ANNUAL HEAD OF INTERNAL OPINION REPORT

26 July 2024
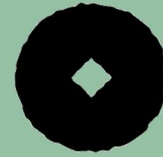
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Veritau

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Circulation list: Members of the National Park Authority

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💼 BACKGROUND

1   The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the Authority's audit charter. These require the Head of Internal Audit to bring an annual report to the National Park Authority. The report must include an opinion on the adequacy and effectiveness of the Authority'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 2023/24

2   Internal audit work carried out during the year, and the opinion given for each audit, is detailed in appendix A. All work for the year has been completed.

3   No special investigations were carried out during the year.

4   Appendix B summarises the key findings from internal audit reports that were presented to the Authority in February 2024 (the remaining reports are being presented to the current meeting in full). Appendix C provides an explanation of our assurance levels and ratings for management action.

⚖️ PROFESSIONAL STANDARDS

Quality assurance and improvement programme

5   In order to comply with the 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 the required professional standards. The results of the QAIP should be reported to senior management and the Audit Committee along with any areas of non-conformance with the standards. 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

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- ▲ 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).

6   External assessments of internal audit services 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 between June and August 2023. This concluded Veritau internal audit activity generally conforms to the PSIAS[1] and, overall, the findings were very positive.

7   The feedback included comments that the internal audit service was highly valued by Veritau's clients. Key stakeholders also felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engaged flexibly with our clients throughout the internal audit process, at both strategic and operational levels. Further details of the QAIP are given in Appendix D.

Professional standards update

8   The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). New IIA professional standards were published in January 2024 and will apply from 9 January 2025. The UK Public Sector Internal Audit Standards Advisory Board (IASAB) is currently reviewing the implications for the PSIAS. Any subsequent changes to the UK's PSIAS will be subject to consultation and will apply from 1 April 2025.

9   The Internal Audit Charter sets out how internal audit at the Authority will be provided in accordance with the PSIAS. No changes are proposed to the charter at this time, but changes will be required in 2025 to reflect the forthcoming updates to professional standards.

💡 OPINION OF THE HEAD OF INTERNAL AUDIT

10 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating in the Authority 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.

11 The opinion given is based on work that has been undertaken directly by internal audit, and on knowledge gained through our ongoing liaison and planning with officers.

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

Appendix A: 2023/24 Internal audit work

Audit	Status	Assurance Level
Performance management	Completed	Substantial Assurance
Planning enforcement	Completed	Reasonable Assurance
Project management	Completed	Substantial Assurance
Main accounting system	Completed	Reasonable Assurance
Creditors	Completed	Substantial Assurance
Vehicles	Completed	Substantial Assurance

Appendix B: Summary of key findings from work reported to the Authority in February 2024

System/ area	Opinion	Area reviewed	Reported to Authority	Comments	Management actions agreed
Performance management	Substantial Assurance	We reviewed the Authority's arrangements to ensure • An appropriate performance management framework and reporting cycle was in place. • Performance of objectives and their Key Performance Indicators (KPIs) are reviewed appropriately on a regular basis. • KPIs have supporting data dictionaries that are accurate and complete.	February 2024	**Strengths** Performance is measured by a range of objectives and targets set out in the Authority Plan which are regularly reported to members and the public. Key performance indicators are clearly defined and correspond directly to the Authority's priorities. Longer-term and more ambitious targets are included in the National Park Management Plan. There are clear reporting deadlines and timescales for the collation and publication of their service areas' data on the new 'Performance Reporting' website. Reporting feeds clearly through into the Progress Report, which presents the objectives of the Authority Plan and reports on progress in meeting them over time. All KPIs created with the Authority Plan were reported to Members for the first time in November 2023. There is a consolidated data dictionary, which defines how the Authority produces its performance data for the eight objectives which form the 'Enabling Delivery' aim. Testing found for all objectives, the data owner, frequency of calculation, reporting date and frequency are clearly defined. The geographic and temporal scope of the data to be calculated are also defined where relevant, to ensure the correct data is used in calculations. **Areas for improvement** No areas for improvement were identified.	No management actions.

System/ area	Opinion	Area reviewed	Reported to Authority	Comments	Management actions agreed
Planning enforcement	Reasonable Assurance	We reviewed the Authority's arrangements to ensure: • Planning enforcement processes are well documented, and roles and responsibilities are clearly defined. • A clear process is in place to manage potential breaches, including the maintenance of a register. • Reports of potential planning breaches from the public are efficiently received, documented and acted upon, leading to timely • Performance and compliance with enforcement targets is calculated accurately and reported to the Planning Committee quarterly.	February 2024	**Strengths** The Local Enforcement Plan defines planning enforcement procedures and processes across 11 sections. The plan includes key information such as how to report a potential breach of planning control and expected timescales for responses to enquiries. The planning system and the hub serve as a comprehensive breach register, capturing essential details and supporting documentation. A sample of resolved cases found enquiries had all been resolved appropriately and in line with procedure. High priority cases reviewed had site visits carried out in line with the one-week timescale. **Areas for improvement** The Local Enforcement Plan has not been updated since 2018. Consequently at least one section of the plan (Section 3 – Monitoring) does not reflect the current practice being followed by officers. Some site visits are not always being carried out within the timescales outlined in the plan. Enforcement Plan. Targets for case resolution were not always being met.	Vacancies will be filled and training for new staff provided. Targets for site visits will be reinforced. High priority cases will be reviewed to ensure sufficient resources are provided. The enforcement plan will be reviewed and an updated draft prepared. Member approval will be obtained, and a revised plan published. Deadline for completion of all agreed actions is 31 July 2024.

System/ area	Opinion	Area reviewed	Reported to Authority	Comments	Management actions agreed
Project management	Substantial Assurance	The audit reviewed the Authority's project management arrangements to ensure: • Robust governance processes are in place to manage and monitor new and ongoing projects. • Appropriate scrutiny procedures are followed prior to project approval, including a consideration of risk and financial impact. The audit reviewed procedures in the two largest departments, by volume of projects (Moors for the Future and Asset Management).	February 2024	**Strengths** Documentation is in place to help support management of projects. Continuing Professional Development (CPD) activities take place within both teams. In the Moors for the Future dedicated Project Manager posts are responsible for overseeing approximately 20 projects. These officers have, or are being trained in, a relevant project management qualification. Within the Asset Management Team, projects are assigned to officers who hold a RICS Chartered Surveyors qualification. Where building works is involved, officers with the Chartered Building Surveyors qualification are responsible. The Moors for the Future Team present a tracker report to RMM on a monthly basis which provides updates on projects in delivery, projects in development, financial forecasts and staffing updates. Six projects were assessed to confirm whether the appropriate authorisation route was followed, including whether the financial impact and risks had been considered. In all cases, the correct authorisation was sought and granted. A business case was appropriately completed in all cases. **Areas for improvement** Larger projects are not monitored at a corporate level once in progress. There is no central list of all ongoing projects across the authority. Compiling a list would help to ensure there is greater corporate oversight.	We will consider the ongoing monitoring of projects alongside the Governance Working Group who are also looking at what committee receives and the visibility of items. Creating a central list of projects will also be considered with the grant development officer role. Work is ongoing, and management expect to conclude this work by the end of March 2025, which is the deadline for the agreed action.

Appendix C: Audit opinions and ratings

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 D: Internal Audit - Quality Assurance and Improvement Programme 2024

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 meetings
- ▲ 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 our audit management system (previously Sword Audit Manager but now replaced by K10 Vision)
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, completed audit work is subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors and audit managers. The Head of Internal Audit will also be informed of any general areas requiring

improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment
On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. 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 and other members of the Internal Audit management team also participate in various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of 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, internal audit strategy action plan, and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board[2] 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 2024

In March 2024 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 163 surveys (2023 – 176) were issued to senior managers in client organisations. A total of 17 responses were received representing a response

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[2] As defined by the relevant audit charter.

rate of 10.4% (2023 – 10.8%). 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 low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 6%).
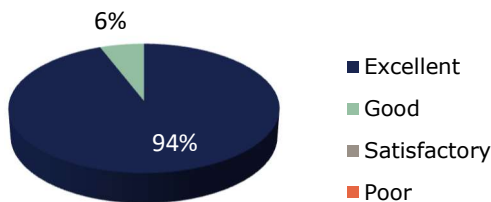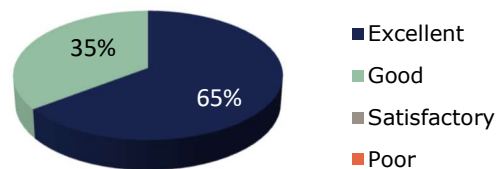
Quality of audit planning / coverage

- Excellent
- Good
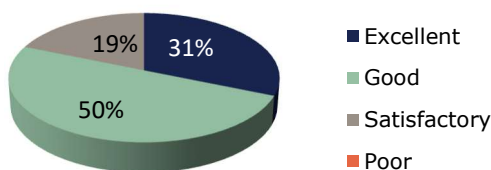- Satisfactory
- Poor
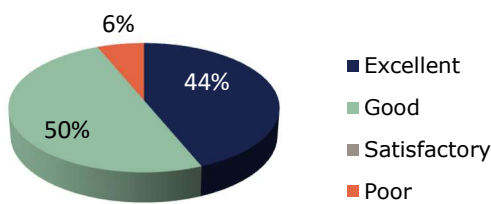
Provision of advice / guidance

- Excellent
- Good
- Satisfactory
- Poor
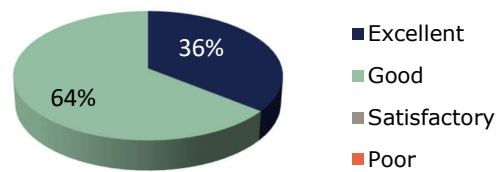
Staff conduct and professionalism

- Excellent
- Good
- Satisfactory
- Poor

Ability to establish positive rapport

- Excellent
- Good
- Satisfactory
- Poor

Knowledge of area being audited

- Excellent
- Good
- Satisfactory
- Poor

Minimising disruption for area being audited

- Excellent
- Good
- Satisfactory
- Poor

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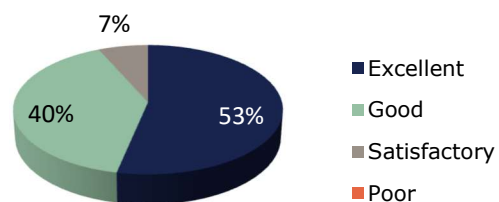
Communication of issues during audit

- 40% Excellent
- 40% Good
- 20% Satisfactory
- Poor
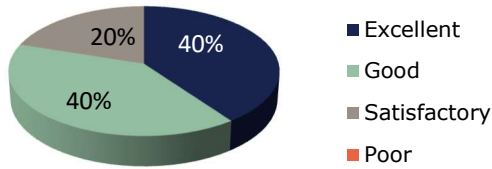
Quality of feedback at end of audit

- 47% Excellent
- 33% Good
- 13% Satisfactory
- 7% Poor
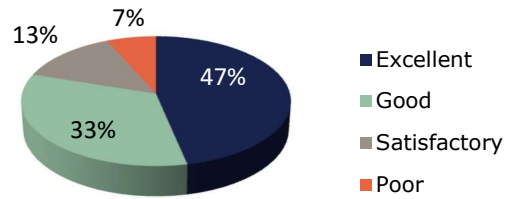
Accuracy / format / length / style of report

- 44% Excellent
- 44% Good
- 12% Satisfactory
- Poor
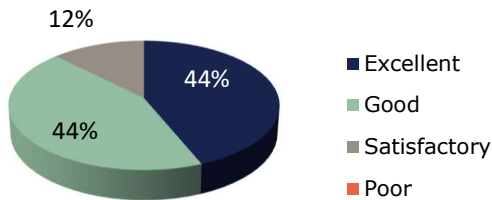
Relevance of audit opinions / conclusions

- 37% Excellent
- 50% Good
- 13% Satisfactory
- Poor
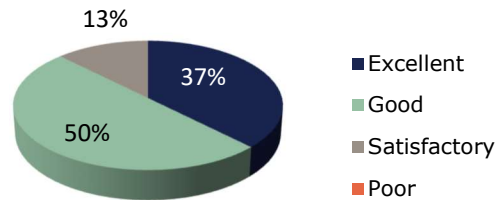
Overall rating for the Internal Audit service

- 44% Excellent
- 50% Good
- 6% Satisfactory
- Poor
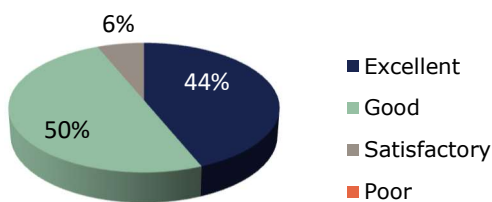
The overall ratings in 2024 were:

	2024		2023	
Excellent	7	44%	13	69%
Good	8	50%	5	26%
Satisfactory	1	6%	1	5%
Poor	0	0%	0	0%

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

3.0 Self-Assessment Checklist 2024

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

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 table shows the areas of non-compliance, which remain 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 was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements may be 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?	The development of assurance mapping and the use of other sources of assurance has been included as an action in the refreshed internal audit strategy (see below). Our approach will be informed by further guidance from CIPFA and the LGA which is expected in 2024. Any use of the methodology will also be dependent on securing client engagement in the assurance mapping process.

Conformance with Standard	Current Position
Does ongoing performance monitoring contribute to quality improvement through the effective use of performance targets?	Historic targets used as performance measures do not provide meaningful information about the value of audit work delivered. The development of new and effective measurement tools is being done as part of the implementation of the refreshed internal audit strategy (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'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[3] 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 report concluded that Veritau 'generally conforms' to 59 of the 60 applicable principles. One area for improvement was highlighted relating to assurance mapping. The recommendation and our response are included in the table below:

Recommendation	Response
The Chief Audit Executive (CAE) should continue to develop a proportionate, formal approach to assurance mapping, coordination and where appropriate, reliance, to enhance the function's risk-based planning, delivery and the effectiveness of assurance provided to key stakeholders.	Agreed – we will develop our approach to assurance mapping and working with other internal and external assurance provision. The approach will be flexible to reflect the different sectors and clients we provide internal audit services to.

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

A copy the external assessment report was reported to this committee on 23 October 2023

5.0 Improvement Action Plan

Overall, the internal audit services provided by Veritau continue to meet the requirements of the Public Sector Internal Audit 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 the service to ensure it stays up to date and continues to deliver good value.

We refreshed our internal audit strategy during 2023/24. The updated strategy identifies the working practices we will prioritise for development over the next three years, to ensure we:

▲ understand our clients' organisation, the environment they operate in and emerging pressures. We need to plan work flexibly to meet changing needs and target areas that are most important for our clients and where we can add the most value.

▲ focus on providing support at the right time. Retrospective audits providing commentary after the fact have limited benefit in a fast-changing environment. We should anticipate change, provide advice in advance, and focus on providing ongoing assurance in real time.

▲ maximise the benefit of audit work through the use of technology. For example, using data to analyse whole populations or detect emerging issues; develop better information for clients to help them understand and act on outcomes from audit work; and understand and make use of emerging technologies such as artificial intelligence to improve our efficiency.

To achieve these objectives, we will focus on the following key areas:

▲ embedding a strategic approach to work programme development and the use of the audit opinion framework

▲ Redesigning and modernising our audit working practices (including assignment planning and reporting)

▲ further developing our use of data analytics

▲ developing our key performance indicators and the measures of added value

Detailed action plans have been prepared to support each area of focus, and a number of these actions have already been completed. For example, our standard audit committee reports have been redesigned, a pilot exercise to test the use of agile audit techniques has been completed and new performance dashboards have been created (for use by auditors, managers and clients). Progress is being tracked each month. The next areas to focus on include taking steps to reduce elapsed time (the time between an audit starting and the final report being agreed) and providing clients with an interface to allow them to update agreed actions themselves.

In addition, we have replaced our existing audit management system with a new system called K10 Vision. The new system has been developed using the latest technology and offers improved functionality for both users and 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.