ANNUAL HEAD OF INTERNAL REPORT 2020/21
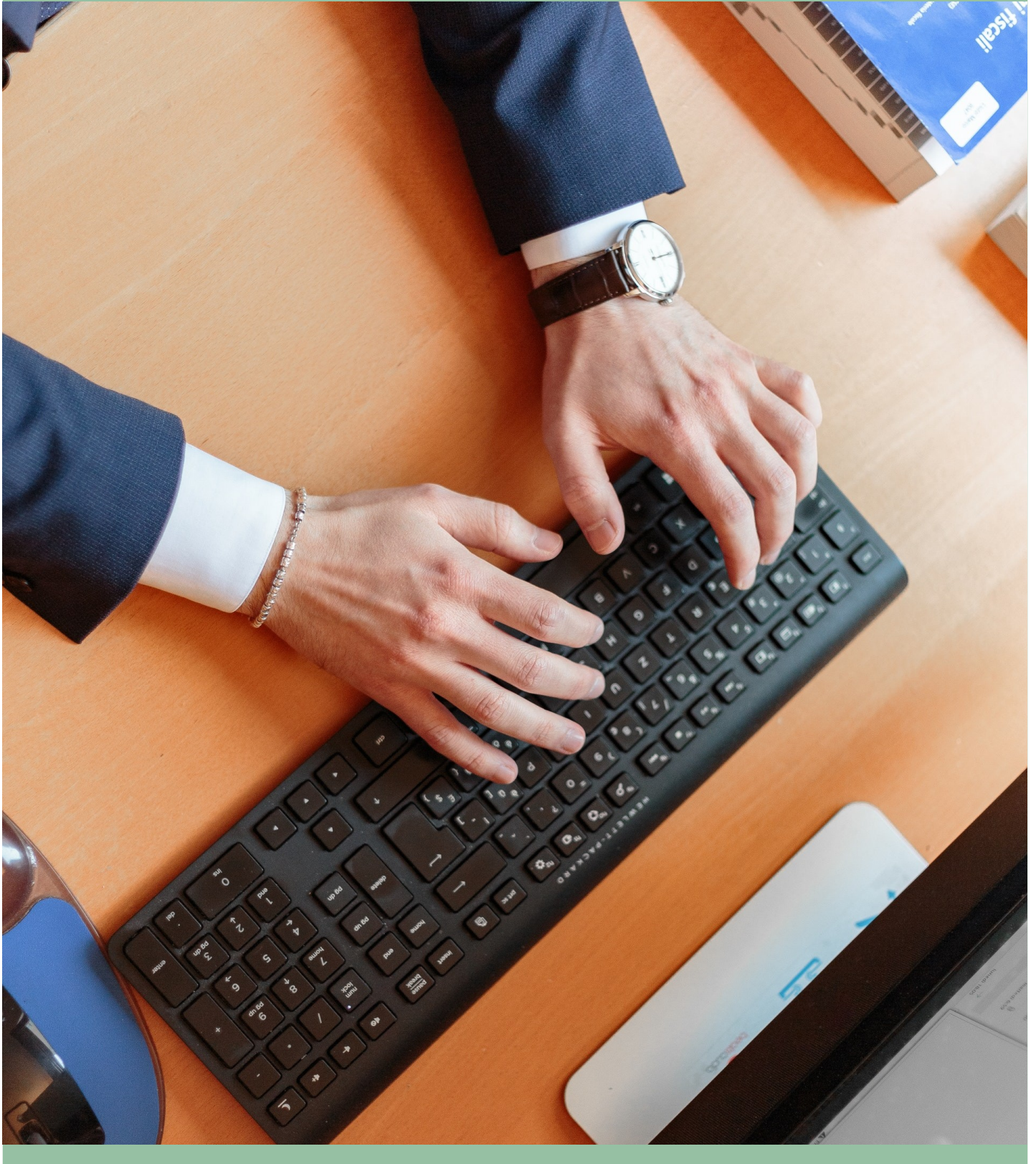
16 June 2021

ANNEX 1

CITY OF YORK COUNCIL

Veritau

CONTENTS

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Circulation list: Members of the Audit and Governance Committee

💼 BACKGROUND

1   The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit and Governance 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 the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.

🔗 INTERNAL AUDIT WORK CARRIED OUT IN 2020/21

2   During the last year, the Covid pandemic has had a significant impact on the council's working practices. In addition, much of the council's resources have been directed towards responding to Covid related issues. This has also impacted upon the work of internal audit.

3   A summary of internal audit work undertaken during the year is included in appendix A, below. During the first part of the year, work on core audit assignments was suspended at the request of the council. This included finalisation of work from the previous year and follow up of previously agreed actions. During this period, Veritau continued to provide support to the council, including providing advice and assisting in the processing of Covid-19 business support grants (alongside the counter fraud team). Work recommenced after summer 2020, with all audit work being undertaken remotely.

4   Audit work undertaken since then has focussed on those areas considered higher risk, including any issues arising from changes to arrangements as a result of the pandemic. We have also taken a pragmatic approach to finalising work suspended during the early part of the year. For example, in cases where the impact of the pandemic meant that the original findings were no longer directly relevant. In some cases we have given advice to services about any issues found, where these were still relevant. In other cases, we have rolled forward the original findings into new work undertaken or planned, to review the findings in light of subsequent changes. The delay in starting work during the year has also meant that we currently have a higher level of outstanding 2020/21 work than would normally be expected at this point. The intention will be to bring the audit cycle back in line with normal arrangements over the next two years.

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5   Appendix B, below, provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee. Appendix C provides an explanation of our assurance levels and priorities for management action. Finalised reports listed in appendix B are published online, along with the papers for this committee. The report on Contract Management for Make it York is included in the agenda papers as annex 3 as the opinion given is limited assurance.

💬 FOLLOW UP OF AGREED ACTIONS

6   All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. Due to the pandemic, follow up of agreed actions was suspended in the first half of 2020/21. We have now recommenced this work and a summary of the current position is included in appendix D.

⚖️ PROFESSIONAL STANDARDS

7   In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the committee each year as part of the annual report. The QAIP consists 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)

8   External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit working practices was undertaken in November 2018[1]. This concluded that Veritau internal audit activity generally conforms to the PSIAS[2].

9   The outcome of the recently completed self-assessment demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP are given in appendix E.

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[1] Reported to the Audit and Governance committee in February 2019.
[2] PSIAS guidance suggests a scale of three ratings, 'generally conforms, 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

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10   The Internal Audit Charter sets out how internal audit at the council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

OPINION OF THE HEAD OF INTERNAL AUDIT

11   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 **Substantial Assurance**. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.

12   The opinion given is based on work that has been undertaken directly by internal audit, and on cumulative knowledge gained through our ongoing liaison and planning with officers. However, in giving the opinion, we would note that Covid-19 has significantly affected the council over the last year, with a wide ranging impact on business operations and controls. While the work of internal audit is directed to the areas that are most at risk, or provide most value for the council, it is not possible to conclude on the full extent of the impact of Covid-19 on the council's operations.

Audit	Status	Assurance Level
Special educational needs: Ofsted inspection and written statement of action	Final report issued	Substantial Assurance
Contract management – Make It York	Final report issued	Limited Assurance
Home working	Final report issued	Reasonable Assurance
ICT server administration and security	Final report issued	Substantial Assurance
ICT licence management	Final report issued	Substantial Assurance
Public health – healthy child service	Final report issued	Reasonable Assurance
Adoption services	Final report issued	Substantial Assurance
Council tax & NNDR	Draft report issued	
Community hubs	Draft report issued	
Commercial waste	Draft report issued	
Environmental health	Draft report issued	
Council tax support and benefits	Draft report issued	
Project management	Draft report issued	
Schools themed audit – cyber security	Draft report issued	
Debtors	Fieldwork in progress	
Ordering and creditor payments	Fieldwork in progress	
Business continuity and emergency planning	Fieldwork in progress	
Health and Safety	Fieldwork in progress	
Records Management	Fieldwork in progress	
ICT asset management	Fieldwork in progress	
Information Security	Fieldwork in progress	

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Continuing healthcare	Fieldwork in progress	

Other work

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

- Covid related advice: including administration of government grants; processes for CYC discretionary grants; supplier relief; and use of video conferencing applications.

- Follow up of agreed actions.

- Creditors data analytics work.

- Internal investigations.

- Support and advice provided through the year on controls and processes, including: blue badge administration, corporate complaints policies and procedures, gifts and hospitality, housing IT systems and related processes, cheque control and security.

- Grant certification work, including transport grants, Scambusters, Troubled Families, Covid grants.

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System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
SEN Ofsted Inspection & written statement of action (WSoA)	Substantial Assurance	The audit reviewed procedures and controls to ensure robust governance arrangements are in place to deliver the written statement of action, and progress and outcomes can be evidenced through robust monitoring.	May 2021	Accountability and governance arrangements are clearly stated. A SEND improvement board (SIB) receives regular monitoring reports for each workstream in the improvement plan. Weaknesses were identified relating to the terms of reference of the SIB and action tracking (priority 3).	Terms of Reference of the SEND Improvement Board (SIB) will be updated. All outstanding actions will be reviewed at the next SIB and their status updated.
Contract Management – Make it York	Limited Assurance	The audit reviewed contract management arrangements for Make it York, including financial monitoring, performance, and activity.	April 2021	Performance measures are defined and reviewed. Good controls are in place for financial monitoring. Weaknesses included service user feedback not being collected; key quarterly performance and financial reports not being produced and provided ahead of client/contractor meetings; and no annual Make it York business plan and revised service level agreement being produced for 2019/20 or 2020/21.	Detailed findings, and the actions agreed are included in the audit report included as annex 3 to this agenda item. Actions included development of a new contract, including escalation processes; a requirement for user feedback to be gathered as part of a new service level agreement; and recommencement of quarterly performance reporting and strengthening of the process. A new service level agreement was due to be taken to the council's Executive in May 2021.
Home working	Reasonable Assurance	The audit reviewed corporate guidance for homeworking during	May 2021	Appropriate guidance is in place. Reasonable steps have been taken to	Action already implemented to improve

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
		Covid-19, management of assets used by homeworkers and, remote management arrangements. An audit had been conducted in this area immediately prior to the pandemic. This further audit re-evaluated processes and controls in light of the significant change in arrangements during the pandemic.		support and manage staff working from home. Some need for support for staff making difficult phone calls was identified. Allocation of council assets to homeworkers is generally managed well. Some improvements were made during the audit to address one area of weakness. A future workplace strategy, post-pandemic, is being developed.	record keeping for office furniture issued to, and returned by, staff. Human resources and the workforce development unit to identify training to support handling of difficult phone calls when working at home.
ICT Server Administration and Security	Substantial Assurance	The audit reviewed: access to data centres, environmental controls, configuration and performance monitoring.	May 2021	Suitable controls are in place to secure servers against physical and logical attacks and to monitor server performance and control the data centre environment. Some weaknesses were found: audit logs of access attempts by privileged users were not being reviewed; some ICT policies required review; procedure documentation for server rooms, servers, and applications was out of date; and the annual data centre deep clean was overdue.	Monthly reports of use of admin accounts will produced and reviewed; a more secure method for accessing servers will be piloted. ICT policies will be reviewed and updated and made available on the intranet. Data centre access procedures will be reviewed and updated, along with other procedures. Covid-19 has led to a delay in the deep clean but this will be arranged and carried out as soon as possible.

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System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
ICT Licence Management	Substantial Assurance	The audit reviewed procedures and controls for: licence utilisation & deployment, subscription strategy, and management of Microsoft licences.	May 2021	Use of licences is monitored for applications in use. The purchase of licences is appropriately authorised. Some weaknesses identified in leavers processes, the ability of a small number of users to access unlicensed applications, and the robustness of licence monitoring for some applications.	Actions relating to access to unlicensed applications and licence monitoring have been completed. An improvement to the leavers' processes is planned including coordination / sharing of information on leavers and changes in job roles across all relevant departments.
Public Health – Healthy Child Service	Reasonable Assurance	The audit reviewed procedures and controls for governance and management of the healthy child service and quality assurance processes.	May 2021	Appropriate governance and management arrangements are in place. However, job descriptions require updating. Performance management for the 0-5yrs service is robust. Performance management arrangements for the 5-19yrs service will be reviewed as part of strategy updates. Quality assurance audits are completed and reported appropriately. However, there was no overall policy or procedure for conducting QA audits or for addressing required improvements through formal action plans.	Guidelines for carrying out audits will be produced. Advice will be sought to ensure these employ best practices. Governance structures will be used to monitor annual QA audit plans and implementation of improvement plans to address weaknesses identified in audits.
Cash handling	High Assurance	The audit reviewed procedures and controls for cash handling and reduction of cash payments.	April 2021	Cash handling procedures are robust. Some issues were noted regarding frequency of banking. Reasonable efforts are being made to remove and reduce cash payments.	Cash will be banked more frequently so that safe insurance limits are not exceeded.

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APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.	
Opinion	**Assessment of internal control**
High assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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APPENDIX D: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.

Follow up work was suspended at the request of the council, to allow officers to respond to Covid-19, and for auditors to assist with other areas of work. Follow up work restarted in autumn 2020. This report covers agreed actions with target implementation dates up to 30 April 2021.

Actions followed up

A total of 136 actions have been followed up since the last report to this committee in September 2019. A summary of the priority of these actions is included below.

Actions followed up		Actions followed up by directorate			
Priority of actions*	Number of actions followed up	Customer & Corporate Services	Economy & Place	Children, Education & Communities	Health, Housing & Adult Social Care
1	0	0	0	0	0
2	62	28	16	16	2
3	74	19	23	30	2
Total	136	47	39	46	4

Of the 136 agreed actions 78 (57%) had been satisfactorily implemented and 35 (26%) were no longer needed[3].

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[3] For example because of other changes to procedures or because the service has ended or changed significantly.

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Actions with revised implementation dates

In 23 cases (17%) the action had not been implemented by the target date and a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable. Over the last year, in a number of cases, it has been accepted that resources have been directed to responding to Covid-19. These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the escalation procedure.

Actions with revised implementation dates				
Priority of actions*	**Customer & Corporate Services**	**Economy & Place**	**Children, Education & Communities**	**Health, Housing & Adult Social Care**
1	0	0	0	0
2	8	0	3	1
3	4	0	7	0
Total	**12**	**0**	**10**	**1**

Priority 1 & 2 actions outstanding for more than 6 months

Priority 1 and Priority 2 actions that have been outstanding for more than 6 months after the original implementation date are listed in the table below. This includes 19 priority 2 actions – there are no outstanding priority 1 actions. Actions outstanding for more than six months will continue to be reported as part of updates on follow up work, until they have been addressed.

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Audit	Priority	Original date	Revised date	Action	Update
Health and Safety 2017-18	2	31 March 2018	31 November 2021	Health and Safety guidance in relation to public events was not available on the council website. Existing guidance on the council's website was to be reviewed and guidance on the application process developed. The new guidance will be published on the council's website and clearly signposted from the council's intranet and Make It York's website. Note that a further audit of arrangements for events safety is planned for the current year, and will follow up this issue in more detail, alongside a review of wider arrangements.	The service provided an update in April 2021: A new SAG officer is in post and is taking these actions forward. Website links between the council and Make it York will be in place by June 2021. In the last year work has concentrated on ensuring Covid risk assessments and management was in place for events. It is expected that new guidance for events will be given nationally as we come out of the pandemic; therefore, guidance will be reviewed and updated in line with that. A revised date of November 2021 has been agreed with the service for completing this action.
Contributions to Care 2017-18 (Children's social care)	2	31 July 2019	31 August 2020	All children receiving continuing care funding will be reviewed to check whether formal agreements ('NHS Notification of Continuing Care details' forms) are in place. For any children where this form is not held, the CCG will be requested to provide a completed form.	Verbal confirmation has been received that this action has been completed. Internal audit will be requesting evidence or re-testing the original issue to confirm this before this action is formally marked as completed.
GDPR Readiness 2018-19	2	30 November 2019	Options paper to be presented to Digital Records Management	The information governance toolkit will be finalised and approved. Once approved, the toolkit will be publicised internally and published on the intranet, with targeted awareness and training sessions delivered.	Not fully completed due to resource pressures and contingency plans in Corporate Governance Team from the start of Covid19.

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Audit	Priority	Original date	Revised date	Action	Update
			Board by end of June 2021. Subsequent dates dependent on decision. (no later than February 2022 – in line with Microsoft 365 implementation schedule)	The data protection policy statement will be made available on the council's website.	A records management toolkit has been drafted and sent to the Digital Records Management Board for feedback and comment. A classification scheme for information and file/folder naming conventions is already agreed and will be rolled out as part of Microsoft 365 implementation. The above informs the wider information governance toolkit which is currently being drafted.
GDPR Readiness 2018-19	2	30 November 2019	30 June 2021	A programme of work will be developed, in conjunction with service areas and directorates, to identify gaps in the provision of privacy information for higher risk processing. Once all gaps have been identified, the Corporate Governance Team will provide support to service areas in developing and publishing appropriate privacy information so that individuals' right to be informed is met.	Work has continued to write, publish and update privacy notices. Work underway includes: review of the information asset register to ensure all record of processing activities (ropa) requirements are covered; records management surveys and analysis; ongoing / increased provision of privacy notices (i.e. for the rights of individuals to be informed) on the council website. Current privacy notices are also reviewed where there are any proposed changes to what may be done with personal identifiable information. The original action is tied to the work above on the information asset register but there is a programme of work to continually monitor and

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Audit	Priority	Original date	Revised date	Action	Update
					review privacy notices and therefore the responsible officer believes that this action is substantially complete. Internal audit will be re-testing to confirm whether the control weakness originally identified has now been addressed.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	Improvements and developments to the information asset register application already identified will be formally requested to be implemented by ICT and included in the ICT work programme. This will include enhanced reporting capabilities, the outputs from which will form part of the Data Protection Officer's regular information governance update to corporate management team.	Not fully completed due to resource pressures and contingency plans in Corporate Governance Team from the start of Covid19. Further development of the current information asset register is underway with ICT. Work is underway with the Business Intelligence team to improve reporting capabilities and standard reporting format to CMT and A&G. The new reporting "template" will be provided to A&G at the July 2021 meeting for their feedback on content, format and style prior to introduction of the new reports from September 2021.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	A programme of work will be developed, in conjunction with service areas and directorates, to identify gaps in information asset entries. Once all gaps have been identified, the Information Governance and Feedback Team will provide support to service areas in completing their	Not fully completed due to resource pressures and contingency plans in Corporate Governance Team from start of covid19. This is linked to the work and progress of the above action to develop and improve the information asset register and ability to obtain

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Audit	Priority	Original date	Revised date	Action	Update
				information asset records and in ensuring that they are kept under regular review.	management information that identifies gaps and areas for improvement.
GDPR Readiness 2018-19	2	30 November 2019	30 June 2021	Legal Services will investigate the status of the high priority contracts and will put arrangements in place to ensure that the council is adequately protected from any failure of its contractors to comply with the requirements of the GDPR.	Contract clauses and schedules for data processing where needed, are in place. Responsible officer stated that action is substantially complete and this is now done routinely. Internal audit will be re-testing to confirm whether the control weakness originally identified has now been addressed.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	The Local Government cyber fundamentals eLearning solution will be rolled out to all staff as a mandatory training requirement.	The cyber security fundamentals e-learning is still be implemented. This was delayed by accessibility and technical issues but these have recently been resolved. There are a number of other e-learning modules available and these are mandatory modules for all staff. These include: data protection, information governance; information security. Also any users of NHS SystmOne e.g. public health, have access to and must regularly complete NHS information governance training.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	Arrangements will be put in place between the Workforce Development Unit and the Information Governance and Feedback Team to receive regular reports on	Due to Covid19 resource pressures and contingency plans regular reporting on completion of training was halted. Six monthly reports on

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Audit	Priority	Original date	Revised date	Action	Update
				completion of mandatory data protection training. Data on training completion rates will form part of the DPO's (data protection officer) regular information governance update to GRAG, CMT and DMTs.	completion of mandatory data protection training will be reinstated and feedback provided to GRAG and DMT/CMT. This will be included in the review of information governance reporting content and format, which A&G will be consulted on in July 2021 and will be used for reporting from September 2021.
GDPR Readiness 2018-19	2	30 November 2019	30 September 2021	Themes arising from reported and investigated personal data breaches will be reported to GRAG, CMT and DMTs and to Audit and Governance Committee as part of the DPO's regular information governance update.	This will be included in the review of information governance reporting content and format, which A&G will be consulted on in July 2021 and will be used for reporting from September 2021.
Schools - Budget Management 2018-19	2	31 December 2019	31 December 2021	1. The Scheme for Financing schools requires schools to submit termly monitoring reports, unless directed to provide more frequent reports in support of a licensed deficit. The scheme will be updated to include a recommendation that schools also prepare monitoring reports more frequently for their governors to ensure effective management of financial resources. The revised scheme will be presented to Schools forum in July and subject to approval, published Summer 2019. 2. To support schools in preparing reports more regularly the authority will introduce a model spreadsheet for use by schools.	The Scheme for financing schools is being updated. This has not been completed due to capacity within the team. However, this work will be prioritised and completed by December 2021. Verbal confirmation has been received that action 2 and 3 have been completed. Internal audit will be requesting evidence to confirm this before this action is formally marked as completed.

Audit	Priority	Original date	Revised date	Action	Update
				This will include a reconciliation to the start budget and actual transactions held on the FMS system. This will be introduced in May 2019 3. To support Governors to discharge their responsibilities for effective financial management we will introduce and promote two new services:- a) A financial Health Check, to report back to Governors b) Finance Training for senior leadership - what to focus on and how to ensure the school has effective financial management. Development and consultation on what the services should cover will take place during Spring and Summer 2019. Due to the timing of the traded offer, this will be introduced in the offer launched in November 2019.	
Schools - Budget Management 2018-19	2	31 December 2019	31 March 2020	The submission deadline for the start budget is set by the Scheme for Financing Schools 1. The submissions calendar will be shared with the Governance team to assist them to set Governors meetings which enable budgets to be submitted on time. It should be recognised that the reporting window is very tight after allowing for Easter holidays. 2. Budget planning software will be introduced which supports scenario planning and holds a "working" budget.	Verbal confirmation has been received that these two actions have been completed. Internal audit will be requesting evidence to confirm this before this action is formally marked as completed.

Audit	Priority	Original date	Revised date	Action	Update
				This will support schools to prepare budget options in advance of the busy March – May period	
Housing Fraud 2018-19	2	30 April 2020	31 July 2021	Data matching exercises are not being done with other records such as the electoral roll or benefits system. Staff in the Repairs Service also don't have access to a picture of the tenant on the SX3 rents system.	This is dependent on a new IT system being implemented; this has been delayed but is expected to be in place by the end of 2021. A revised date has been set to check on progress of the project earlier than that and for audit to provide advice and support to the project if required.
Housing Fraud 2018-19	2	30 April 2020	31 July 2021	1. There have been some issues in the past with data sharing/ cross checking of systems within the council for data protection reasons. The Supported Housing Manager will ensure that this is revisited to ensure cross checking of housing systems against benefits and electoral rolls are maximised. 2. Photos of the system should also be available to repairs staff and the service will look into how this could be made possible as part of the new ICT system due for implementation in 2021 and whether there is a system that can be implemented sooner.	This action is dependent on a new IT Housing system. Covid19 has resulted in a number of delays to IT projects. The new system is not expected to go live until early 2022 but a further follow up date has been set earlier to check on progress, expected timescales and ensure these actions will be addressed in the new system.
ICT Governance and Cyber Security 2018-19	2	31 August 2019	31 August 2020	GRAG Terms of Reference have been updated and will be ratified by 31 March 19. The Head of ICT attends GRAG as required. Corporate risk register updates are in hand and will be completed by 31	The actions regarding GRAG is complete. Verbal confirmation has been received that risk register actions have been completed. Evidence has been requested to confirm this before this

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Audit	Priority	Original date	Revised date	Action	Update
				Mar 19 and then on an ongoing basis. ICT risk registers are updated as appropriate.	action is formally marked as completed.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	The Chair of Governors will ensure that the minutes are an accurate and comprehensive record of the discussions of the budget. The advised format for reports to Governors will be used from the staffing and finance meeting held 14/11/19. The Head teacher and SBM have calendared in a monthly meeting to evidence scrutiny of the monitoring reports.	An update has been received from the school business manager and new headteacher confirming that the actions have been completed. As this was a limited assurance audit the issues will be re-tested. We are in the process of arranging a date with the school for a follow up audit.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	Due to capacity issues there had been a delay in completing this work which has now corrected.	As noted above – a follow up review is being arranged.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	We will request at the next meeting with CYC and secondary schools (16/10/19) that the timeline for these charges is changed so that we can move them to a week after the end of term rather than a month (which is the timeframe currently applied). The receipt of invoiced charges and internal charges are now double-checked against the bank statement and Powersolve statement, and outstanding charges chased immediately. Action will be taken in accordance with the debt management policy (see point 1.1).	As noted above – a follow up review is being arranged.
Danesgate PRU 2019-20	2	28 February 2020	30 September 2020	We will request additional access to the Orovia system for the School Business Manager and further training so that	As noted above – a follow up review is being arranged.

Audit	Priority	Original date	Revised date	Action	Update
				salaries can be checked and monitored through this system. We are still using the historic system for salary checking.	

APPENDIX E: 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
- 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 using the company's automated working paper system (Sword Audit Manager)
- 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
- performance against agreed quality targets monitored and reported to each client on a regular basis
- regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit work are 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).

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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 ongoing performance management arrangements, 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, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board4 as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

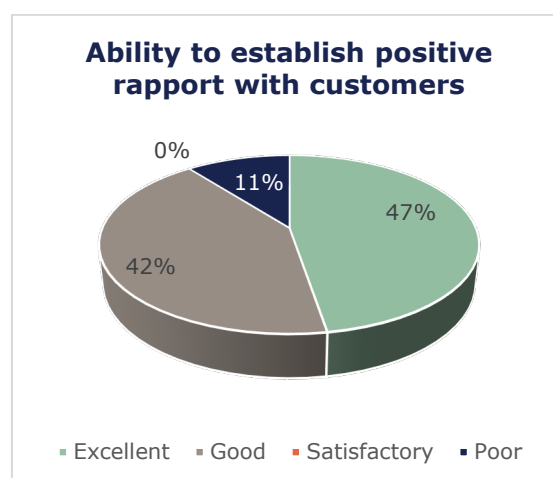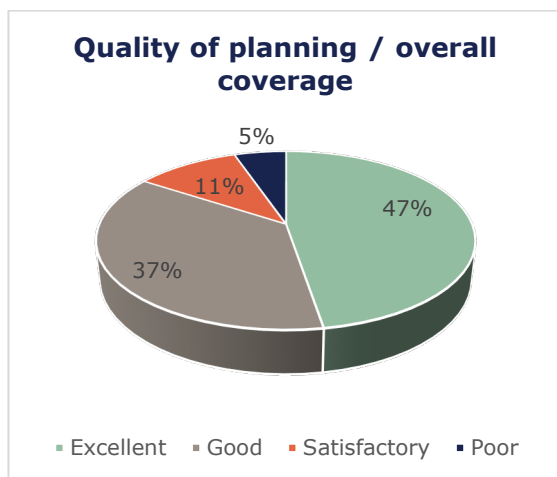## 2.0 Customer Satisfaction Survey 2021

In March 2021 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 165 surveys (2020 – 136) were issued to senior managers in client organisations. A total of 19 responses were received representing a response rate of 12% (2020 – 11%). The surveys were sent using Survey Monkey and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:
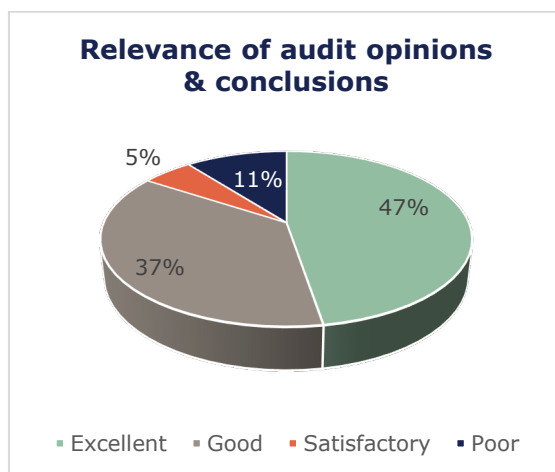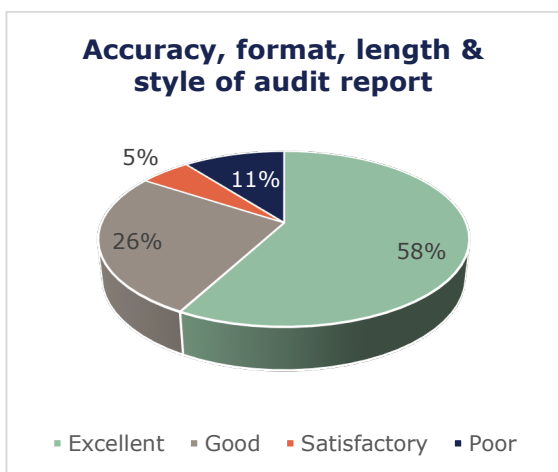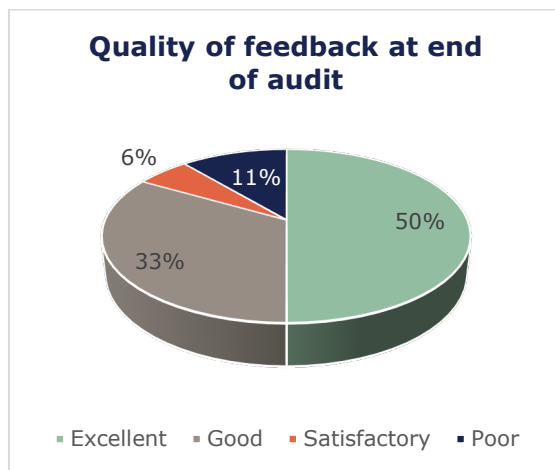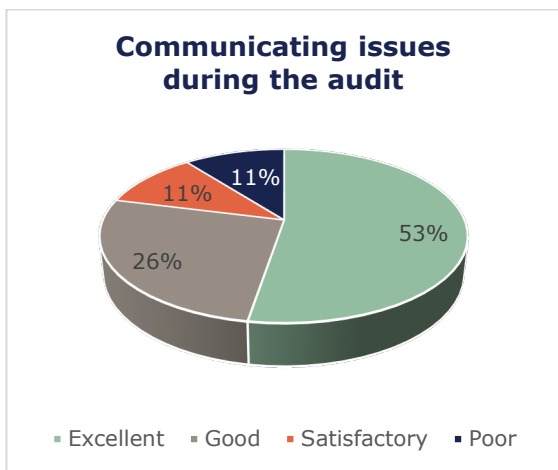
- Excellent (1)
- Good (2)

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[4] As defined by the relevant audit charter.

Veritau

- 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. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 5%).

Quality of planning / overall coverage

5%
11%
47%
37%

▪ Excellent ▪ Good ▪ Satisfactory ▪ Poor

Provision of advice / guidance

0%
11%
53%
37%

▪ Excellent ▪ Good ▪ Satisfactory ▪ Poor

Staff conduct / professionalism

5% 5%
16%
74%

▪ Excellent ▪ Good ▪ Satisfactory ▪ Poor

Ability to establish positive rapport with customers

0%
11%
47%
42%

▪ Excellent ▪ Good ▪ Satisfactory ▪ Poor

Knowledge of system / service being audited

- Excellent 32%
- Good 42%
- Satisfactory 21%
- Poor 5%

Legend: Excellent · Good · Satisfactory · Poor

Minimising disruption to the service being audited

- Excellent 63%
- Good 16%
- Satisfactory 16%
- Poor 5%

Legend: Excellent · Good · Satisfactory · Poor

Communicating issues during the audit

- Excellent 53%
- Good 26%
- Satisfactory 11%
- Poor 11%

Legend: Excellent · Good · Satisfactory · Poor

Quality of feedback at end of audit

- Excellent 50%
- Good 33%
- Satisfactory 6%
- Poor 11%

Legend: Excellent · Good · Satisfactory · Poor

Accuracy, format, length & style of audit report

- Excellent 58%
- Good 26%
- Satisfactory 5%
- Poor 11%

Legend: Excellent · Good · Satisfactory · Poor

Relevance of audit opinions & conclusions

- Excellent 47%
- Good 37%
- Satisfactory 5%
- Poor 11%

Legend: Excellent · Good · Satisfactory · Poor

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Overall rating for internal audit service

- Excellent ▪ Good ▪ Satisfactory ▪ Poor

The overall ratings in 2021 were:

	2021		2020	
Excellent	11	58%	3	20%
Good	6	32%	11	73%
Satisfactory	0	0%	0	0%
Poor	2	11%	1	7%

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

3.0 Self-Assessment Checklist 2021

CIPFA has 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 and 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. A comprehensive update of the checklist was undertaken in 2020, following revisions by CIPFA.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. 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. Existing arrangements are considered appropriate for the circumstances and require no further action.

The following areas of non-compliance remain largely unchanged from last year.

Conformance with standard	Current position
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	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

Conformance with standard	Current position
was accepted?	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 respective priorities of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and reported to the audit committee). Work is currently ongoing to introduce flexible audit planning arrangements. As part of this exercise, we will be seeking to assign priorities to audit activities on an ongoing basis during the course of the relevant reporting period. Once complete, the new arrangements will remove this area of non-compliance.
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?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

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 last 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 06/02/2019.

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.

5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. An action plan was developed to address these areas. These actions have all been completed, other than one area (shown below) which remains in progress.

Recommendation	Current Position
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 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).	This work is in progress. Work has been undertaken over the last two years to identify other sources of assurance for each client. This exercise is ongoing, and more detailed actions have been incorporated into a longer term development strategy for Veritau internal audit services (see below).

In 2020/21, the Quality Assurance group reviewed internal processes for the follow up of actions agreed during internal audit assignments. It found that follow up work is generally being undertaking routinely, and in line with

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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.

expected procedures. In the majority of cases, actions raised in our reports are completed by the client and these actions address the issues originally raised.

Findings from follow up work are recorded on the Veritau internal audit management system. In most cases, sufficient evidence is held on the system to show that actions have been completed. However there are some cases where responses received from clients do not fully demonstrate that those actions have addressed the original findings. We also found that some improvements are needed to documenting and updating of information on the system. In particular, records were not always up to date, with some actions which had passed the agreed deadline remaining outstanding. This is partly due to the impact of Covid 19 – with a number of clients requesting an easing of follow up work during the pandemic. In 2021 we will review all outstanding actions, to bring details up to date. We will also be providing further training to the audit teams on documenting evidence to support the findings from follow up work.

In the last year, we have also recognised the need for a more fundamental review of internal audit practices within Veritau. While current arrangements meet the standards, the pace of change in local government and the wider public sector mean that we need to update aspects of the service to ensure it stays up to date and continues to deliver good value. We have therefore developed a three year strategy to help us improve the service. The strategy sets out the actions we will be taking within Veritau to modernise our practices, from April 2021. The five key areas we are focussing on are:

- increasing engagement across all clients
- further development of strategic planning frameworks
- redesign and modernisation of audit processes (for example flexible work planning and reducing the time to deliver findings)
- increasing investment in high value data analytics work
- introducing better measures of outcomes from audit work, to enable us to direct resources to areas of most value to our clients

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.