

# HEAD OF INTERNAL AUDIT ANNUAL REPORT 2025/26

13 JULY 2026

## APPENDIX 1

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**Connor Munro**  
Director - Internal Audit  
Head of Internal Audit

## 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 overall conclusion (annual 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 2025/26



- 2 Throughout 2025/26, internal 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 and Assistant 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 risk and priority 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 2025/26.
- 6 At the time of writing, 12 audits have been finalised since the previous report to this committee. A further five audit reports have been issued to the

responsible officers but remain in draft, and one audit is nearing the end of the fieldwork stage. Finalisation of these audits will see the conclusion of the 2025/26 work programme.

- 7 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

- 8 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed.
- 9 Based on follow up work completed, we are satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.
- 10 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 a quality assurance and improvement programme (QAIP).
- 12 The objective of the QAIP 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).
- 13 External assessments must also 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 Cheshire, an approved reviewer for the Chartered Institute of Internal Auditors (the UK and Ireland's local chapter).
- 14 The assessment involved a full independent validation of Veritau's own self-assessment of conformance to the Public Sector Internal Audit Standards

(PSIAS)<sup>1</sup>, 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 PSIAS<sup>2</sup> and, overall, the findings were very positive.

- 15 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 engaged flexibly with our clients throughout the internal audit process, at the strategic and operational levels.
- 16 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.
- 17 In the UK, the body responsible for interpreting the GIAS and setting expectations for the performance of internal audit in the public sector is 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.
- 18 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 conformance assessment toolkit, published by CIPFA in January 2026, to undertake our self-assessment against the Global Internal Audit Standards in the UK Public Sector.
- 19 Our overall assessment is that Veritau conforms to the Global Internal Audit Standards in the UK Public Sector. However, through application of the QAIP, we have identified some actions to help strengthen our ability to demonstrate conformance and to continuously improve service delivery.
- 20 Details of Veritau's QAIP are set out in annex D.
- 21 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. It was updated following the introduction of the Global Internal Audit Standards in the UK Public Sector in April 2025 and was presented to the committee in July 2025. No further changes are considered necessary at this time.

<sup>1</sup> The assessment undertaken in 2023 was made against the PSIAS as the standards applicable at the time. The PSIAS were replaced by the GIAS UK Public Sector on 1 April 2025.

<sup>2</sup> PSIAS guidance suggested a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' was the top rating.

## Opinion of the Head of Internal Audit



- 22 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**.
- 23 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.
- 24 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 2025/26

### Audits in progress

Audit	Status
Planning performance	In draft
Adult social care debt management	In draft
Payroll	In draft
Recruitment, selection, and onboarding	In draft
School capital allocation programme	In draft
Home to school transport	In progress

### Final reports issued

Audit	Reported to committee	Opinion	Count of findings by priority			
			Critical	Significant	Moderate	Opportunity
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
Bereavement services	September 2025	Substantial Assurance	0	0	0	0
Risk management	September 2025	Substantial Assurance	0	0	2	0

Council tax and NNDR: arrears management	September 2025	Substantial Assurance	0	0	3	0
Sundry debtors	September 2025	Substantial Assurance	0	0	1	0
Procurement compliance	September 2025	Reasonable Assurance	0	1	2	0
ICT network security	January 2026	Substantial Assurance	0	0	5	0
Contract management: adult social care	January 2026	Substantial Assurance	0	0	2	1
Physical information security	January 2026	Limited Assurance	0	2	2	0
School themed audit: purchasing and best value	January 2026	Reasonable Assurance	0	0	6	0
Contract Procedure Rules: waivers	January 2026	Reasonable Assurance	0	3	2	0
Direct payments	July 2026	No Opinion Given	N/A	N/A	N/A	N/A
Event management	July 2026	Reasonable Assurance	0	1	5	0

Climate Ready Leicester Plan	July 2026	Substantial Assurance	0	1	2	0
Contract management: CDN	July 2026	Substantial Assurance	0	0	3	0
Adult social care joint commissioning	July 2026	Reasonable Assurance	0	2	3	0
Housing rents	July 2026	Substantial Assurance	0	0	0	1
Democratic governance and decision making	July 2026	Substantial Assurance	0	0	0	1
ICT supplier management	July 2026	Reasonable Assurance	0	0	3	0
End user IT policies	July 2026	Substantial Assurance	0	0	2	1
Business continuity management	July 2026	Substantial Assurance	0	0	3	1
Housing allocations	July 2026	Reasonable Assurance	0	2	3	0
Grant-funded schemes: compliance	July 2026	Substantial Assurance	0	0	2	0

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

Audit		
Event management		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
<b>Significant</b>	The Festivals and Events Team operates without defined strategic objectives or formal KPIs, instead working towards a broad manifesto commitment to deliver a programme of festivals and activities. While some informal KPIs have been developed for internal monitoring, wider performance reporting remains limited and largely ad hoc. This restricts the team's ability to set and measure progress against new objectives and to consistently evidence and communicate the service's achievements.	Existing objectives and accompanying KPIs will be formalised, ensuring that they are relevant, measurable, and aligned to the intended outcomes of the service.  <i>30 September 2026</i>
Strategic objectives and KPIs		
Climate Ready Leicester Plan		
Finding priority & title	Finding summary	Agreed action(s) and timescale(s)
<b>Significant</b>	The Climate Emergency Programme Board (CEPB) is intended	The Sustainability Team will discuss and

Evidence of scrutiny in meeting records	to oversee delivery of the Climate Ready Plan, including the implementation of new actions and monitoring progress against existing actions. However, CEPB meeting notes and Lead Member Briefing notes lack sufficient detail to demonstrate meaningful scrutiny of highlight reports and associated risks.	agree with the Lead Member and Directors a revised reporting structure to improve the regularity and effectiveness of scrutiny of the Climate Ready Plan.  <i>Implemented</i>
<b>Adult social care joint commissioning</b>		
<b>Finding priority &amp; title</b>	<b>Finding summary</b>	<b>Agreed action(s) and timescale(s)</b>
<b>Significant</b>		
Integrated Health and Care Group risk register	The Integrated Health and Care Group (IHCG) risk register is significantly limited in scope, recording only four system-wide risks, and does not assign ownership to all relevant partners, including the council.	Work with the Strategic Director of Social Care and Education will be undertaken to develop a more comprehensive risk register. Any updated register will be reviewed with the group so that it reflects the scope of the Section 75 agreement, and that risk ownership is appropriately assigned.  <i>31 August 2026</i>
<b>Significant</b>	There is no consistent, formal process for mapping	Revisit the IHCG terms of reference to

Strategic alignment and monitoring	commissioning activity to the strategy, and reporting does not explicitly link commissioning work to strategic themes. As a result, the IHCG lacks strategy-level KPIs and a structured mechanism to demonstrate progress against the strategy.	better describe the role of SCE strategic commissioning and the strategic alignment with the health, care and wellbeing strategy. Then, run a workshop with public health & NHS colleagues to support the future iteration of the strategy. <i>31 August 2026</i>
<b>Housing allocations</b>		
<b>Finding priority &amp; title</b>	<b>Finding summary</b>	<b>Agreed action(s) and timescale(s)</b>
<b>Significant</b>	Verification checks are completed to an inconsistent standard, with poor quality proofs being accepted and some checks not being recorded as complete.	A guidance document will be created for officers in the Registration Team and Property Lettings Team outlining the standard required for proofs in relation to verification checks.  A web check procedure will also be created to standardise the performance of this task. <i>30 September 2026</i>
Verification checks: completion and recording		
<b>Significant</b>	Direct let authorisation forms are completed to an inconsistent standard, with some sections for checks and approvals being left blank.	A reminder will be sent to officers to ensure that the forms are fully completed and signed as required. Instruction will be sent to the Registration Team to visually check forms and reject any with missing information. <i>31 July 2026</i>
Direct let authorisation forms: completeness and approval		

Other work in 2025/26

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

- ▲ Follow up of agreed actions
- ▲ Grant certification work:
  - ▲ ESFA Multiply Funding
  - ▲ DBT Core Growth Hub
  - ▲ DESNZ HUG2
  - ▲ Bus Subsidy Revenue Grant
  - ▲ Local Transport Capital Block Funding
  - ▲ Pooling of Housing Capital Receipts
  - ▲ Homes England compliance audit
  - ▲ Transforming Cities Fund 2
- ▲ Consultative engagements:
  - ▲ Use of Government Procurement Cards (children's services)
  - ▲ Concerto (LeSTAR) financial controls and interface review
  - ▲ Unit4 reimplementation project support
  - ▲ 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 ACTIONS

- 1 Follow up work is carried out through a combination of questionnaires completed by responsible officers, risk assessment, and by further detailed review by the auditors where necessary.
- 2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. Ultimately, they may be referred to the Governance & Audit Committee in accordance with the follow-up and escalation procedure.
- 3 In figure 1, below, the status of agreed actions from follow-up activity undertaken in the last 12 months is shown (up to 15 June 2026).
- 4 For clarity, the figure shows the results of follow up activity for this period, regardless of when actions were originally due (that is, it would include actions which were due over 12 months but were still being followed up).
- 5 For completeness, it also shows actions which have been agreed in finalised audits, but which have not yet fallen due and so have not been followed up.

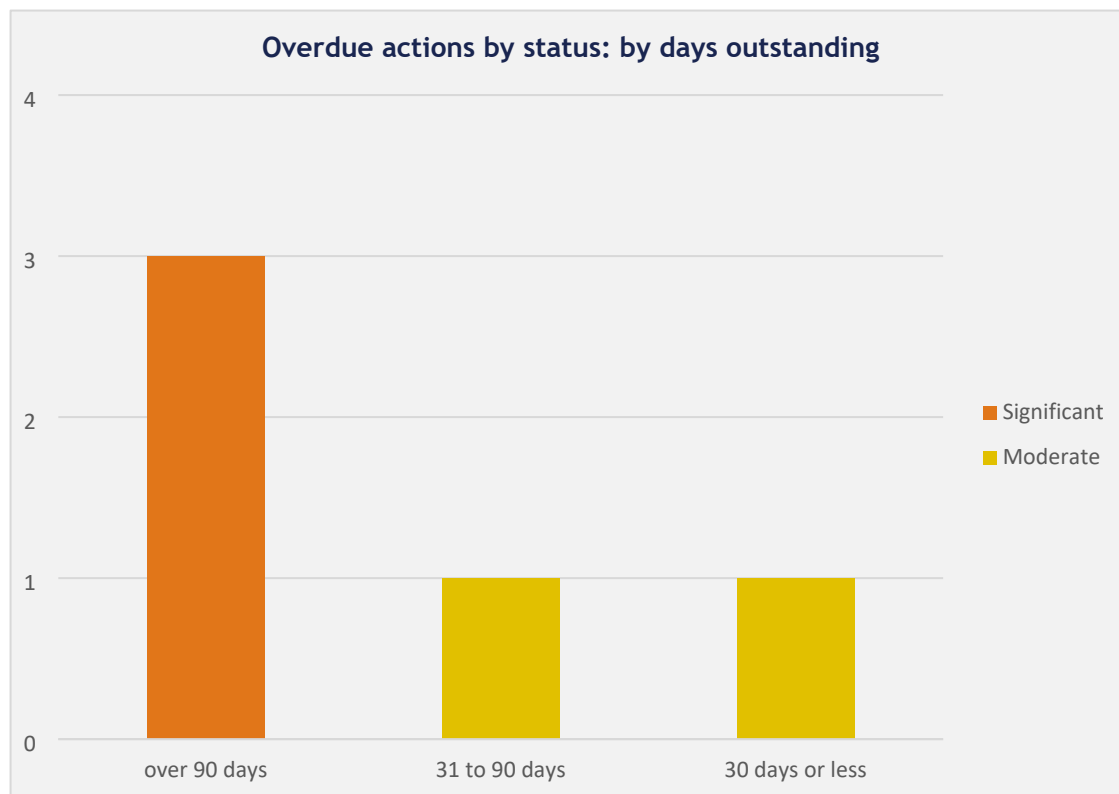
Figure 1: Total agreed actions by current status



- 6 A total of 58 actions have been followed up so far this year. Of these, 53 have been satisfactorily implemented. A total of 23 actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.

- 7 At the time of reporting, five actions are overdue. This is shown in figure 3, below.

Figure 2: Length of time actions have been overdue



- 8 We have received a response from officers for all five actions. In all cases, the process of following up the action and drawing conclusions is ongoing.
- 9 There will usually be some instances like this at any point in time. It can be due to ongoing communication with the responsible officers to obtain evidence confirming completion of the action. It can also be due to instances where the action taken is not exactly as agreed and further work is being undertaken to assess whether the action taken does satisfactorily address the risk or because there are ongoing discussions about whether to agree revised dates for the action.
- 10 At this stage, no overdue actions are being escalated to the committee.

## ANNEX D: INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

### 1.0 Background

#### Quality assurance and improvement programme (QAIP)

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. Veritau's QAIP includes:

- ▲ 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 and development
- ▲ 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 (Head of Internal Audit). Any key learning points are shared with the relevant internal auditors and internal audit management team. 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, Veritau seeks 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. 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 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.

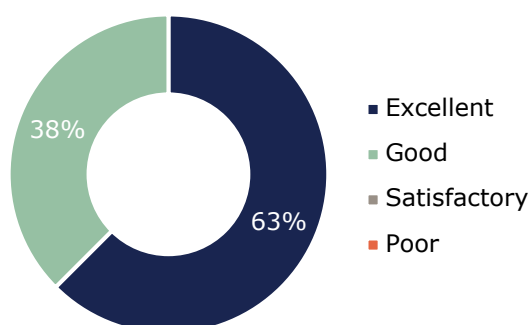
## **2.0 Customer satisfaction survey 2026**

In March 2026, 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 189 surveys (2025 – 188) were issued to senior managers in client organisations. A total of 24 responses were received, representing a response rate of 13% (2025 – 17%). Respondents were asked to

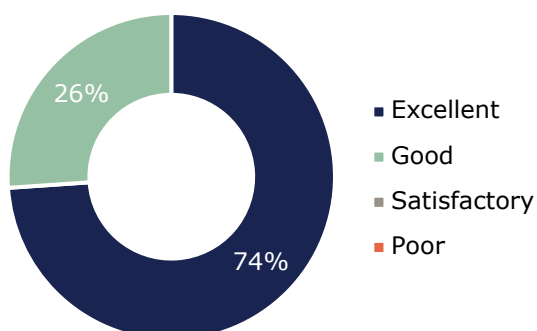
rate the different elements of the audit process as either excellent, good, satisfactory or poor.

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 the selected response (1 respondent represents about 4%).

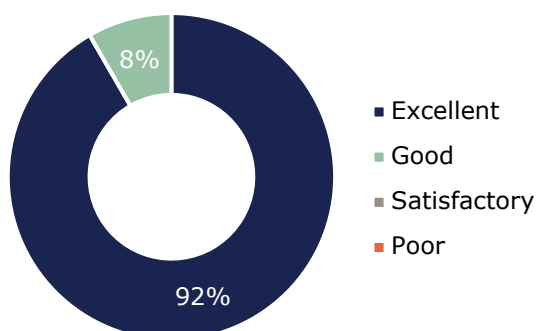
**Quality of audit planning / coverage**



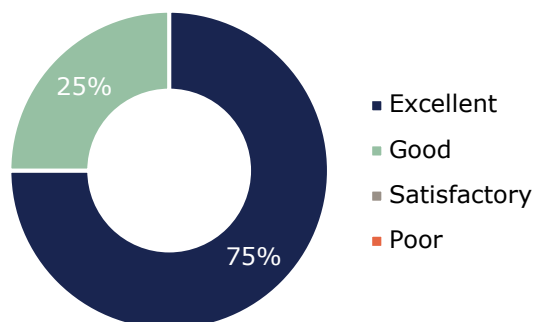
**Provision of advice / guidance**



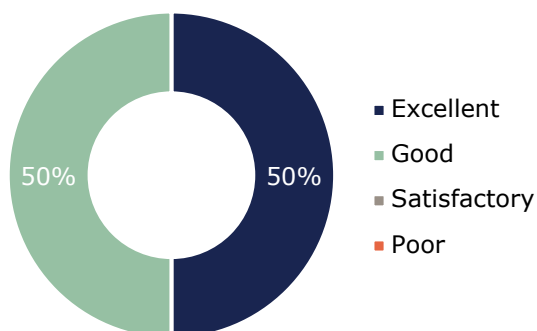
**Staff conduct & professionalism**



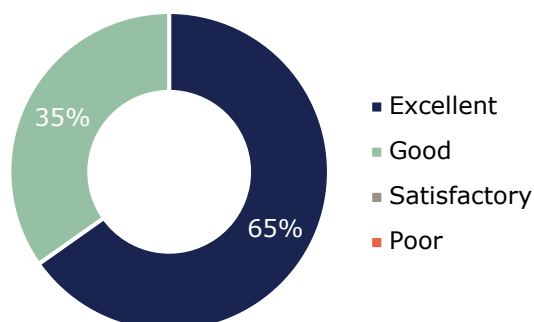
**Ability to establish positive rapport**



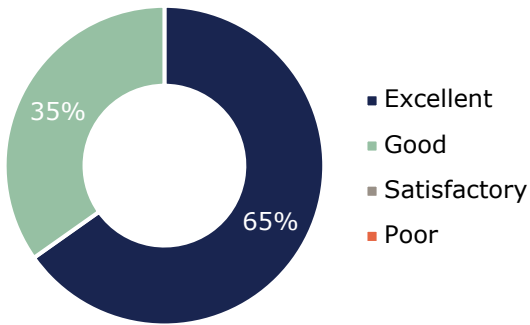
**Knowledge of area being audited**



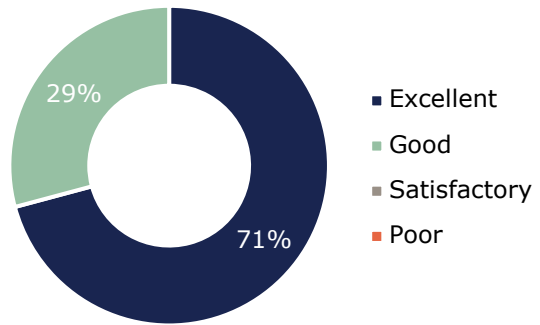
**Minimising disruption for area being audited**



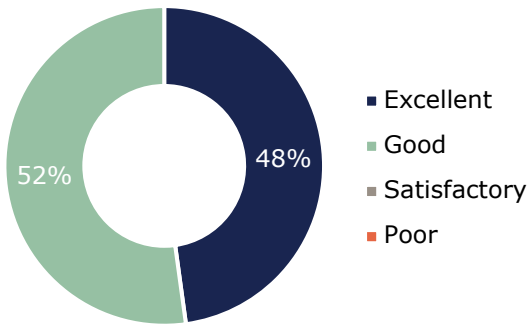
**Communication of issues during audit**



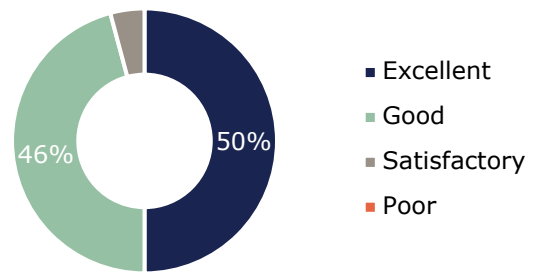
**Quality of feedback at end of audit**



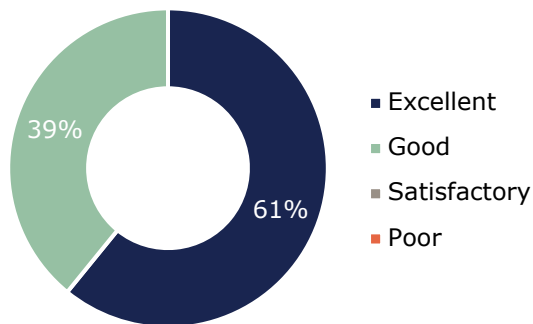
**Accuracy / format / length / style of report**



**Relevance of audit opinions & conclusions**



**Overall rating for the Internal Audit service**



The overall ratings in 2026 were:

	2026 <sup>3</sup>		2025	
Excellent	14	61%	18	56%
Good	9	39%	12	38%
Satisfactory	0	0%	2	6%
Poor	0	0%	0	0%

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

### 3.0 Internal audit quality and effectiveness survey (audit committee chairs) 2026

In April 2025, Veritau issued its first internal audit quality and effectiveness survey. The survey was sent to the chairs of the audit committees (or equivalent) of our larger clients. Its purpose was to seek the chairs' feedback on how well Veritau had performed, during 2024/25, in supporting the work of their committees. The same survey was issued in April 2026.

The survey includes eight questions covering consultation on audit priorities, coverage and relevance of audit work, timeliness of responses and communication of key issues, quality of reporting, and professionalism. Respondents are also asked to provide an overall rating for the service.

A total of 10 surveys (2025 – 10) were issued in April 2026. Seven responses were received, representing a response rate of 70% (2025 – 50%). Respondents were asked to provide a rating of excellent, good, satisfactory or poor for each question.

The overall ratings in 2026 were:

	2026 <sup>4</sup>		2025	
Excellent	5	83%	3	60%
Good	0	0%	2	40%
Satisfactory	1	17%	0	0%
Poor	0	0%	0	0%

Overall, the feedback shows that audit committee chairs continue to consider Veritau's internal audit service effective.

<sup>3</sup> Despite responding either 'excellent' or 'good' to the 10 other questions in the survey, one respondent did not provide an overall rating. Therefore, the total response count in the table for 2026 equals 23 rather than 24.

<sup>4</sup> Despite responding either 'excellent' or 'good' to the seven other questions in the survey, one respondent did not provide an overall rating. Therefore, the total response count in the table for 2026 equals 6 rather than 7.

## 4.0 Self-assessment against audit standards

The Accounts and Audit Regulations 2015 require internal auditors working in local government to take into account public sector internal auditing standards or guidance. CIPFA (who are responsible for setting internal audit standards for local government) has adopted the Global Internal Audit Standards in the UK Public Sector – or GIAS (UK Public Sector). These standards came into effect on 1 April 2025.

Prior to 2025, Veritau had used a checklist published by CIPFA to assess conformance with the previous standards, the Public Sector Internal Audit Standards. No equivalent checklist for assessment against the new standards had been published by CIPFA at the time the 2025 self-assessment took place. This meant that the 2025 self-assessment used documentation published by the Institute of Internal Auditors (designed to help internal audit functions prepare for the introduction of the new standards) and CIPFA’s Application Note.

In January 2026, CIPFA launched its GIAS (UK Public Sector) conformance assessment toolkit. The toolkit requires 91 conformance assertions to be made<sup>5</sup> across the following:

- ▲ Global Internal Audit Standards (Institute of Internal Auditors)
- ▲ Application Note: Global Internal Audit Standards in the UK Public Sector (Relevant Internal Audit Standard Setters, including CIPFA)
- ▲ Code of Practice for the Governance of Internal Audit in UK Local Government (CIPFA)

CIPFA’s conformance assessment toolkit was used to undertake a full self-assessment for 2026, the outcomes from which are summarised later.

## 5.0 2025 self-assessment: update on previous actions

### Partial conformance actions

Our 2025 self-assessment allowed us to confirm our overall conformance with the GIAS (UK Public Sector). However, we identified two actions to address areas of partial conformance. These were to update internal audit charters to align with the GIAS (UK Public Sector) and to provide a more structured means for audit committees to provide input on internal audit performance. Both actions have been completed.

All audit charters were updated to incorporate new and changed requirements brought about by the GIAS (UK Public Sector) and were presented to audit

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<sup>5</sup> Conformance assertions are made on a three-point scale: does not conform; partially conforms; generally conforms. Assertions are made at the domain, principle, standard, interpretation, and requirement levels.

committees for approval. A new survey of chairs of audit committees was also developed and issued in April 2025 and is now repeated annually.

### Continuous improvement actions

The 2025 self-assessment also highlighted a number of other actions that were not required to conform to the standards but which would help to improve the service. Good progress has been made in implementing these actions.

Updates have been made to our internal training forward plan so that it now links individual sessions to the relevant professional standard(s). Training has been designed and delivered on the professional scepticism standard. Training preparation and evaluation forms have also been developed. Other actions, such as reviewing role competency profiles and value for money auditing procedures, have been incorporated into wider development plans and initiatives.

## **6.0 2026 self-assessment: outcomes**

The 2026 self-assessment has been completed. No areas of non-conformance were identified.

Across the 91 assertions made, only two indicate that Veritau is achieving partial conformance. Both arise from requirements in the Application Note: Global Internal Audit Standards in the UK Public Sector. Specifically, these are the requirements to:

- ▲ Promote awareness and support understanding of value for money, including development of evaluation criteria
- ▲ Have a methodology in place to risk-assess areas covered by a Topical Requirement<sup>6</sup> and, where required, to perform work in accordance with it.

Three 'conformance actions' have been developed to address the partial conformance identified, as follows:

Ref.	Title	Action	Timescale
CA01	Auditing value for money: definition and evaluation criteria	Update the audit manual and create a new appendix which defines value for money, provides example evaluation criteria, and documents an approach to evaluation.	December 2026
CA02	Auditing value for money: training	Develop and provide training to the internal audit service on value for money in the public sector, and on suggested approaches for evaluation.	December 2026

<sup>6</sup> Topical Requirements provide a minimum baseline and relevant criteria for a consistent, comprehensive approach to assessing the design and implementation of governance, risk management, and control processes in particular risk areas (the topics).

CA03	Managing Topical Requirements	Update the audit manual to include a methodology for how Topical Requirements will be managed, including the rationale for inclusion or exclusion of relevant audits based on an assessment of risk (using the IIA's Topical Requirements Application Guidance to support with design and implementation).	December 2026
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These three actions will be brought into Veritau's quality assurance and improvement programme via the 'conformance and continuous improvement action plan'. The action plan will also contain a further 24 'continuous improvement actions' arising from domains 2-5 of the Global Internal Audit Standards and the Code of Practice for the Governance of Internal Audit in UK Local Government. All 24 actions are designed to support Veritau's ability to evidence conformance in areas already assessed as 'generally conforms'.

The conformance and continuous improvement action plan will be owned and delivered by Veritau's audit management team. We expect that all actions will be completed in time for the 2027 self-assessment.

## 7.0 External Assessment

The GIAS (UK Public Sector) require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau's internal audit working practices was undertaken in summer 2023, by John Chesshire, an approved reviewer for the Chartered Institute of Internal Auditors. The report concluded that Veritau internal audit activity 'generally conforms' to the PSIAS<sup>7</sup> and, overall, the findings of the review were very positive. The feedback included comments that the internal audit service was highly valued by its member councils. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engage flexibly with our clients throughout the internal audit process, at both strategic and operational levels.

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 two years.

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<sup>7</sup> PSIAS guidance suggested a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' was the top rating.

## 8.0 Wider development plans and initiatives

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.

### The internal audit strategy

We first introduced an internal audit strategy in 2021. The strategy identified priorities for developing the service and actions to deliver continuous improvement. The latest strategy (2025 to 2027) was adopted in January 2025. It sets out areas we are prioritising for development. These include the following:

- ▲ focussing on the development of high value assurance techniques and expertise
- ▲ further development of systems for planning, prioritising and reporting audit work
- ▲ use of the K10 audit system to improve functionality for the delivery of audit work and the production of management information.

To achieve these priorities, we have focused actions in the following four key areas during 2025/26:

1. embedding a strategic approach to work programme development and the use of the audit opinion framework
2. redesigning and modernising our audit working practices (including assignment planning and reporting)
3. further developing our use of data analytics
4. developing our key performance indicators and the measures of added value.

At the time of preparing this report, we are currently refreshing our internal audit strategy. The new strategy will retain many of the priorities and focus areas of the previous version because they remain central to our continuous improvement efforts. However, early stages of development show that further emphasis will be placed on generating deeper insights and minimising time taken to deliver value. Attention is required in these areas to ensure we keep pace with developments in the profession, aspects of which have been accelerated by improvements in data analytics capability / availability and the growth in artificial intelligence. We expect to launch the new strategy in the first half of 2026.

### Quality assurance group: outcomes

The internal audit quality assurance group is currently working on its 2025/26 review. With new follow-up and escalation procedures established at the

beginning of the year, the group is aiming to assess how well these have been applied through our K10 system. Specifically, the review is looking at the design and governance of the follow-up process, its overall effectiveness in terms of outcomes, compliance with procedures, and the strength of the links with client arrangements, the annual opinion, and work programme development.

The group has concluded the first part of the review into governance and procedures. They found that Veritau's arrangements for follow-up align strongly with the requirements of the GIAS (UK Public Sector). Expectations are clearly set in the audit manual, with accompanying procedures available to support consistent application of the process.

A small number of areas requiring improvement have been identified. These include:

- ▲ Further clarifying procedures for initiating follow-up audits, and how to treat the follow-up of actions prior to these audits
- ▲ Developing a stronger process for recording and tracking new actions agreed as a result of follow-up work (i.e. those which replace the originally agreed action)
- ▲ Developing more detailed guidance on the use of system reports, including data quality checks to perform on information shared with client governance groups and audit committees
- ▲ Improving the ease with which system reports can be converted into management information so that we can continue to report on the overall disposition of follow-ups to governance groups rather than on an escalation-only basis.

Once the review has concluded, the final set of improvement actions will be communicated and brought into Veritau's quality assurance and improvement programme. Improvements will then be implemented in a range of ways such as through updating procedures, further system development, incorporation into the internal audit strategy, via team training events, and through feedback to individual auditors where required.

## **9.0 Overall conformance to standards**

Based on the overall outcomes from Veritau's quality assurance and improvement programme, the Head of Internal Audit considers that the internal audit service conforms to Global Internal Audit Standards in the UK Public Sector.