

HEAD OF INTERNAL AUDIT ANNUAL REPORT 2024/25

14 JULY 2025

APPENDIX 1

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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 Governance & 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 Director of Finance, the Corporate Governance Panel, divisional senior 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 relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular progress reports.
- 5 A summary of internal audit work undertaken during the year, and relevant to the opinion, is contained in annex A. This also shows other work undertaken by the internal audit team to support the council during 2024/25.
- 6 At the time of writing, six audits have been finalised since the previous report to this committee. A further seven audit reports have been issued to the responsible officers but remain in draft. We expect these audits to be finalised over the next 3-4 weeks.

- 7 Five audits from the 2024/25 work programme are ongoing. We expect to report on outcomes at the next meeting of the committee.
- 8 More work is in progress than we would usually expect at this point in the year. Time has been needed to establish and integrate the service. Some audits have commenced later in the year to take account of service pressures and others initially identified for delivery in 2024/25 have also been postponed, and will now be undertaken during 2025/26.
- 9 Annex B provides the definitions for our audit opinions and finding ratings. This can be referred to, to help interpret information presented in annex A.

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 outcomes from follow-up activity is included at annex C.

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).
- 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 PSIAS¹ 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 from 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 ensure continuous improvement in service delivery.
- 19 Details of Veritau's ongoing quality assurance arrangements and the outcomes from our conformance assessment are set out in annex D

¹ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

- 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.
- 21 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.
- 22 The updated charter is contained in appendix 2 to this report.

Opinion of the Head of Internal Audit



- 23 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**.
- 24 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.
- 25 In giving this 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.

ANNEX A: INTERNAL AUDIT WORK IN 2024/25

Audits in progress

Audit	Status
Procurement compliance (inc. waivers)	In draft
Sundry debtors	In draft
Bereavement services	In draft
School themed audit: purchasing and best value	In draft
Council Tax and NNDR: arrears management	In draft
Risk management	In draft
Concerto: financial controls and interface review	In draft
ICT audit: network security	In progress
Contract management: Social Care & Education	In progress
Adults commissioning: NHS	In progress
Direct payments and short breaks (adults and children)	In progress
Housing rents	In progress

Final reports issued

Audit	Reported to committee	Opinion	Count of findings by priority			
			Critical	Significant	Moderate	Opportunity
Information governance: case management	December 2024	Reasonable Assurance	0	0	5	1
Schools finance – central team overview	March 2025	Reasonable Assurance	0	1	1	0
Ordering and creditor payments	July 2025	Substantial Assurance	0	0	1	0
Highways maintenance scheme development	July 2025	Reasonable Assurance	0	2	1	0
Homelessness (high-cost accommodation)	July 2025	Reasonable Assurance	0	3	0	0
School traded services (educational psychology)	July 2025	Reasonable Assurance	0	3	0	0
Agency and consultancy	July 2025	Substantial Assurance	0	0	3	0
High needs funding	July 2025	No Opinion Given	0	2	3	0

Summary of critical and significant findings (audits reported to the committee for the first time)

Audit		
Highways maintenance scheme development		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant	General inspections of bridges include a review of each element of the bridge and should take place every six years. In 5 cases out of the 21 sampled, the date of last inspection recorded did not fall in the past six years. In addition, one bridge sampled did not have a year of last inspection recorded.	A programme will be put in place to ensure that all bridge inspections are brought up to date. <i>30 June 2025</i>
Bridge inspections		
Significant	Risk assessments should be completed and recorded as part of bridge inspections. These consider health and safety risks presented by their use and structural and non-structural defects or damage. Risk assessments have not been recorded in the Excel Work Bank workbook for any inspections carried out since 2013/2014.	Risk assessments will be completed and recorded for bridges in the Work Bank using information held on the AMX system. It will be ensured that risks are assessed for bridges which are identified as needing work and that this informs the planned maintenance programme. <i>30 June 2025</i>
Bridge risk assessments		
Homelessness (high-cost accommodation)		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant	Homelessness Service Assessment Referral (SAR)	Fortnightly meetings will be held with third parties

Completion of Service Assessment Referral forms	forms act as authorisation to proceed with booking temporary accommodation for an applicant. Testing revealed that 18 out of 20 cases had a SAR form. However, not every form had been fully completed. This included two cases where a risk assessment had not been completed, despite the applicant having a history of criminal convictions and violent behaviour.	who are responsible for carrying out risk assessments to ensure that mitigating measures are in place to bridge the gap between the need for temporary accommodation to be provided and a risk assessment being available. <i>Implemented</i> Team members will be given regular reminders to fully complete the SAR form. Management will conduct regular audits on SAR forms and challenge any found to be incomplete. <i>30 April 2025</i>
Significant		
Audit trail for hotel bookings	7 of 10 hotel bookings sampled could be traced in the data provided by ClickTravel. The remaining three invoices were not produced using the ClickTravel platform. Contact can be made directly with the hotel to extend an existing booking. We could not establish how these bookings were being recorded and invoiced in the financial system to enable proper reconciliation and accounting for the full costs of temporary accommodation.	As of the beginning of January 2025, the families spreadsheet has been changed to follow a similar process to the singles spreadsheet where all activity for a family within a month is shown and a separate tab for each month is used to show the family's continued contact with the service. Booking confirmations will be kept for each booking and each payment will be recorded separately rather than on an accrual basis. <i>Implemented</i>
Significant		
Credit notes	Credit notes for refunds from hotels for temporary accommodation are not monitored or reconciled effectively to ensure that they are received in a timely manner and for the correct amount.	Bookings that have been ended early will be recorded and checked against credit notes received from ClickTravel. Missing credit notes will be challenged. <i>Implemented</i>
School traded services (educational psychology)		

Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant		
Availability of management information	Management information is not fully available with the detail required to effectively manage the service from operational and financial perspectives. The data that is available is difficult to access and time consuming to collate.	<p>Monthly meetings will be held with Finance to review the budget position and with HR to review payments to locum staff.</p> <p>Systems will be developed for monitoring and managing service capacity (including requests for traded work) and the use of locum staff.</p> <p>A clear charging scheme will be developed.</p> <p><i>31 December 2025</i></p>
Significant		
Client satisfaction and feedback mechanisms	Client surveys and other sources of feedback are not used regularly by the service, which means the service is not receiving an adequate level of information required to inform improvements. The data presented during this audit shows that the number of days bought by primary schools has almost halved since the last academic year, yet no feedback activity has been undertaken to understand why this is the case.	<p>A system for reviewing service evaluations will be developed which will identify improvement actions and inform decisions on any changes to delivery.</p> <p>A review of all traded work in 2024/25 will be undertaken to then inform any changes to delivery models and packages available.</p> <p><i>28 February 2026</i></p>
Significant		
Management and engagement of agency staff (locums)	<p>There is not a regular quality assurance process in place to ensure agency staff are completing work to the standards required by the council. This has resulted in issues with standards and consistency.</p> <p>Start and end dates for agency staff show that all agency staff employed in the service for the period tested had been employed for longer than 12 weeks, with all but one of the current agency workers employed for longer than two years.</p>	<p>A process will be developed to assess the quality of locum staff work, with outcomes shared with the Head of Service for review.</p> <p><i>30 November 2025</i></p> <p>A policy will be developed to specify what locum staff can invoice the service for.</p> <p><i>31 December 2025</i></p>

		<p>Work will be undertaken with HR to ensure that entitlements and benefits are appropriate for a locum's engagement with the council.</p> <p><i>28 February 2026</i></p>
High needs funding		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
Significant	<p>The DfE high needs funding operational guidance states that all high needs placements for children and young people with an education, health and care plan (EHCP) must be formally commissioned by a local authority.</p> <p>The council does not currently follow a formal commissioning approach, or enter into service level agreements with providers, when securing further education places for young people with an EHCP.</p>	<p>Work will be done to understand data and forecasting for post-16 placements. Pre-market engagement will then be carried out with further education providers, setting out need and the volume of placements the council requires.</p> <p>Legal Services will be engaged to provide support with the development of appropriate contractual arrangements.</p> <p><i>30 June 2026</i></p>
Commissioning arrangements for further education students with an EHCP		
Significant	<p>The council has a framework in place for high needs funding in mainstream schools. However, there is not a funding framework in place that has been written and agreed in collaboration with further education colleges. In the absence of a funding framework for these providers, there is not a documented agreement in place to outline how high needs funding will be managed for colleges and other post-16 providers.</p>	<p>The actions relating to the finding above will support resolution of this finding. In addition, formal market engagement will be required. As will the development of a formalised funding framework, once the best route to market has been identified.</p> <p><i>30 June 2026</i></p>
EHCP funding framework (further education)		

Other work 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 recommendations and agreed actions
- ▲ Grant certification work:
 - ▲ DLUHC / DfE Supporting Families
 - ▲ DfT Traffic Signal Obsolescence Grant and Green Light Fund
 - ▲ DfT Bus Subsidy (Revenue) Grant
 - ▲ DfT Local Transport Capital Funding Specific Grant
 - ▲ Historic England Heritage Action Zones
- ▲ Consultative engagements:
 - ▲ Homes England compliance audit
 - ▲ Leaseholder statement of accounts

ANNEX B: 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 C: FOLLOW UP OF AGREED AUDIT ACTIONS

Veritau inherited a total of six high priority recommendations made in audits completed by the council's previous internal audit provider, Leicestershire County Council. High priority recommendations are defined as:

"Recommendations requiring essential action by management in order to address a fundamental threat to the achievement of objectives."

Follow up work has been undertaken with relevant officers. The results of this follow up work are presented in the table below, This shows that all remaining recommendations have now been implemented.

Audit	Recommendation	Implementation timescale	Status
Key ICT controls	Resiliency testing of the network and key applications should be planned and undertaken as soon as possible.	August 2024	Implemented
Contract management (Housing)	There should be a review of contracts where there are repeated extensions and waivers, to identify the root cause and, where appropriate, provide training and support to operational managers.	October 2024	Implemented
Herrick Primary School	The governing body should work closely with the school and the Local Authority Schools Finance team to ensure the deficit position is closely monitored and improvements are made in line with the deficit budget plan (when in place).	June 2025	Implemented
	The school, along with the Local Authority, should take immediate action to investigate the cause of		

Audit	Recommendation	Implementation timescale	Status
	the large overdraft position on the bank balance. Once resolved, the school should ensure a positive bank balance is maintained.		

Where weaknesses in systems are found by Veritau, actions are agreed with the responsible manager to address the issues. Each agreed action has an implementation date. Veritau carries out follow up work to check that the underlying issue has been resolved, and the risk satisfactorily addressed, by this implementation date.

Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by Veritau where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, to the Corporate Governance Panel and, ultimately, may be referred to the Governance and Audit Committee. This is done in accordance with the agreed follow-up and escalation procedure.

A total of 9 actions have been followed up by Veritau during 2024/25. A summary of the priority of these actions and the outcome from the follow up activity is below. Revised dates are agreed where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable. Actions are marked as superseded if circumstances have changed sufficiently that the action is no longer required.

Actions followed up	
Priority of actions	Number of actions followed up
Critical	0
Significant	5
Moderate	4
Total	9

Results of follow up of agreed actions		
Action implemented	Revised date agreed	Superseded
0	0	0
5	0	0
3	1	0
8	1	0

ANNEX D: 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 Governance & 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

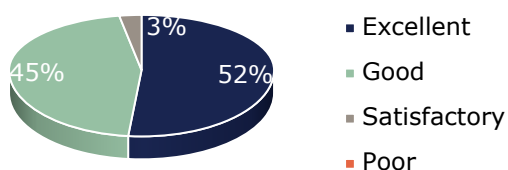
At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results 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

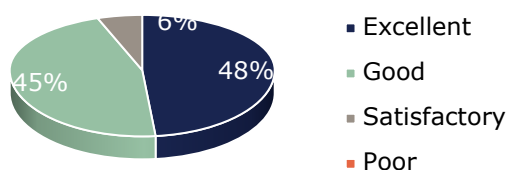
In March 2025 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau during the preceding year. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 188 surveys (2024 – 173) were issued to senior 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%).

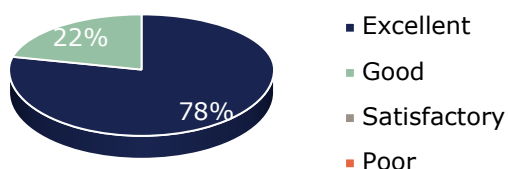
Quality of audit planning / coverage



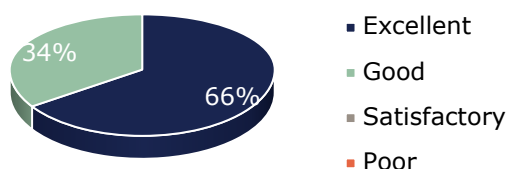
Provision of advice / guidance



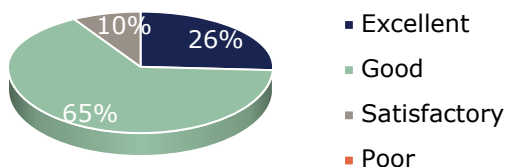
Staff conduct & professionalism



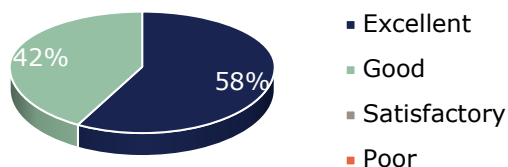
Ability to establish positive rapport



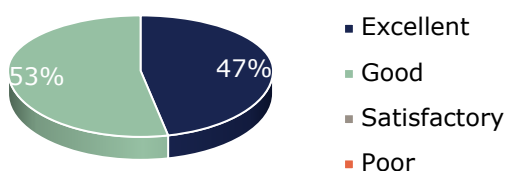
Knowledge of area being audited



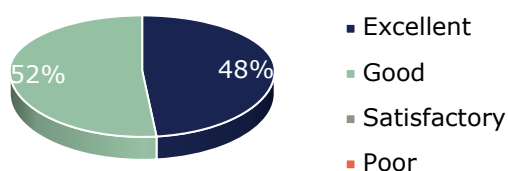
Minimising disruption for area being audited



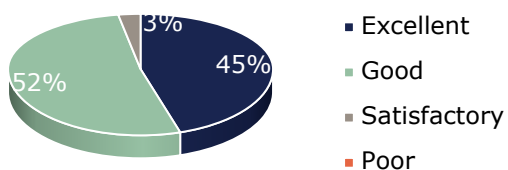
Communication of issues during audit



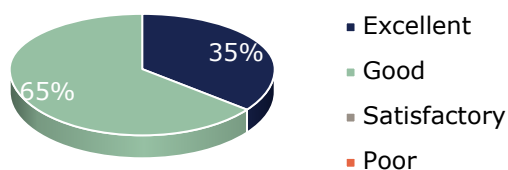
Quality of feedback at end of audit



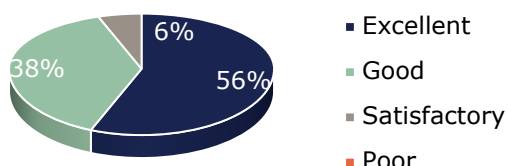
Accuracy / format / length / style of report



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)². 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

² 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.

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 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 Governance & 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 PSIAS³ 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

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

stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engage flexibly with our clients throughout the internal audit process, at both strategic and operational levels.

The external assessment report is available on request. 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.