
GOVERNANCE & AUDIT COMMITTEE: 29 November 2022

INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 6.1

Appendices D and E of the report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

Reason for this Report

1. The Terms of Reference of the Governance and Audit Committee requires that Members:
 - Consider reports from the Audit Manager on Internal Audit's performance during the year.
 - Review the assessment of fraud risks and potential harm to the council from fraud and corruption.
 - Monitor the Counter-fraud strategy, actions and resources.
2. A progress report has been prepared to provide the Governance and Audit Committee with an update on the work and performance of the Internal Audit and Investigation Teams. This progress report covers the period from 1 July - 30 September 2022, and follows the updates provided in the Committee meeting held on 19 July 2022.

Background

3. The Governance and Audit Committee approved the Audit Charter and the risk-based Audit Plan 2022/23 on 15 March 2022 at which time the planned activity of the Investigation Team was also provided for consideration.
4. The Internal Audit Progress Report (**Annex 1**) sets out performance in relation to the Internal Audit Plan. It summarises the work performed, the priority recommendations raised, the critical findings, emerging trends, and relevant value for money findings across the Council for the assurance of the Governance and Audit Committee. It is positive to report that no 'unsatisfactory' audit opinions have been provided over the reporting period.
5. The Investigation Team Progress Reports (**Annex 2**) focuses on proactive and reactive fraud awareness, detection and investigation activities, including participation in initiatives, such as National Fraud Initiative (NFI) data matching exercises.
6. As part of progress updates, there is an opportunity to consider emerging risks, issues and sources of assurance, and to potentially refocus priorities. Prior to presenting to Committee, progress reports are discussed with the Corporate Director Resources.

7. The Internal Audit Section reports to the Audit Manager. To meet the provisions of Public Sector Internal Audit Standards (PSIAS 1100 - Organisational Independence), the Audit Manager is not responsible for managing any functions beyond the Internal Audit and Investigation teams. The Audit Manager reports administratively to the Head of Finance and functionally to the Governance and Audit Committee for audit-related matters. There have been no impairments of independence or objectivity.

Issues

a) Audit

8. Annex 1 provides details of an external peer assessment, which is scheduled to commence during quarter three 2022/23, for external assurance of ongoing internal audit conformance with the PSIAS. This information is contained within section 1.4 'External Peer Assessment'.
9. The report outlines how during quarter two the priorities and approach of the audit team were to deliver a combination of management support through consultation and engagement in high-risk areas, and to further progress the delivery of assurance engagements from the Audit Plan.
10. Work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, and where there is a need to observe the operation of physical controls or operating practices. The Internal Audit Team has also continued to be available and to provide advice and guidance on the design and implementation of effective controls in the administration of Welsh Government COVID-19 grants schemes as well as for the Homes for Ukraine Scheme, to achieve compliance and control, and arrangements for the effective prevention and detection of fraud. Further details are provided within section 2.1. 'Current Activities'.
11. Section 2.2 'Resources', outlines that a review has taken place of the resource requirements for the team linked with budget planning for the financial year ahead. This follows a second unsuccessful recruitment exercise for the vacant senior auditor post during October 2022, and no suitable candidates being identified when the post was then subsequently advertised on a temporary basis. The decision has been taken to invest in an additional principal auditor post to enhance a solid core of senior officers within the team who would represent an additional member of the Audit Management Team, subject to a successful recruitment campaign and to not fill vacant posts, which would enable a saving of £15k for the financial year 2022/23. The work of the in-house team will continue to be supplemented by the commissioning of specialist auditors to work under the direction of the audit manager where required. The vacant senior auditor post has had an impact on the available staff resource and the progression of the audit plan in the year to date, as has a further post that was vacant during quarter one. To support audit coverage in areas of IT and corporate governance this year, a contract has been awarded for the delivery of four audit engagements under the direction of the Audit Manager.
12. Section 2.3 'Annual Plan' provides details of the position against the audits targeted for delivery in the Audit Plan 2022/23, which is proportionately lower than targeted in quarter two, for which the reasons primarily relate to resources as outlined in section 2.2. 'Resources' and referred to above. It is also not uncommon for performance to be lower at this stage in the year, which follows the summer holidays. Whilst set on an annual basis, the Audit Plan is adaptable and responsive and will be subject to ongoing risk

assessment, prioritisation, and review throughout the year to maximise assurance and management support.

13. It is positive to report that all audit opinions provided in the year to date have been either 'effective' or 'effective with opportunity for improvement'. Within Annex 1, section 2.4 'Critical Findings or Emerging Trends (Q2 2022/23)', details are given on the findings of fundamental and corporate governance audits that have been completed over the reporting period, given the importance of a sound internal control environment in these areas.
14. Performance information is contained within section 3.2 'Performance', which shows an improving position against the percentage of recommendations implemented within agreed timescales, although measures of auditor output and performance has been impacted by the lower capacity within the team as referred to within Section 2.2 'Resources'. Audits continue to be allocated on a basis that provides the greatest assurance and value, and mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/23.
15. **Appendix A** shows a list of audits and their reporting status in the current year, as at 30 September 2022, in which twenty-five new audit engagements have been completed to at least draft output stage. Outputs have been issued with an opinion of effective or effective with opportunity for improvement in all the audit opinions provided in 2022/23, as at 30 September 2022. The current position for the full Audit Plan is shown in **Appendix B**.

b) Investigations

16. Annex 2 outlines the activities of the Investigation Team in quarter one. For the year as a whole there are four hundred and forty-three chargeable days available based on current resources, indicatively split between strategic (80 days) and operational activities (363 days).
17. Excluding the one-off business grants work and separate targeted blue badge campaign, in respect of all other casework, as at 30 September 2022:
 - Fifty-seven cases were identified for investigation so far this year, compared to two hundred and fifty for the same period last year.
 - Fifty-Five investigations are ongoing, compared to one hundred and thirty-one for the same period last year.
 - Eighty-four investigations have concluded, compared to two hundred and sixteen over the same period last year.
 - £208,431 has been attributed concluded investigations, compared to £420,709 for the same period last year.
18. In addition to identifying and progressing investigation cases, the team has continued to provide counter-fraud advice, guidance, training and support across the Council. Details are also provided of training and awareness campaigns, including participation in Fraud Awareness Week, and the Council's involvement in the National Fraud Initiative exercise and a blue badge scheme.
19. The summary report in Annex 2 provides further details in respect of the above.

Audit Recommendations

20. The recommendations and progress at the reporting date are provided in the following appendices.

Appendix C	Recommendations Summary
Appendix D	Contains the red & red / amber open recommendations
Appendix E	Contains the red and red / amber recommendations completed since the last Committee meeting in July 2022.

Legal Implications

21. There are no legal implications arising from this report.

Financial Implications

22. There are no direct financial implications arising from this report.

RECOMMENDATIONS

23. That the Governance and Audit Committee note and consider the contents of the:

- Internal Audit and Investigation Team Progress Reports.

CHRIS PYKE AUDIT MANAGER

The following are attached:

Annex 1 - Internal Audit Progress - Summary Report

- Appendix A** Report Status as at 30 September 2022
- Appendix B** Audit Plan
- Appendix C** Recommendations Summary
- Appendix D** Red & red / amber open recommendations
- Appendix E** Red & red / amber recommendations completed since last Committee

Annex 2 - Investigation Team Progress – Summary Report