Veritau
Assurance Services for
the Public Sector

Selby District Council

Annual Report of the
Head of Internal Audit 2018/19

Audit Manager: Phil Jeffrey
Deputy Head of Internal Audit: Richard Smith
Head of Internal Audit: Max Thomas
Date: 30th July 2019

Background

1   The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)[1] should provide an annual report to the board[2]. 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

2   Members approved the annual internal audit plan for 2018/19 at their meeting on 18 April 2018. The total number of planned audit days for 2018/19 was 342. The performance target for Veritau is to deliver 93% of the audit plan by the end of the year. This report summarises the delivery of the agreed plan and the other information required for the annual report as set out in paragraph 1.

Internal Audit Work Carried Out 2018/19

3   A summary of the audit work completed in the year is attached at annex 1.

4   In addition to audits of specific systems, internal audit team also undertakes work in the following areas.

- ***Support to the Audit and Governance Committee***; this is ongoing through our support and advice to members. This includes preparation of reports, attendance at committee, and the provision of advice and training.

- ***General advice and support****;* Veritau provide advice to officers on control issues - for example to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.

- ***Investigations;*** Special investigations into specific sensitive issues.

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[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 Audit and Governance Committee.

5   As with previous audit reports an overall opinion is given for each of the specific systems under review. In addition to the standard reports below, non-standard reports are also issued with 'no opinion given' – these may be where the work is limited in scope or is not designed to provide assurance (for example advisory work).

6   The opinions used by Veritau are provided below:

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 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.

No Opinion Given   An opinion is not provided when a piece of work is non-assurance or limited in scope. This may include work such as grant claims, fact-finding work, projects, a review of follow-up implementation or consultancy work.

7   The following priorities are applied to individual actions agreed with management:

Priority 1 (P1) – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

Priority 2 (P2) – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

Priority 3 (P3) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

Follow up of agreed actions

8   It is important that agreed actions are formally followed-up to ensure that they have been implemented. Where necessary internal audit will undertake further detailed review to ensure the actions have resulted in the necessary improvement in control.

9   Five outstanding actions relating to the 2015/16 audit of Information Governance have been consolidated into one action. This action reflects ongoing work to achieve compliance with the General Data Protection Regulation (GDPR). Further details can be found at annex 3.

10   A total of 64 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 63 have been satisfactorily implemented. One action remains outstanding in relation to Development Management and further details can be found at annex 3.

11   A total of 42 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 39 have been satisfactorily implemented. In a further 3 cases, the actions had not been implemented by the target date; a revised target date was subsequently agreed and the action will be followed up again after that point. A summary of this follow up work is included below:

2017/18 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	39	1	19	19
Revised date agreed	2	1	1	0
Follow up in progress	1	0	0	1
Not yet followed up	0	0	0	0
Total agreed actions	**42**	**2**	**20**	**20**

12   A total of 11 agreed actions from 2018/19 audits have been followed up with the responsible officers. All 11 have been satisfactorily implemented. The remaining 17 actions agreed in 2018/19 have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below.

2018/19 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	11	0	8	3
Revised date agreed	0	0	0	0
Follow up in progress	0	0	0	0
Not yet followed up	17	0	7	10
Total agreed actions	**28**	**0**	**15**	**13**

Completion of audit plan

13   Currently, six 2018/19 audits are at draft report stage. Nine reports have been finalised since the last report to this committee. A total of 96% of reports were completed to draft report stage by the end of April 2018 (the cut off point for 2018/19 audits), exceeding the target of 93%.

14   Two audits have been cancelled during the year in order to fund other work. The Organisational Development strategy was not as developed as originally envisaged and a review of Better Together was agreed instead, with the Chief Finance Officer as a higher priority. An audit of Community Engagement was planned for Q4 of 2018/19. The service asked for a deferral to early 2019/20 and this was agreed with the Chief Finance Officer due to the relatively short delay and to fund additional priority work in the counter fraud service.

15   In addition, an audit of Data Quality was not started and deferred until 2019/20. This audit, along with the two cancelled audits above, has been included in the 2019/20 audit plan.

Compliance with Standards

16   The work of internal audit has been undertaken in accordance with the PSIAS.

17   Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. Quality assurance arrangements include ongoing operational procedures, annual internal self assessment against the PSIAS, and periodic external assessment. Further details on the QAIP and the outcomes of the quality assurance process are provided in annex 4.

Audit Opinion and Assurance Statement

18   The overall opinion of the Head of Internal Audit on the framework of risk management, governance and control operating within the Council is that it provides Reasonable Assurance. There are no qualifications to this opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.

19   Although a Reasonable Assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified in relation to specific audits. In giving this opinion attention is drawn to the following significant control issue which is considered relevant to the preparation of the 2018/19 Annual Governance Statement.

- Creditors – a bank mandate fraud was perpetrated against the council during the year and a subsequent audit and counter fraud investigation found that procedures in relation to amending supplier bank details required strengthening.

Max Thomas
Director and Head of Internal Audit
Veritau Ltd

30 July 2019

Annex 1: 2018/19 Audits

Audit	Status	Audit Committee
Corporate Risk Register		
Savings Delivery	Draft report issued	
Programme for Growth – Selby 950	No Opinion Given	April 2019
Programme for Growth – Marketing Selby USP	No Opinion Given	July 2019
Economic Development Framework	Reasonable Assurance	July 2019
Financial Systems		
Benefits	Substantial Assurance	July 2019
Capital Accounting	In progress	
Council House Repairs	No Opinion Given	July 2019
Council Tax & NNDR	Substantial Assurance	April 2019
Creditors	Limited Assurance	July 2019
General Ledger	Draft report issued	
Payroll	No Opinion Given	July 2019
Regularity / Operational Audits		
Community Engagement	Cancelled	
Data Quality	Deferred	
Housing Development	Draft report issued	
Organisational Development	Cancelled	
Performance Management	Draft report issued	
Planning	Support/advice provided	
Technical / Project Audits		
Business Continuity and Disaster Recovery	Draft report issued	
Contract Management and Procurement	Reasonable Assurance	July 2019
ICT Governance	No Opinion Given	July 2019
Information Security	Reasonable Assurance	April 2019
Insurance	Draft report issued	
Project Management	Reasonable Assurance	July 2019
Better Together	In progress	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
ICT Governance (follow-up)	6th June 2019	No Opinion Given	0	0	1
Payroll (follow-up)	7th June 2019	No Opinion Given	0	2	2
Project Management	7th June 2019	Reasonable Assurance	0	4	2
Programme for Growth – Marketing Selby USP	18th June 2019	No Opinion Given	0	1	0
Economic Development Framework	2nd July 2019	Reasonable Assurance	0	2	2
Benefits	2nd July 2019	Substantial Assurance	0	0	2
Council House Repairs	3rd July 2019	No Opinion Given	0	1	1
Creditors	17th July 2019	Limited Assurance	1	5	2
Contract Management	22nd July 2019	Reasonable Assurance	0	2	2

Annex 2: Summary of audits completed to 22 July 2019; not previously reported to the committee

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	**2**	**3**		
ICT Governance (follow-up)	No Opinion Given	This was a follow-up of previously agreed actions. It was found that substantial progress has been made towards the agreed actions, with all five actions fully implemented. A further issue has been identified and an action agreed.	6th June 2019	0	0	1	None.	
Payroll (follow-up)	No Opinion Given	This was a follow-up of previous actions. Four of the original eight actions have	7th June 2019	0	2	2	Training on payroll procedures is outstanding and access to Resource Link for relevant officers has not been confirmed.	Due 31 July 2019

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[3] Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	**2**	**3**		
		been completed. New actions were raised in respect of the four remaining issues.					The SLA agreement with NYCC for payroll services remains unsigned.	Implemented
Project Management	Reasonable Assurance	The audit found significant progress had been made in relation to the project management framework and training of staff. However, sufficient evidence is not always retained to support decisions made.	7th June 2019	0	4	2	Remedial actions, decisions and discussion for key projects will be recorded through the Leadership Team (LT) secretariat so that full and accurate minutes of the meetings are recorded. As a result of the previous action, there will be clearer oversight for the correct project documentation to be completed at the correct stages. Once all priority projects have been reviewed by LT it will be clearer as to which projects are falling short of the Council's project	Implemented Due 31 December 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	2	3		
							management requirements and LT will be able to address these.	
							A working group will be set up to align Pentana and the Project Management Guidelines so that it is clear what is expected going forward (revising and producing guidance when applicable). This will be linked to how Pentana is used and how the structure is set to allow for clear reporting and monitoring within themes and programmes.	Due 31 December 2019
							Project evaluation and lessons learned logs will be added as part of the process going forward. Outputs will be evidenced and stored for future reference. Any key issues may lead to change within the process / gateways /	Due 31 December 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	2	3		
							approval processes.	
Programme for Growth – Marketing Selby USP	No Opinion Given	A review of the project against the Council's project management framework found it was operating well.	18th June 2019	0	1	0	A risk workshop will be held to identify, analyse and prioritise project risks to assist in the development of a project risk register.	Action complete (risk workshop held 17.6.19)
Economic Development Framework	Reasonable Assurance	The Economic Development Framework has now established key performance indicators but action plans and budgets to deliver the objectives need to be agreed.	2nd July 2019	0	2	2	The work to develop action plans and budgets is currently under way with the aim of having the first phase, aligning the ten Priority Work Streams with the Programme 4 Growth budgets, ready to support the 2019/20 first quarter one budget reports. Each of the ten Priority Work Streams is made up of several individual components and action plans, many of which are not interdependent, so	Due 31 July 2019 Due 30 September 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	2	3		
							consequently each will have a separate project plan and subsequent approval process over differing periods across the two year delivery period. With some of the Priority Work Streams this work has already commenced and it is intended that the full, time-based plan will be completed during the second quarter 2019/20.	
Benefits	Substantial Assurance	The audit found that claims were being calculated correctly with appropriate supporting documents being kept to support claims.	2nd July 2019	0	0	2	None.	
Council House Repairs	No Opinion Given	A review of project management	5th July 2019	0	1	1	The new HMS is modular and the repairs module will be implemented in the final	Due 31 March 2020

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	2	3		
		arrangements in respect of the housing repairs module of the new Housing Management System (HMS). This should address previously agreed actions in respect of council house repairs.					phase. This module is not yet available as the software is still in the development stage and the system provider has yet to confirm when it will be complete. Once this is available, the service will contact Veritau to ensure outstanding actions are addressed. This action has superseded actions reported on a previous audit.	
Creditors	Limited Assurance	The audit found that the procedures for changing supplier details were not always followed and required	17th July 2019	1	5	2	The procedure for processing requests to change supplier details will be explicitly followed in all circumstances on all occasions. Procedures for reviewing	Due immediately. Due 1 Sep 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	2	3		
		strengthening. Separation of duties controls were not always working effectively.					changes of supplier details will be updated to include dual controls and ensure that records of communication with the supplier are recorded. The process of monitoring changes of supplier details will be reviewed and a separation of duties within the completion of the report will be introduced. Findings will be reported to a separate individual and enior management will develop a policy for addressing persistent issues identified.	
							Fraud awareness training relating to cyber security will be provided to all relevant staff.	Due 1 Sep 2019
							A report of new creditor accounts created will be run on a monthly basis and	Due 1 Sep 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	**2**	**3**		
							this will be reviewed by a separate member of staff from the individual who originally created the creditors account. The results of this monitoring will be recorded on the report and reported to senior management on a regular basis.	
							Data and Systems will review the E-procurement system with the supplier to ascertain whether the system has the capability to ensure that goods cannot be invoiced and paid for without confirmation of goods receipting. Data and Systems will also review the authorisation controls in place with the supplier to ensure e-Procurement is able to enforce delegated authorisation limits and	Due 1 Sep 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	**2**	**3**		
							separation of duties. All cases of invoices authorised above the officer's delegated authority will be investigated to confirm the authorisation was appropriate. When forms confirming changes to the Delegated Authority list are received they will be sent to Data and Systems, who will subsequently update the e-Procurement System authorisations. Reconciliations between the Register and the e-Procurement System list of authorising officers will be made quarterly. Where individuals have not replied to requests to update their delegated authority, these cases will be escalated to the Finance team.	Due 1 Sep 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[3]	Progress against key actions
				1	2	3		
Contract Management and Procurement	Reasonable Assurance	The audit found that there could be more clarity in relation to breaches of the contract procedure rules.	22nd July 2019	0	2	2	The CPRs will be updated to include that breaches are a serious matter that need to be reported so that they can be investigated further. Once breaches have been identified they will be recorded so that they can be reported to the Council's Leadership Team. The Council's Leadership Team will decide whether further action should be taken on breaches that have been reported.	Due 31 Dec 2019
							All breaches and waivers will be regularly reported to the Council's Leadership Team as part of a general report on procurement activities.	Due 31 Dec 2019

Annex 3: Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance	The agreed actions from the audit have been consolidated into one action and is summarised as follows. • Review the Information Asset Register (IAR). • Ensure Information Asset Owners (IAOs) and SIRO are identified and their responsibilities captured in job descriptions. • Ensure any relevant risks from the review are reflected in risk registers. • Ensure the information is used to drive the creation and publication of Privacy Notices for key information assets. • Ensure the review of the IAR identifies information that is shared with others – and IAOs confirm all the relevant protocols are in place. • Learning from the review of the IAR will be used to update and consolidate the corporate records retention and disposal schedule in line with the document retention policy. This will apply to all records held and in all formats and will be made available throughout the organisation.	2	Solicitor to the Council	30 Nov 2016	These actions have been included in the Council's GDPR action plan – with Veritau acting as DPO for SDC. The IAR has been reviewed and amended to include extra information. IAOs have been identified as has the SIRO. Work still needs to take place to capture these in job descriptions, in particular HR, Housing, Legal. Relevant risks are covered in the Corporate Risk Register. The IAR is currently being updated to include service specific risks to information. Most

					services have identified low/medium/high risks on IAR, still ongoing with some areas.
					Service specific Privacy Notices are in various stages of drafting. It has been identified where areas require more than one Privacy Notice.
					The IAR identifies controllers and processors who the information is shared with. It has not yet been identified where sharing agreements are in place.
					Retention periods for information assets have either been identified or are being queried on the IAR. This is ongoing and key areas missing are HR, Housing, and Legal.

					Revised date 31 Dec 19
Development Management	Development management will introduce a process to ensure that all documents which the ICO recommends be removed from the public planning register are removed once the application has been determined.	2	Planning Development Manager	30 Apr 2018	The resource is not available to carry out a manual process on Anite. Alternative options are being considered and software changes are currently being discussed with IT. As yet there is no date for implementation.
PCI DSS	Data & Systems will seek assurances from NYCC as to the compliance of their cardholder data processing and liaise with the new income management system software supplier to better understand the future of PARIS and possible opportunities for scope reduction. An options appraisal will then be presented to Leadership Team which will set out the risk and cost implications of pursuing changes to the existing cardholder data environment. As for the compliance validation requirements, responsibilities will be established and assurances will either be obtained from NYCC that compliance requirements are	1	Head of Business Development & Improvement	30 Sep 18	Civica have bought Northgate PARIS – the Council's current payments and income management system – and will no longer commit to supporting the software. As a result, the Council is required to procure new software. A bid for funding procurement of Civica Pay (or similar) is included in the draft budget for 2019/20.

	being fulfilled or arrangements will be put in place to ensure that Selby District Council fulfils its requirements. The content of policy and procedures for PCI DSS will be influenced by the option chosen by Leadership Team. Once a corporate decision has been taken the policy and procedures will be developed accordingly.				Implementation of new software will resolve PCI DSS issues. Revised date of 30 Sep 19.
Contract Management and Procurement (2017/18)	A framework contract using the M3NHF Schedule of rates for responsive maintenance and void work will be procured this financial year. The framework contract will consist of several lots reflecting the schedule and various trade disciplines. Preparatory work is currently underway to ensure all current and local suppliers are supported prior to and during the formal tender process.	2	Head of Commissioning, Contracts & Procurement	31 Mar 19	Formal arrangements have been put in place or previous arrangements have ended with four of the five identified suppliers with which there was no contract, preferred supplier or framework agreement in place. The fifth supplier will be part of a new framework agreement. Initial preparatory work has been done on the framework and it is expected to be fully in place by March 2020.

					Revised date of 31 March 2020
Programme for Growth – Selby 950	The Selby 950 project team will produce a Project Initiation Document and present this to the Programme for Growth Delivery Board for approval. Once approved, the document and evidence of approval will be published on Pentana.	2	Head of Communities, Partnerships and Customers	28 Feb 19	This has now been approved. Action complete.
Information Security	The detailed findings from the information security checks will be shared with Directors, Heads of Service and service managers. In areas where the audit identified concerns, managers will be required to consider more targeted communication and training/awareness raising; and, where necessary, to review storage facilities to ensure they are sufficient for their service area.	2	Head of Business Development & Improvement	30 Apr 19	Action complete.
Information Security	The expectations on use of the key safes will be reiterated to all staff.	2	Head of Business Development & Improvement	30 Apr 19	Action complete.
Information Security	The importance of physical information security will be reiterated to all staff and partners at the point at which the police co-location is complete. This supersedes an action in the previous Information Security report.	2	Head of Business Development & Improvement	30 June 19	Action complete.

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 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 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 board[4] 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
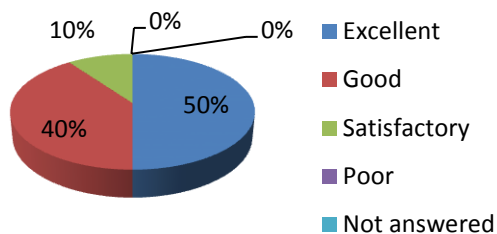
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[4] As defined by the relevant audit charter.

were asked to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:
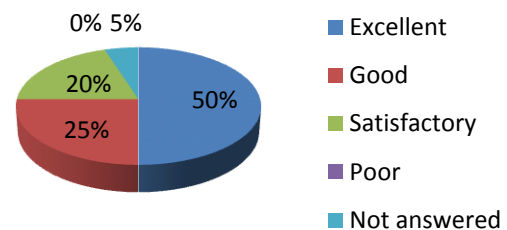
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

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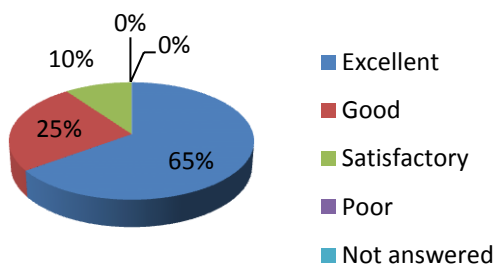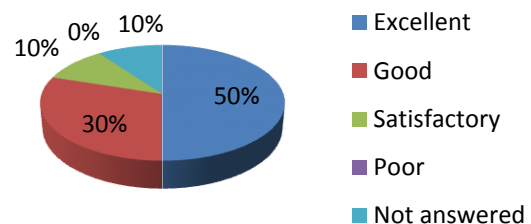
Quality of audit planning / overall coverage

10%   0%   0%
40%
50%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

Provision of advice / guidance

0% 5%
20%
25%
50%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

Staff - conduct / professionalism

0%   0%
10%
25%
65%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

Ability to provide unbiased / objective opinions

10%   0%   10%
30%
50%

- Excellent
- Good
- Satisfactory
- Poor
- Not answered

Ability to establish positive rapport with customers

- Excellent 45%
- Good 35%
- Satisfactory 15%
- Poor 0%
- Not answered 5%
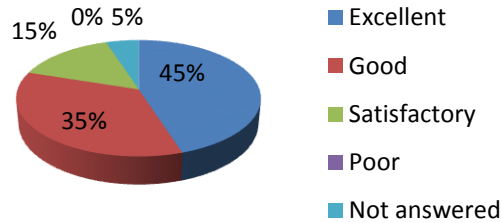
Knowledge of system / service being audited

- Excellent 20%
- Good 40%
- Satisfactory 30%
- Poor 5%
- Not answered 5%
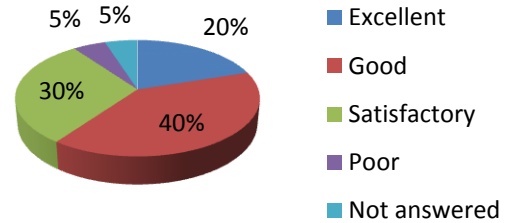
Ability to focus on areas of greatest risk

- Excellent 45%
- Good 30%
- Satisfactory 10%
- Poor 10%
- Not answered 5%
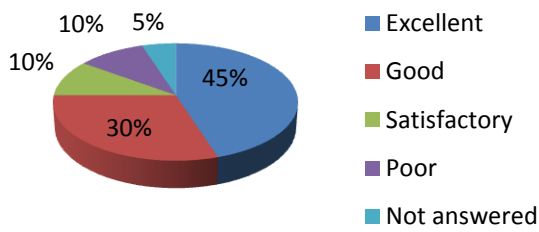
Agreeing scope / objectives of the audit

- Excellent 50%
- Good 40%
- Satisfactory 10%
- Poor 0%
- Not answered 0%
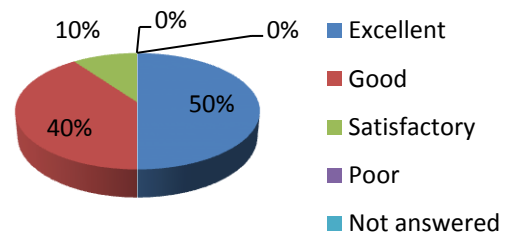
Minimising disruption to the service being audited

- Excellent 40%
- Good 40%
- Satisfactory 5%
- Poor 10%
- Not answered 5%
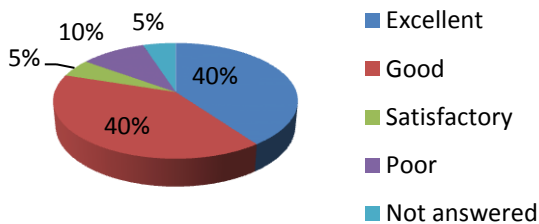
Communicating issues during the audit

- Excellent 40%
- Good 40%
- Satisfactory 10%
- Poor 10%
- Not answered 0%
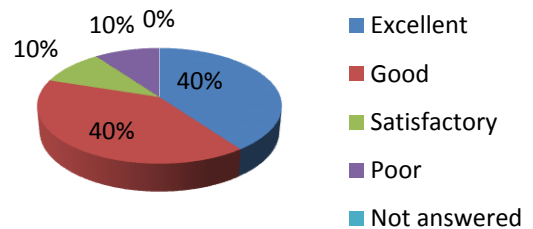
Quality of feedback at end of audit

- 30% Excellent
- 40% Good
- 20% Satisfactory
- 5% Poor
- 5% Not answered
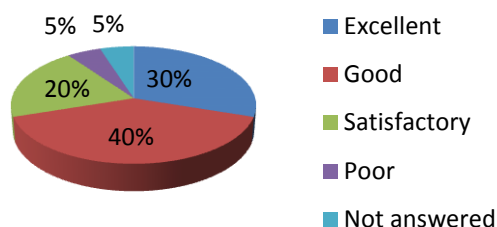
Accuracy / format / length / style of audit report

- 25% Excellent
- 45% Good
- 15% Satisfactory
- 0% Poor
- 15% Not answered
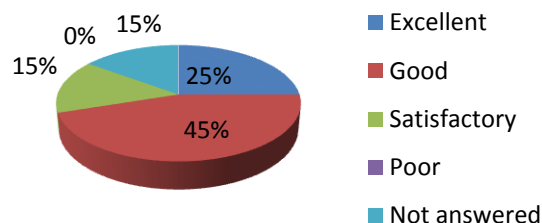
Relevance of audit opinions / conclusions

- 35% Excellent
- 40% Good
- 15% Satisfactory
- 0% Poor
- 10% Not answered
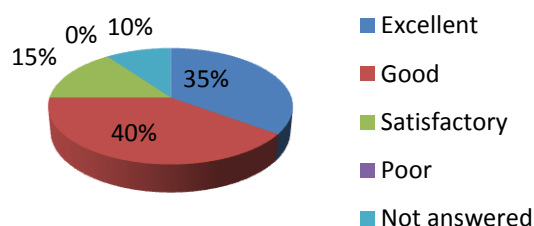
Agreed actions are constructive / practical

- 40% Excellent
- 35% Good
- 20% Satisfactory
- 0% Poor
- 5% Not answered
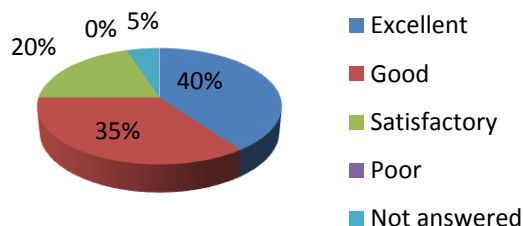
Overall rating for Internal Audit service

- 55% Excellent
- 30% Good
- 15% Satisfactory
- 0% Poor
- 0% Not answered
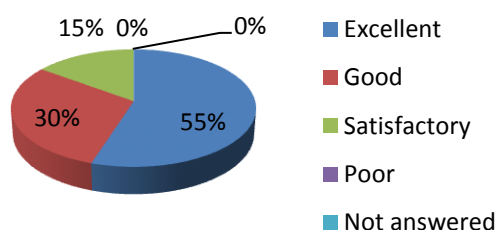
The overall ratings in 2019 were:

	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:

Conformance with Standard	Current Position
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

Conformance with Standard	Current Position
	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 6 February 2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS[5] 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.

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

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 similar approach or be satisfied that such meeting will take place should it become necessary to do so. (Attribute Standard 1111).	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
The self-assessment identified that Council CEO's or Audit Committee Chair do not contribute to the performance appraisal of the HoIA. The	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	Veritau Chair	May 2019

Assessors Recommendation	Proposed Action	Responsibility	Action By
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).	meet the requirements of the standards.		
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 placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping	A review of potential 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	Deputy Head of Internal Audit and Audit Managers	April 2020

Assessors Recommendation	Proposed Action	Responsibility	Action By
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).	detailed assurance mapping at each client; and to help develop a standard approach if appropriate.		
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).	Actions included in 2018/19 annual reports will be SMART.\n\nProgress against actions will be reported to the Veritau and VNY boards during the course of the year.	Head of Internal Audit	June 2019 (annual report)

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.