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**GOVERNANCE & AUDIT COMMITTEE: 21 March 2023**

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**INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT**

**REPORT OF THE AUDIT MANAGER**

**AGENDA ITEM: 8.1**

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**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 January – 28 February 2023, and follows the updates provided in the Committee meeting held on 24 January 2023.

**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 has recently been completed, for external assurance of ongoing internal audit conformance with the PSIAS. Details are contained within section 1.4 'External Peer Assessment', and further information and the full assessment are provided within agenda item 8.3, to be presented to Committee by the assessors.
9. The report outlines how during quarter four 2022/2023 as at 28 February 2023, 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 across the Council on schemes, initiatives and systems, and further details are provided within section 2.1. 'Current Activities'.
11. Section 2.2 'Resources' outlines that a new Principal Auditor post 2022 has been successfully appointed to at 0.6 FTE. This is in accordance with the audit team structure update provided to the Governance and Audit Committee on 29 November, whereby Members were advised of the decision to invest in an additional Principal Auditor post, to enhance a solid core of senior officers within the team and to not fill vacant posts at lower grades.
12. The new Principal Auditor was an internal appointment, leaving a vacancy at the Senior Auditor level. There is a further vacancy at the Senior Auditor level, as the other post holder will be leaving the team after the year end for an opportunity within the Planning and Performance Team. Arrangements are being made to advertise the two Senior Auditor posts at the earliest opportunity. Three CIPFA trainee posts have been advertised and, subject to successful appointments, there will be one CIPFA trainee on rotation within internal audit from quarter 3 2023/24 to support the delivery of the Audit Plan.
13. Section 2.3 'Annual Plan' advises that delivery of the Audit Plan 2022/23 has been significantly lower than targeted in the year to date, as at 28 February 2023. This is attributed in part to a reduced level of staff resources as outlined in section 2.2. 'Resources', and to some isolated delays in receiving the information requested in order to conclude audit fieldwork.
14. In January 2023, the Committee received details of the audits that were being prioritised for completion by the financial year-end. The audits were targeted to provide a sufficient spread of assurance, that mitigates any impairment to the annual opinion of the Audit Manager on the Council's control environment for 2022/23. Delivering what was referred to as priority 1 audits, would ensure all fundamental areas of the plan are delivered, that core areas of corporate governance have been reviewed, and that there is sufficient coverage at the directorate level. The position in respect of these audits is included

within figure 4 of Annex 1, as at 28 February 2023, whereby 20 audits remain ongoing and are all at audit fieldwork stages or beyond. It is intended to complete the majority of these audit to draft report stage by the end of March 2023, with remaining audits to be completed early in the financial year 2023/24.

15. Within Annex 1, section 2.4 'Critical Findings or Emerging Trends (Q4 (as at 28 February) 2022/23)', details are given of one draft report that has been issued with an opinion of 'unsatisfactory' (Central Transport Services), and another issued with an opinion of 'insufficient with major improvement needed' (Directorate Payment Card Industry Data Security Standard Compliance). Management consideration and discussion will follow before the reports are finalised, at which time the assurance ratings and recommendations will be confirmed. Once the management response has been received for the unsatisfactory audit, and the audit has been finalised, the Governance and Audit Committee will receive an executive summary report of the findings and actions for improvement in the following Committee meeting.
16. The performance position in respect of quarter three was provided to the Governance and Audit Committee in January 2023, with relevant commentary, and it is provided again within section 3.2 'Performance' for reference ahead of the quarter four statistics which will be collated following the financial year-end.
17. The position against the full Audit Plan is contained in agenda item 8.2 (annex 6) and is therefore not included as an appendix to this report to avoid duplication. However, the report status is shown in **Appendix A**.

## **b) Investigations**

18. Annex 2 outlines the activities of the Investigation Team in quarter 4, as at 28 February 2023. For the current financial year, 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).
19. Excluding blue badge pilot work and outcomes as reported separately, as at 28 February 2023:
  - 220 cases have been identified for investigation so far this year, compared to 378 for the same period last year.
  - 75 investigations are ongoing, compared to 77 for the same period last year.
  - 223 investigations have concluded, compared to 401 over the same period last year.
  - £465,853 has been attributed to concluded investigations, compared to £633,757 for the same period last year.
20. In addition to identifying and progressing investigation cases, the team has continued to provide counter-fraud advice, guidance, training and support across the Council.
21. The summary report in Annex 2 provides further details in respect of the above, the training and awareness campaigns, the Council's involvement in the National Fraud Initiative exercise and a blue badge scheme.

## **Audit Recommendations**

22. A summary of the audit recommendations and progress at the reporting date are provided within **Appendix B**. Full recommendation trackers on the recommendations open, and those completed since the last committee, are available for Governance and Audit Committee Members via a SharePoint site for information and reference.

## **Legal Implications**

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

## **Financial Implications**

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

## **RECOMMENDATIONS**

25. 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 28 February 2023

**Appendix B** Recommendations Summary

[Committee Member Link to Recommendation Trackers](#)

**Annex 2 - Investigation Team Progress – Summary Report**