
GOVERNANCE & AUDIT COMMITTEE: 11 July 2023

INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 9.2

Reason for this Report

1. The Terms of Reference of the Governance and Audit Committee requires that Members consider:
 - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
 - Regular reports on the results of the Quality Assurance and Improvement Programme (QAIP).
 - Reports on instances where the internal audit function does not conform to the PSIAS and Local Government Application Note (LGAN) considering whether the non- conformance is significant enough that it must be included in the Annual Governance Statement.
 - 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 March - 30 June 2023, and follows the updates provided in the last Committee meeting held on 21 March 2023.

Background

3. The Governance and Audit Committee approved the Audit Charter and the risk-based Audit Plan 2022/23 and 2023/24 on 15 March 2022 and 21 March 2023 respectively. At these times 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.

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

Conclusion of 2022/23

8. The appended progress reports contain sections in respect of the financial year 2022/23, which set out the work undertaken, the findings and outcomes of the Audit and Investigation Teams as at the financial year-end. A full account of the activities of the Internal Audit Team for the year is provided separately within the draft Internal Audit Annual Report 2022/23, for consideration by the Committee in agenda item 9.1. The draft Counter-Fraud Annual Report 2022/23 is scheduled for reporting to the Governance and Audit Committee in the September 2023 meeting, and will provide a full account of the activity of the Investigation Team during the year.
9. The pertinent year-end information in Annex 1 relating to Internal Audit activity, comprises the final position against the Audit Plan 2022/23 and the critical findings and emerging trends in March 2023. For the year overall there were 55 new audit engagements completed to at least draft output stage, and a further 23 draft outputs from the prior year were finalised.
10. An audit of Central Transport Service (CTS) which was issued in draft during February 2023 with an opinion of 'unsatisfactory' has been finalised. Accordingly, the Executive Summary Report is included within Appendix C for the information of the Governance and Audit Committee. A follow up audit has been included within the draft Audit Plan 2023/24.
11. The Investigation Team Progress Report in Annex 2 contains the year-end position for 2022/23 in respect of the counter-fraud activity and impact. During 2022/23, 312 cases were identified for investigation, and 328 were concluded. With regards to the impact:

- 74 Blue Badge investigations concluded and 10 offenders received a criminal sanction.
- 46 Council Tax Liability investigations concluded and identified £33,985 of under charged liability, to be recovered.
- 36 Council Tax Reduction investigations concluded resulting in overpayments of £24,370 being identified for recovery.
- 21 employee investigations concluded, resulting in the following outcomes: 1 management action, 1 written warning, 3 final written warnings, 4 resignations and 3 dismissals.
- 21 Insurance claims were amended or withdrawn, saving £310,595.
- 114 tenancy investigations were completed, through which nothing untoward was found.
- 16 'other' cases concluded, of which 7 were in respect of grants, one of which was investigated by the Corporate Fraud Investigation Team and referred to South Wales Police. The offender admitted the offence and received a community resolution. The 9 other cases included: death in service grant, intercepted cheque, conflict of interest, corruption, false / falsified documents. The total value of these concluded cases was £86,403.

Delivery 2023/24 (to date)

a) Audit

12. Annex 1 outlines how during quarter one 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 commence the delivery of assurance engagements from the Audit Plan.
13. The Internal Audit Team has continued to be available to provide advice and guidance on the design and implementation of effective controls, process changes and grant administration, to achieve compliance and control, and arrangements for the effective prevention and detection of fraud.
14. Following the planned conclusion of the Audit Plan for 2022/23, a number of assurance audit engagements have commenced from the Audit Plan 2023/24. This work continues to be undertaken predominantly on a desktop basis, although site visits are taking place for establishment audits, to observe the operation of physical controls or operating practices. Further details are provided within section 2.4. 'Current Activities'.
15. Section 2.5 'Resources', outlines that two senior auditor posts have recently been recruited to and a CIPFA Trainee has been appointed to commence within the audit service as part of their placement in July. Two Auditor positions became available, arising from one member of the team being promoted to Senior Auditor, and another

leaving the team for an opportunity within the Adults, Housing and Communities directorate. After prompt advertising, shortlisted candidates have been invited for interview during July. One of the available posts is subject to a trial for potential redeployment in accordance with HR processes, to commence in July.

16. Section 2.6 'Annual Plan' advised that vacant posts have had an impact on the available staff resource during quarter one, which has impacted on the progression of the Audit Plan. It is also not uncommon for performance to be lower in quarter one, as a new portfolio of audit engagements are worked on, some of which are well progressed but have not been concluded at the quarter end.
17. In quarter one 2023/24, it is positive to report that all audit opinions provided were either 'effective' or 'effective with opportunity for improvement'. Within Annex 1, section 2.7 'Critical Findings or Emerging Trends (Q1 2023/24)', details are given on the findings of thematic reviews of performance management, and of an audit of the effectiveness of the Council's Complaints and Compliments arrangements.
18. Proposed performance indicators are set to be realistic and stretching for the financial year within the ongoing environment, as detailed within section 3.2 'Performance'. Audits will 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 2023/24.
19. **Appendix A** shows a list of audits and their reporting status in the current year, as at 30 June 2023, in which 10 new audit engagements have been completed to at least draft output stage and 20 audit engagements from the prior year have been finalised. The current position for the full Audit Plan is shown in **Appendix B**.

a) Investigations

20. Annex 2 outlines the activities of the Investigation Team in quarter one. For the year as a whole there are four hundred and fifty-two chargeable days available based on current resources, indicatively split between strategic (72 days) and operational activities (380 days).
21. Excluding Insurance and blue badge data, which is not currently available, in respect of all other quarter one casework:
 - 62 cases were identified for investigation so far this year, compared to 38 for the same period last year.
 - 58 investigations are ongoing, compared to 65 for the same period last year.
 - 61 investigations have concluded, compared to 33 over the same period last year.
 - £24,461 has been attributed to concluded investigations, compared to £24,511 for the same period last year.

22. In addition to identifying and progressing investigation cases, the team has continued to provide counter-fraud advice, guidance, training and support across the Council.
23. The summary report in Annex 2 provides further details in respect of the above.

Audit Recommendations

24. A summary of the audit recommendations and progress at the reporting date are provided within **Appendix D**. 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

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

Financial Implications

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

RECOMMENDATIONS

27. 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 June 2023

Appendix B Audit Plan

Appendix C Central Transport Service – Executive Audit Summary

Appendix D Recommendations Summary

[Committee Member Link to Recommendation Trackers](#)

Annex 2 - Investigation Team Progress – Summary Report