

RYEDALE
DISTRICT
COUNCIL



Ryedale District Council
Internal Audit Annual Report
2018/19

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Circulation List: Members of the Overview and Scrutiny Committee
Section 151 Officer

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Assurance Services for
the Public Sector

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015, relevant professional standards and the Council's Internal Audit Charter. The applicable standards for local government are the Public Sector Internal Audit Standards (PSIAS). These comply with the international standards issued by the global Institute of Internal Auditors (IIA).
- 2 In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

Internal audit carried out in 2018/19

- 3 During 2018/19, internal audit work was carried out across the full range of the council's activities. The main areas of internal audit activity included:
 - **Strategic risk register** – reviewing key risk areas as highlighted by the council's risk register.
 - **Financial systems** – Work in this area provides assurance to the council on the adequacy and effectiveness of financial system controls. This work helps to provides assurance to the Authority the risk of financial loss is minimised.
 - **Operational Systems** – providing assurance on operational systems and processes which support service delivery.
 - **Projects** – helping to support the Council improve corporate arrangements, for example on Risk Management. Time has also been used to help update our knowledge of Council working practices in areas such as Health and Safety and Democratic Services and Scrutiny.

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Overview and Scrutiny Committee.

- **General Advice and Support** – We provide regular advice and support to officers on a range of specific business and internal control issues. This work helps to provide ‘real time’ feedback on areas of importance to the Council.
 - **Follow up of previous findings** - it is important that agreed actions are followed up to ensure that they have been implemented. Veritau follow up agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. There are some actions from previous audits which have passed the initial target date for completion. Some of this work was completed in 2017 and relates to areas for improvement now being taken forward as part of the wider proposed organisational developments. There are no significant weaknesses to highlight to members.
- 4 Appendix 1 provides a summary of the audit work carried out in the year, and the opinions given for each completed audit. Work has been reported to this committee during the course of the year as part of regular monitoring reports. Details of work not previously reported to the committee are included in Appendix 2. The opinions and priority rankings used by Veritau are detailed in Appendix 3.

Compliance with Professional Standards

- 5 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. As well as undertaking an annual survey of senior management in each client organisation and completing a detailed self-assessment to evaluate performance against the Standards, the service is also subject to a periodic external assessment. As previously report to the Committee, an external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. The assessment concluded that Veritau internal audit activity generally conforms to the PSIAS³ and, overall, the findings were very positive.
- 6 The outcome of the QAIP demonstrates that the service conforms to International Standards for the Professional Practice of Internal Auditing. Further details of the QAIP and an Improvement Action Plan prepared by Veritau are given in Appendix 4.

³ PSIAS guidance suggests a scale of three ratings, ‘generally conforms, ‘partially conforms’ and ‘does not conform’. ‘Generally conforms’ is the top rating.

2018/19 Audit Opinion and Assurance Statement

- 7 The overall opinion of the Head of Internal Audit on the governance, risk management, and control framework operating in the council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching this opinion. In giving this opinion Members attention is drawn to the following significant control issues which were identified during the year and considered for possible inclusion in the 2018/19 Annual Governance Statement:

- **Internal Financial controls**

Further improvements are still required on some of the Council's key financial controls. Recent internal audit work covering Bank Reconciliations, Payroll and Creditors has identified some key controls have not been operating effectively. The consolidated bank reconciliation had not been fully reconciled during 2018/19 and the reconciliations had not been subject to review or authorisation. On the payroll system, controls in a number of areas need introducing and/or embedding following the transfer to new arrangements in August 2018. Areas for improvement were also highlighted in the operation of Council procedures for changing supplier bank details.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

24 July 2019

Appendix 1

Area	Status	Assurance Level	Audit Committee
Strategic Risk Register Audits			
Data Quality	Cancelled	-	-
HR Performance Management and Training	Cancelled	-	-
Health and Safety	Cancelled	-	-
Data Protection and Security – visit 1	Final report	Substantial Assurance	January 2019
Data Protection and Security – visit 2	Final report	Substantial Assurance	July 2019
Fundamental/Material Systems Audits			
Payroll and Personnel	Draft report	Not Applicable	-
Creditors	Final report	Reasonable Assurance	July 2019
General Ledger	Final report	Reasonable Assurance	July 2019
Revenue Budgeting	Final report	Limited Assurance	April 2019
Treasury Management	Final report	Substantial Assurance	July 2019
Operational / Regularity Audits			
Information Technology Access Controls	Final report	Reasonable Assurance	July 2019
Contract Management	Cancelled	-	-
Transparency Code	Final report	Limited Assurance	July 2019
Community Infra Structure Levy	Final report	Reasonable Assurance	January 2019
Development Management	Final report	Substantial Assurance	January 2019
Licensing	Final report	Reasonable Assurance	April 2019
Safeguarding	Draft report	-	-
Projects / other work			
Internal control and s151 responsibilities	completed		
Risk Management support and development	completed		
Corporate arrangements 'Health-check' reviews and LGA follow up	completed		
NYCC Collaboration	completed		
Follow ups	completed		

Summary of Key Issues from audits completed not previously reported to Committee

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
Data Protection and Security – visit 2	Substantial Assurance	<p>The Council holds and processes large amounts of personal and sensitive data. Senior management recognise there are information governance risks with holding this information and appropriate practices need to be followed.</p> <p>We performed an unannounced visit and review of Ryedale House on 27 March 2019.</p>	April 2019	<p>Strengths Key safes continue to be used. The clear desk policy was being followed in most cases. A number of doors were found to be locked preventing access to areas of Ryedale House.</p> <p>Although the vacant area at the far end of the first floor has not yet been cleared, the volume of paperwork still present labelled as awaiting scanning has significantly reduced. We did not find any information of a sensitive nature in this area.</p> <p>Overall compliance with council policies and security arrangements was good. Only two specific areas of non compliance were seen.</p> <p>Areas for Improvement There was an instance where a desk had been cleared but sensitive information was left in drawers. Whilst the drawer pedestal was locked, the key for the pedestal was accessible. Also in the Post Room some of the post trays for service units contained sensitive documents.</p>	<p>The findings of this report were shared with the Leadership Team. Individual managers were asked to address its findings with their teams.</p> <p>Further unannounced visits are planned by Internal Audit for 2019/20.</p>
Creditors	Reasonable Assurance	<p>Creditor payments system procedures and controls were reviewed to ensure:</p> <ul style="list-style-type: none"> sufficient checks were in place to prevent duplicate payments being made 	May 2019	<p>Strengths All invoices tested were accompanied by a purchase order form which was authorised by someone with the appropriate delegated authority.</p>	<p>Management were to re-enforce and ensure procedures for changes to bank account details were followed on each occasion.</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
		<ul style="list-style-type: none"> • processes and policies verified changes to bank account details of suppliers • purchase orders were raised prior to payment, goods received notes were completed in a timely manner and purchase orders were appropriately authorised. 		<p>Areas for improvement One duplicate payment of £224 was made due to human error despite having been picked up on the potential duplicate payments report produced for Business & Democracy.</p> <p>Areas for improvement were highlighted in the operation of Council procedures for changing supplier bank details.</p> <p>Some invoices tested had not paid within 30 days. In each case the delay was caused by the goods not being receipted at the time they were received.</p>	<p>Changes will be verified to an independent source and recorded. These actions were due to be completed by the end of May 2019.</p> <p>Officers were to remind staff of receipting goods in a timely manner. The receipting of goods is planned to be included in refresher training on purchasing planned to be held in September 2019.</p>
General Ledger	Reasonable Assurance	<p>A review of general ledger procedures and controls to ensure that:</p> <ul style="list-style-type: none"> • access to the Civica Financials system is restricted to appropriate officers • responsibilities for journal processing are clear and appropriately controlled • bank reconciliations are undertaken regularly and appropriately authorised. 	June 2019	<p>Strengths Line managers request access to Civica Financials for their staff and these requests are processed by a systems administrator. Access procedures are in place.</p> <p>The Civica Financials system is configured with an audit trail to show who has entered journals and which officer has authorised them.</p> <p>The drawings bank account has been reconciled at least monthly throughout the year. These reconciliations have been authorised by the Democratic and Financial Services Manager.</p> <p>Areas for improvement Four staff had 'Full Access' to the general ledger. One had been allocated this access in error which at the time of the audit was corrected by the systems administrator. The other 3 users (s151 Officer, the Head of Finance, Technical and Pensions at NYCC and a Strategic Director at NYCC) all have an authorisation limit of £10 million. Full access to the GL would allow these</p>	<p>Management are to review the 'Full access to the General Ledger' option, removing access where no longer required and allowing access as appropriate.</p> <p>Procedures for both the authorisation of recoding journals and the arrangements for the completion of the bank reconciliations will also be reviewed.</p> <p>Management plan for all findings to have been addressed by the end of September 2019.</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
				<p>officers to post journals up to £10 million without being independently authorised.</p> <p>Currently recoding journals (to move money from one code to another within the ledger) do not require authorisation. Following a recent high-profile fraud in local government (in which the review that followed specifically cited a lack of review of journal amendments) we felt consideration should be given to strengthening the Council's control over its own use of recode journals.</p> <p>The consolidated bank reconciliation has not balanced during 2018/19. At the time of the audit there was an unresolved difference of £276 at the year end. The consolidated bank reconciliation was also not being reviewed, checked or authorised.</p>	
Treasury Management	Substantial Assurance	<p>A review of treasury management procedures to ensure:</p> <ul style="list-style-type: none"> • an appropriate treasury management strategy was in place • decisions about investments are reasonable, appropriately authorised and documented • all investments are accurately accounted for. 	July 2019	<p>Strengths</p> <p>A Treasury Management Strategy (TMS), approved by Members, is in place. A mid-year progress report and end of year out-turn was reported to Members.</p> <p>Appropriate investments and limits on their size and duration were clearly defined. An annual cash flow model is maintained to inform investment decisions.</p> <p>Investments are placed with approved institutions, in accordance with defined amount & duration limits and have been appropriately authorised.</p> <p>The placement and repayment of investments was correctly recorded in the general ledger. Periodic investment reconciliations are carried out.</p>	<p>Officers are to review:</p> <ul style="list-style-type: none"> • Ryedale procedures and schedules and make any updates that are required • the forward plan to ensure Treasury Management reports are included in the relevant reporting cycles <p>This work is planned to be completed before the end of 2019.</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
				<p>Areas for improvement</p> <p>The Treasury Management Strategy (TMS) does not have Ryedale-specific treasury management practices or related schedules documented.</p> <p>The Policy and Resources Committee has not been presented with any reports detailing treasury management activity (as required by the constitution and scheme of delegation) since the start of 2017.</p> <p>There was no supervisory check on the periodic investment reconciliations that are carried out.</p>	
Information Technology Access Controls	Reasonable Assurance	<p>A review of information technology procedures and controls to ensure that:</p> <ul style="list-style-type: none"> • access to the council's network and applications is restricted to authorised users and access levels are appropriate to the user's role • logical access arrangements prevent unauthorised access to the council's network and applications • the council's applications are kept secure and up to date through regular and timely patching. 	June 2019	<p>Strengths</p> <p>A software policy is in place that outlines how changes to applications should be made, authorised and recorded.</p> <p>The corporate IT access policy sets out suitably complex password requirements and the settings of the corporate network are in line with these requirements. In the majority of instances these were being followed.</p> <p>Requests for access to individual systems are authorised and recorded appropriately.</p> <p>Areas for improvement</p> <p>We saw some inconsistent application of the process for authorising and retaining evidence of authorisation for corporate network users.</p> <p>The software policy and software change process were incomplete. The change process does not ensure adequate segregation of duties and contingency arrangements should a</p>	<p>The Network User Request Form will be completed and retained for all Council and third party network users.</p> <p>The software policy will be reviewed and updated. All policies will have version control added.</p> <p>The system password settings have been updated to comply with the corporate IT access policy.</p> <p>System administration privileges will be reviewed.</p> <p>Processes for obtaining information on leavers from North Yorkshire County Council's (NYCC) and Scarborough Borough</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
				<p>change fail.</p> <p>The corporate IT access policy, software policy and the other IT security policies have no version control, so it is not clear if they are up to date and/or have been reviewed and appropriately authorised.</p> <p>One internal system password setting does not comply with the corporate policy. Two Council systems had a higher number of users with administrator privileges.</p> <p>There is not a suitable procedure in place for receiving notifications from HR about leavers so that access rights may be removed from those who have left.</p>	<p>Council's Human Resources teams will be agreed, documented and implemented.</p>
Transparency Code	Limited Assurance	<p>A review of compliance with the Local Government Transparency Code 2015 (LGTC2015) and the procedures in place for publishing information to assess the extent to which:</p> <ul style="list-style-type: none"> • roles and responsibilities for each relevant area have been assigned • the data requirements specified by the Transparency Code are being complied with; • relevant data is published on a timely basis, as per the timeframes specified in the Transparency Code. 	May 2019	<p>Strengths</p> <p>Ryedale's public website has an "Open Data" section. Further data may be found on the Data North Yorkshire and data.gov.uk websites.</p> <p>Four of the 15 sets of data covered by the Local Government Transparency Code 2015 (LGTC 2015) were correctly published in accordance with the guidance.</p> <p>Areas for improvement</p> <p>There is no-one within the Council with overall responsibility for ensuring the Council complies with LGTC 2015.</p> <p>Details published for 11 of the 15 datasets required by LGTC 2015 fall below the expected requirements in some way; for example the data published is inadequate and/or publication is not sufficiently timely.</p>	<p>Management have agreed a comprehensive action plan to ensure all of these findings are fully addressed by the end of July 2019.</p> <p>Overall responsibility will be assigned to one person as well as roles and responsibilities to individual people for each area.</p>

System/Area	Opinion	Area Reviewed	Date Final Report Issued	Comments	Management Actions Agreed & Follow-Up
				The Council's 'Information Access and Information Rights Policy lists the information required to be published, the timescales for publishing and the manager responsible for publication. The policy is out of date.	

Audit Opinions and Priorities for Actions

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 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
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 (was Moderate) 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.

VERITAU
INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure 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 appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- induction programmes, training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing and other associated work documented using the company's automated working paper system (Galileo)
- file review by senior auditors and audit managers and sign-off of 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
- performance against agreed quality targets monitored and reported to each client on a regular basis.

On an ongoing basis, samples of completed audit files are also 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 a senior audit manager. 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 (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 the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment and professional networking 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 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 board⁴ 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 – 2019

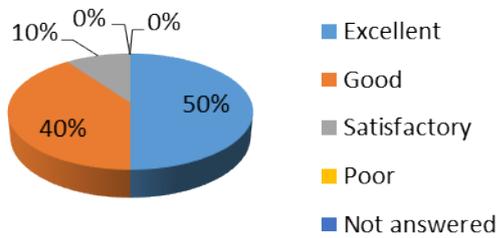
Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2019. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 171 surveys (2018 – 159) were issued to senior managers in client organisations. 20 completed surveys were returned representing a response rate of 12% (2018 - 14%). The surveys were sent using Survey Monkey and respondents were asked to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

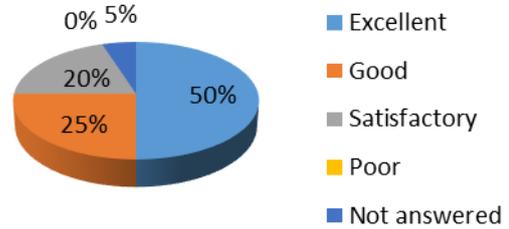
⁴ As defined by the relevant audit charter.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:

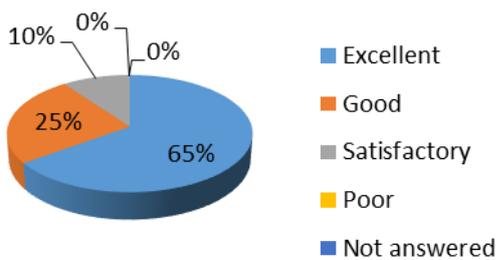
Quality of audit planning / overall coverage



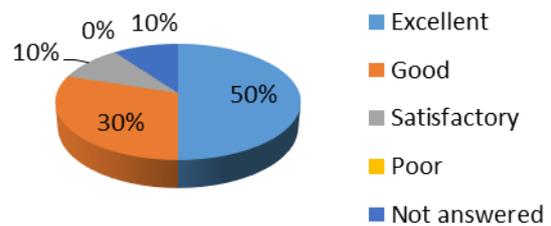
Provision of advice / guidance



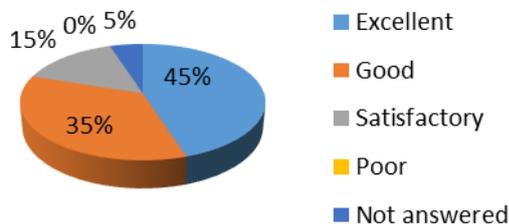
Staff - conduct / professionalism



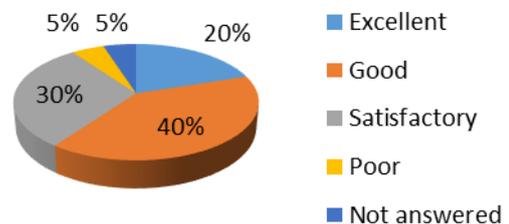
Ability to provide unbiased / objective opinions



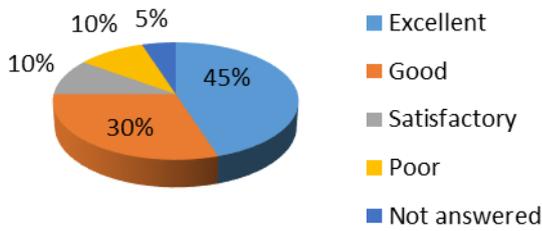
Ability to establish positive rapport with customers



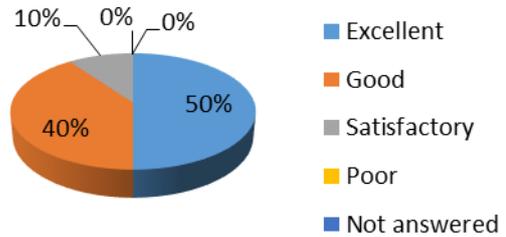
Knowledge of system / service being audited



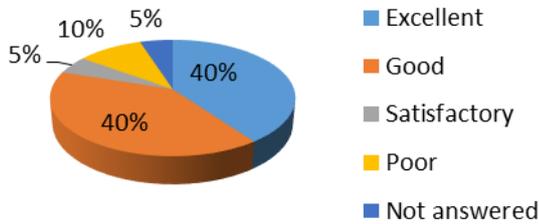
Ability to focus on areas of greatest risk



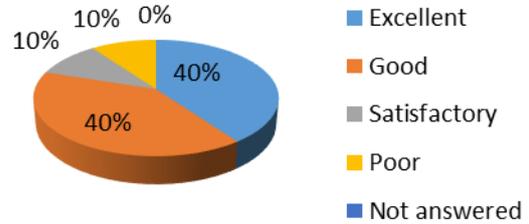
Agreeing scope / objectives of the audit



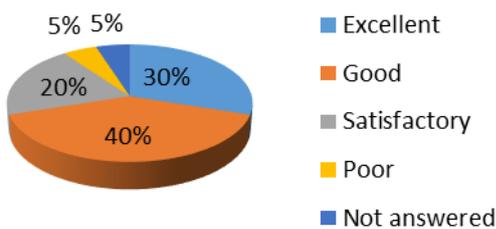
Minimising disruption to the service being audited



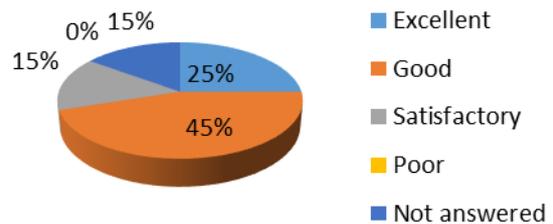
Communicating issues during the audit



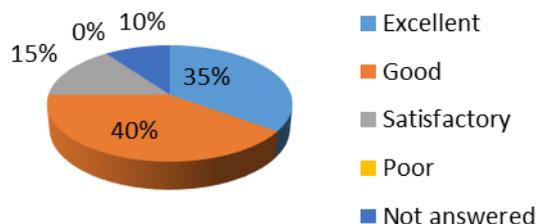
Quality of feedback at end of audit



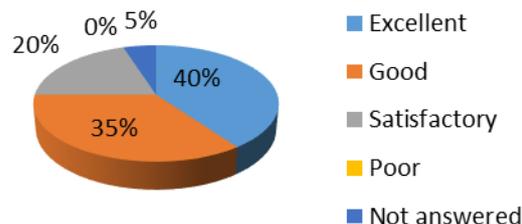
Accuracy / format / length / style of audit report



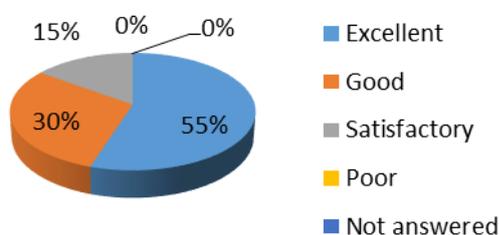
Relevance of audit opinions / conclusions



Agreed actions are constructive / practical



Overall rating for Internal Audit service



The overall ratings in 2019 were:

	2019		2018	
Excellent	11	55%	10	45%
Good	6	30%	10	45%
Satisfactory	3	15%	1	5%
Poor	0	0%	1	5%

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

3.0 Self-Assessment Checklist – 2019

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 but has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

The current working practices are generally considered to be at standard. However, a few areas of non-conformance have been identified. 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 and the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The following areas of non-conformance remain unchanged from last year:

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal. See Improvement Action Plan below.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Whilst reliance may be placed on other sources of assurance there is no formal process to identify and assess these sources.

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report was reported to this committee on 7 March 2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS⁵ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014. However, the report did include some areas for further development. These areas, and initial draft proposed actions, are summarised below.

5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. The following action plan has been developed to address these recommendations:

Assessors Recommendation	Proposed Action	Responsibility	Action By
Guidance from the IIA recommends that the Audit Committee (Board) “Meets with the Head of Internal Audit at least once a year without the presence of management.” This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a ‘purest’ approach and hold at least one meeting a year with the Audit Committee or Chair without management being present. The HoIA audit should consider if Veritau should adopt a	While IIA guidance recommends this approach, there is no explicit requirement for annual meetings in the standards. And existing audit charters for each client already recognise that the Head of Internal Audit will meet with members of the relevant committee in private, as required. No formal changes to current arrangements are proposed. Although formal annual meetings will be arranged if individual committees express a preference for this arrangement.	NA	NA

⁵ PSIAS guidance suggests a scale of three ratings, ‘generally conforms’, ‘partially conforms’ and ‘does not conform’. ‘Generally conforms’ is the top rating.

Assessors Recommendation	Proposed Action	Responsibility	Action By
similar approach or be satisfied that such meeting will take place should it become necessary to do so. (Attribute Standard 1111).			
The self-assessment identified that Council CEO's or Audit Committee Chairs do not contribute to the performance appraisal of the HoIA. The responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chair of the Board may want to consider the introduction of a 360-degree feedback process when assessing the HoIA's performance. (Attribute Standard 1100).	The chair of the Veritau board will be asked to consider whether further input from client Chief Executives and Chairs of Audit Committees (or equivalent) is needed to meet the requirements of the standards.	Veritau Chair	May 2019
While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be given to priority ranking audit work. (LGAN requirement).	All work included in annual audit plans is considered a priority for audit in the coming year. However, it is recognised that further prioritisation may support decision making, for example where changes to audit plans are required. As part of the development of audit plans for 2019/20, we will explore how audits included in each plan are given a priority rating.	Deputy Head of Internal Audit and Audit Managers	April 2019
Whilst reliance may be	A review of potential	Deputy Head of	April 2020

Assessors Recommendation	Proposed Action	Responsibility	Action By
<p>placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (Attribute Standard 2050).</p>	<p>sources of assurance for each client will be undertaken during the course of 2019/20. This will be used to assess the scope for more detailed assurance mapping at each client; and to help develop a standard approach if appropriate.</p>	<p>Internal Audit and Audit Managers</p>	
<p>It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (Attribute Standard 1320).</p>	<p>Actions included in 2018/19 annual reports will be SMART.</p> <p>Progress against actions will be reported to the Veritau and VNY boards during the course of the year.</p>	<p>Head of Internal Audit</p>	<p>June 2019 (annual report)</p>

The following areas will continue to be a priority in 2019/20:

- Further development of in-house technical IT audit expertise
- Investment in new data analytics capabilities
- Improved work scheduling, clearer prioritisation of objectives for individual assignments to enable them to be managed within budget, and better communication and agreement with clients on timescales for completion of audit work

We also plan to review the current assurance categories to ensure they remain fit for purpose.

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. 'Partially conforms' means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner. 'Does not conform' means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities.