substantial Assurance
Creditors	August 2024	Substantial Assurance
Schools themed audit (business continuity)	October 2024	Reasonable Assurance
Teesside Pension Fund – administration	October 2024	Substantial Assurance
Use of residential care	October 2024	Reasonable Assurance
Continuing healthcare	October 2024	Reasonable Assurance
Early years funding	October 2024	Reasonable Assurance
Direct payments	December 2024	Limited Assurance
Social care transitions	December 2024	Reasonable Assurance
IT asset management	December 2024	Substantial Assurance
Agency staff (Children’s Services)	December 2024	No opinion given
Procurement	March 2025	Reasonable Assurance
Payroll	March 2025	Substantial Assurance
Risk management	March 2025	Substantial Assurance
Information governance	March 2025	Substantial Assurance
Treasury management	July 2025	Substantial Assurance
Teesside Pension Fund – Investments	July 2025	Substantial Assurance
Procurement cards (follow-up)	July 2025	Reasonable Assurance
Commercial property income	July 2025	Reasonable Assurance
Domestic abuse	July 2025	Limited Assurance

Audit	Reported to Committee	Opinion
Server admin (IT)	July 2025	Substantial Assurance
Council Tax and NNDR	July 2025	Substantial Assurance
Members' allowances and declarations of interest	July 2025	Reasonable Assurance

Audits in progress

Audit	Status
VAT accounting	Draft report issued
Homelessness	Draft report issued
Anti-social behaviour management	Fieldwork complete

Other work completed in 2024/25

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

- ▲ Follow up of agreed actions
- ▲ Grant certification work:
 - ▲ Supporting Families
 - ▲ Department for Transport (BSOG)
 - ▲ Tees Valley Combined Authority (LTP, CRSTS)
 - ▲ Middlesbrough Mela
 - ▲ High Street Heritage Action Zone
 - ▲ Department for Education (Children's Services Practice Improvement)
 - ▲ Homes England
 - ▲ Traffic Signals Obsolescence
 - ▲ Museum Estates Development Fund
 - ▲ Libraries Improvement Fund
- ▲ Provision of general support and advice
- ▲ A review of effectiveness in of arrangements in place to manage subcontractor systems and controls in relation to Middlesbrough Council's Community Learning Service (MCLS).

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 (Critical or Significant)
Treasury management	Substantial Assurance	Treasury management strategy, loans and investment decisions, accounting for loans and investments, prudential indicators.	7 th March 2025	No major issues were identified.	None.
Teesside Pension Fund - Investments	Substantial Assurance	Compliance with procedures, risk management.	18 th March 2025	No major issues were identified.	None.
Procurement cards (follow-up)	Reasonable Assurance	Compliance with policy, monitoring of usage and expenditure, VAT management.	7 th April 2025	<p>Non-compliance with the requirement to review and approve purchasing card spend.</p> <p>VAT is not always being recorded or reclaimed.</p>	<p>Further communication via team meetings to ensure compliance.</p> <p>Monthly checks will be undertaken by Head of Service.</p> <p>Heads of Service will use the data dashboard to identify circumstances of this.</p>

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed (Critical or Significant)
				<p>Descriptions of expenditure are not always sufficient and receipts are not always being obtained to support purchases.</p> <p>One cardholder had the ability to review and approve their own spend.</p>	<p>Heads of Service will use the data dashboard to identify circumstances of this.</p> <p>This has now been addressed and rectified.</p>
Commercial property income	Reasonable Assurance	Commercial property strategy, management of the commercial property portfolio, recovery of debts.	25 th April 2025	<p>Tenants continue to occupy properties on old terms and there are delays in negotiating new tenancy agreements.</p> <p>Collection performance of debt was not fully monitored in 2024/25 and there is a high volume of arrears.</p>	<p>All outstanding cases will be reviewed.</p> <p>A fortnightly cross-directorate workshop will be held to identify current and aged debt and agree on appropriate enforcement action.</p> <p>A bad debt provision will be assigned and</p>

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed (Critical or Significant)
					regularly reviewed. Non-recoverable debts will be written off where appropriate.
Domestic abuse	Limited Assurance	Partnership working between ASC and CSC including data quality, roles and responsibilities, management oversight of cases.	19 th May 2025	See further details below.	See further details below.
Server admin (IT)	Substantial Assurance	Accessibility of the data centre, environmental controls, performance of servers, configuration of servers, compliance with manufacturer guidance.	19 th May 2025	No major issues were identified.	None.
Council Tax and NNDR	Substantial Assurance	Monitoring and recovery of debt, write-offs, discounts, reliefs, discounts, disregards.	9 th June 2025	No major issues were identified.	None.
Members' allowances and declarations of interest	Reasonable Assurance	Policies and procedures, establishments of registers, payments for allowances.	24 th June 2025	The Council has received very few officer declarations of interest since 2018.	Guidance will be promoted on the staff intranet and induction materials will be reviewed. Reminders

System/area	Opinion	Area reviewed	Date issued	Comments / Key issues identified	Management actions agreed (Critical or Significant)
					will also be issued to managers.

Additional details of findings (Critical and Significant) and actions for the Domestic Abuse audit

Finding	Priority	Agreed Action	Responsible Officer	Timescale
Recording standards compliance is inconsistent, not fully understood and not referenced when appropriate.	Significant	ASC practice guidance will be revised to include a section relating to domestic abuse.	Head of Safeguarding (ASC)	30 th September 2025
		ASC moving to Tri.x (system that holds practice guidance) and will explore linking to the CSC procedure already using the system.	Head of Safeguarding (CSC)	31 st December 2025
		CSC will review current practice guidance in relation to domestic abuse.	Head of Safeguarding (CSC)	30 th September 2025

Finding	Priority	Agreed Action	Responsible Officer	Timescale
Roles and responsibilities between ASC and CSC within the domestic abuse pathway are not clear and documented, once cases have been identified, screened and allocated.	Significant	The domestic abuse pathway will be updated to include joint and co-existing responsibilities for ASC/CSC.	Head of Safeguarding (CSC) and Head of Safeguarding (ASC)	30 th September 2025
The current way of working does not promote and facilitate a joint working approach between ASC and CSC.	Significant	A joint working protocol will be developed between ASC & CSC to underpin the domestic abuse pathway.	Head of Safeguarding (CSC) and Head of Safeguarding (ASC)	30 th September 2025
Information is not shared effectively between services to support a joint approach, good outcomes for individuals, and to ensure consistent records across LAS and LCS case management systems.	Significant	A joint working protocol will be developed between ASC and CSC to underpin the domestic abuse pathway. This will outline roles and responsibilities including legal responsibilities, locally agreed pathways for specialist support and working across ASC and CSC, management of strategy meetings and attendance at meetings of the South Tees Multi Agency Risk Assessment Conference (MARAC).	Head of Safeguarding (CSC) and Head of Safeguarding (ASC)	30 th September 2025

ANNEX C: SUMMARY OF PROGRESS ON ONGOING AUDITS

Audit	Specification issued	Scope	Details on progress	Target final report date	Target committee date
Anti-social behaviour management <i>Fieldwork complete</i>	19 th November 2024	Policies and procedure, performance monitoring, data analysis, risk management.	Fieldwork was originally due to commence on 9 th December 2024, however this was delayed due to unavailability of key officers and in order to complete the procurement cards audit. We re-commenced fieldwork in April 2025 and expect to issue a draft report shortly.	30 th June 2025	July 2025
Homelessness <i>Draft report issued</i>	20 th December 2024	Management of demand, policies and procedures, monitoring of expenditure.	Fieldwork was originally due to end on 3 March 2025, however due to internal resourcing requirements we had to re-assign the audit work. As a result, fieldwork was completed on 12 May 2025 and a draft report has now been issued.	30 th June 2025	July 2025
VAT accounting <i>Draft report issued</i>	10 th March 2025	Roles and responsibilities, reconciliations, journals, charging of VAT, partial exemption arrangements.	The audit was originally started in 2024. However, we put fieldwork on hold due to an external review by HMRC. The audit is now at draft report stage.	30 th June 2025	July 2025

ANNEX D: ASSURANCE AUDIT OPINIONS AND FINDING PRIORITIES

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 four 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.

Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

ANNEX E: 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 21 actions have been completed since the last update provided to this committee in March 2025.

Actions agreed	
Priority of actions	Number of actions agreed
Critical	5
Significant	7
Moderate	9
Opportunity	0
Total	21

Actions agreed by directorate								
Priority of actions	Adult Social Care	Children's Services	Environment and Community	Finance	Legal and Governance	Regeneration		
Critical	3	0	2	0	0	0		
Significant	0	2	0	2	3	0		
Moderate	0	3	1	1	4	0		
Opportunity	0	0	0	0	0	0		
Total	3	5	3	3	7	0		

Actions Outstanding

A total of 20 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
Critical	1	Critical	1	0	0	0	0	0
Significant	11	Significant	0	0	1	4	2	4
Moderate	7	Moderate	0	0	0	1	6	0
Opportunity	1	Opportunity	1	0	0	0	0	0
Total	20	Total	2	0	1	5	8	4

Of the 20 actions outstanding, 5 have had a revised date agreed and the remaining 15 are currently being followed up. (however 12 were due at the end of June 2025).

Actions outstanding for more than 3 months (Critical or Significant)

One Critical or Significant action has currently been outstanding for more than 3 months. These actions are detailed below along with the reason for the delay.

Audit	Priority	Original Date	Revised Date	Finding / Action	Reason for Delay
Burials	Significant	30/06/23	TBC	A Bereavement Services framework will be produced to include a strategy setting the direction for change and an action plan setting out how that change will be delivered	A draft strategy has now been produced and the service intends to finalise it shortly.

ANNEX F: INTERNAL AUDIT QUALITY ASSURANCE AND DEVELOPMENT ARRANGEMENTS

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. From April 2025 those standards are the Global Internal Audit Standards in the UK Public Sector. Quality assurance arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to a 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 operational 121 meetings for all auditors, to review progress with audit engagements, and formal 121s that include discussion of overall performance
- ▲ 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 in a structured format using our audit management system – 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. This includes surveys targeted at senior officers and chairs of audit committees. The Head of Internal Audit also undertakes an annual self-assessment against internal audit standards. A hybrid approach to self-assessment has been taken this year, as a result of the change in the internal audit standards regime from April 2025. Further information about this year's approach is set out below. As part of ongoing performance management arrangements, managers and auditors assess current skills and knowledge against the competency profiles for internal audit roles. 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 annual client surveys, self-assessment against the standards, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development or improvement. Actions required are reflected in Veritau business plans, the Veritau internal audit strategy, and individual personal development plans as appropriate. Any specific changes needed to address conformance with professional standards are reported to the Audit Committee as part of the annual report of the Head of Internal Audit. The report also summarises other development activity planned to enhance the delivery of the service. Information gathered for quality assurance and development purposes is also used to evaluate overall conformance with internal audit standards.

External assessment

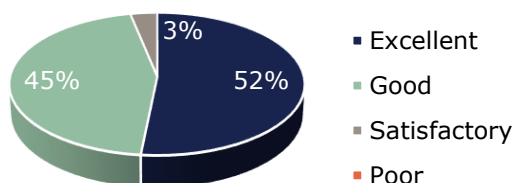
At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client. Any specific areas identified as requiring further development and/or improvement will be incorporated into current development plans.

2.0 Customer satisfaction survey 2025

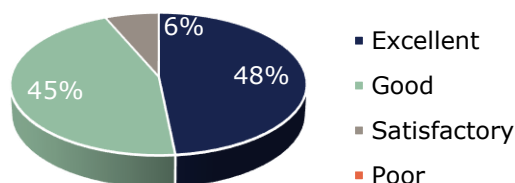
In March 2025 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau during the preceding year. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 188 surveys (2024 – 173) were issued to senior managers in client organisations. A total of 32 responses were received representing a response rate of 17% (2024 – 10%). 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 relatively low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 3%).

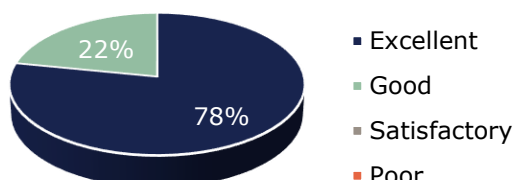
Quality of audit planning / coverage



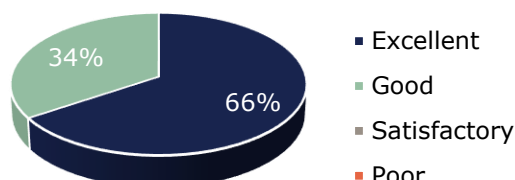
Provision of advice / guidance



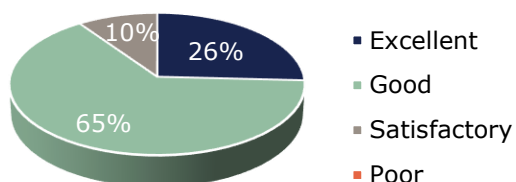
Staff conduct & professionalism



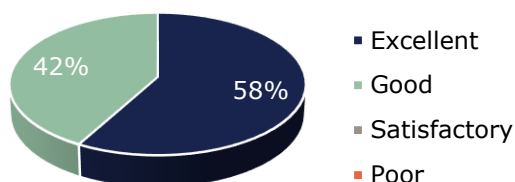
Ability to establish positive rapport



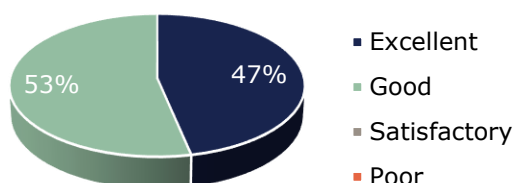
Knowledge of area being audited



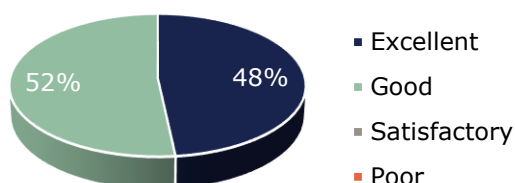
Minimising disruption for area being audited



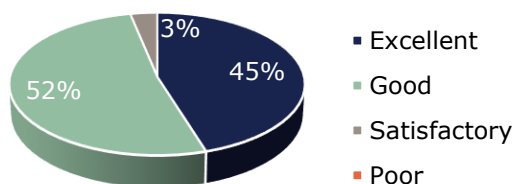
Communication of issues during audit



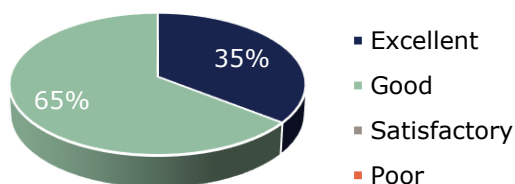
Quality of feedback at end of audit



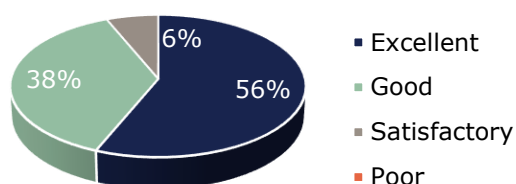
Accuracy / format / length / style of report



Relevance of audit opinions & conclusions



Overall rating for the Internal Audit service



The overall ratings in 2025 were:

	2025		2024	
Excellent	18	56%	7	44%
Good	12	38%	8	50%
Satisfactory	2	6%	1	6%
Poor	0	0%	0	0%

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

3.0 Self-assessment against audit standards 2025

The Accounts and Audit Regulations 2015 require internal auditors working in local government to take into account public sector internal auditing standards or guidance. Up to 31 March 2025, the relevant standards were the Public Sector Internal Audit Standards (PSIAS). CIPFA (who are responsible for setting internal audit standards for local government) have adopted new standards that apply from 1 April 2025. These are the Global Internal Audit Standards in the UK Public Sector – or GIAS (UK Public Sector)³. Internal auditors working in local government are expected to apply the new standards from April 2025.

In previous years Veritau has used a checklist published by CIPFA to assess conformance with the PSIAS. This is no longer appropriate following the change in standards. However, no equivalent checklist for assessment against the new standards has yet been published. For the self-assessment undertaken in April 2025, we have used documentation published by the Institute of Internal Auditors to prepare for the introduction of the new standards. This highlights areas of the GIAS that are changing and where updates to current arrangements may need to be made. We have also considered any changes required by the introduction of the new Application Note. We intend to undertake a further full

³ The GIAS (UK Public Sector) comprises the Institute of Internal Auditors' Global Internal Audit Standards (GIAS) and the Internal Audit Standards Advisory Board's Application Note: Global Internal Audit Standards in the UK Public Sector (referred to as the Application Note). The Application Note interprets the GIAS for the UK public sector.

assessment against the new standards later in 2025/26, once further guidance on assessing conformance is available.

The self-assessment has identified two actions required to address areas of partial conformance with the standards. These were:

- ▲ To update current internal audit charters to address various requirements of the new standards. For example, the need to set out the internal audit mandate and to clarify the roles of senior managers and the Audit Committee in championing the role of internal audit.
- ▲ To introduce a new survey of chairs of audit committees (or equivalent) to address requirements for the committees to provide input on internal audit performance.

A new charter has been prepared and is included as part of the agenda for the current committee, for approval.

We received and reviewed the results from the survey of chairs of audit committees in late May 2025. A 50% response rate was achieved and Veritau received ratings of either excellent or good for all nine questions asked. Responses were particularly complimentary about Veritau's professionalism, timeliness of responses, the coverage of our work, and the relevance of our annual opinions. No specific development and improvement actions have been identified from the survey. However, we will continue to run it annually.

The self-assessment has highlighted a number of other actions that are not required to comply with the standards – but which will help to improve the service. These will be taken forward as part of our existing internal audit strategy. Further information on development activity is included below.

4.0 External Assessment

As noted above, the PSIAS required 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. This requirement continues under the GIAS (UK Public Sector). 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 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

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

our clients throughout the internal audit process, at both strategic and operational levels.

The outcomes from the external assessment were reported to this committee on 8 November 2023. The assessment was based on the PSIAS. Many of the requirements under the new standards are the same or similar, and we can therefore continue to place reliance on the previous report. However, a further external assessment against the new standards will need to be carried out in the next three years.

5.0 Development plans

Overall, the internal audit services provided by Veritau continue to meet the requirements of professional 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 our service to ensure it stays up to date and continues to deliver good value.

We first introduced an internal audit strategy in 2021. The strategy identified priorities for developing the service and actions to deliver continuous improvement. As a result of that we have changed many aspects of the service in the last four years. Key successes include:

- ▲ audit planning – we have become better at defining the areas we need to focus on (including council specific risks and objectives) and we've introduced new arrangements for capturing and assessing information on the Council's operations
- ▲ work planning – introducing flexible arrangements that help us focus upcoming audits on areas that are most important and allow us to change course quickly when priorities change
- ▲ reporting – ensuring that key information is available to clients to understand audit priorities and outcomes
- ▲ implementation of a new audit management system (K10) – the new system uses the latest technology, offers improved functionality, and is supporting development activity across a range of areas.

We have also tried a few things which did not deliver the expected outcomes. However, we have used the experience gained to improve core audit activities and ways of working.

The latest strategy (2025 to 2027) was adopted in January 2025. It sets out areas we are prioritising for development over the next three years. These include the following:

- ▲ focussing on the development of high value assurance techniques and expertise. For example, the use of data analytics to provide increased understanding of clients' operations and the use of artificial intelligence tools to increase efficiency and insights. Developing our knowledge of opportunities

and risks associated with AI will also help us to support client adoption of new technologies.

- ▲ further development of systems for planning, prioritising and reporting audit work to ensure work is targeted to the areas of highest importance for our clients, our internal processes are as efficient as they can be, and the clarity and usefulness of reports is maximised.
- ▲ use of the new K10 audit system to improve functionality for the delivery of audit work and the production of management information. We want to use the system to streamline follow up activity, and further develop internal management processes. This will help us to better understand and manage audit workflows, improve service delivery, and inform performance management arrangements.

To achieve these priorities, we have focused actions in 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

Quality assurance group

The internal audit quality assurance group has recently reported on their 2024/25 activities. They were aiming to assess how well core audit practices had been adopted and applied using the new K10 system by looking at a sample of completed audit files. They found that overall, core working practices had translated well to the new system. Strengths included the following:

- ▲ the completeness of files and file review processes – information expected to be on file was included and files had been signed off by relevant supervisors.
- ▲ good documentation of engagement with officers when planning individual audits and agreement of the scope and objectives of work.
- ▲ good use of new system functionality to record the systems audited and linked to this, the tests to be undertaken.
- ▲ assignment of the priorities to issues found and overall opinions were in line with expectations, and key findings were well documented.

A few areas requiring improvement were found. These included:

- ▲ the need to better document the analysis and conclusions reached during the planning stage of each audit, and discussions with clients at the end of each audit
- ▲ improvements needed to cross referencing documents within the system between related pieces of work – this may require a review of current system set up and training

- ▲ a need to better document conclusions directly within K10, to increase the efficiency of report generation from the system.

These issues have been flagged for further action through system development, whole team training and feedback to individual auditors where required.

Improvement actions identified during self-assessment

As noted above, we have identified a number of areas for improvement while undertaking the annual self-assessment. These do not represent non-conformance with standards but will help us to improve the service. Continuous improvement actions identified included the following:

- ▲ review existing auditor competency profiles to ensure adequate coverage of the auditor competencies identified in the GIAS
- ▲ strengthen the analysis of outcomes from routine training delivered, to ensure it met objectives and any further action or training required was identified
- ▲ undertake additional training for auditors on professional scepticism
- ▲ ensure routine training delivered clearly highlights links to the relevant professional standards being covered
- ▲ review coverage of value for money considerations in the audit manual, and ensure adequate coverage in routine training
- ▲ review the presentation of annual conclusions to assess whether different approaches could present clearer insights

These actions will be integrated into the internal audit strategy action plan.

6.0 Overall conformance with standards

Based on the overall outcomes from quality assurance and development planning arrangements, the Head of Internal Audit considers that the internal audit service conforms to Global Internal Audit Standards in the UK Public Sector.