
GOVERNANCE & AUDIT COMMITTEE: 28 November 2023

INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 6.2

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 July - 30 September 2023, and follows the updates provided in the last Committee meeting held on 11 July 2023.

Background

3. The Governance and Audit Committee approved the Audit Charter and the risk-based Audit Plan for 2023/24 on 21 March 2023 respectively. At this 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.
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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. The introductory sections within **Annex 1** provide background information and refer to the new Global Internal Audit Standards (GIAS) to be published in early 2024 and to take effect during 2025. The PSIAS will be aligned to the GIAS to apply to internal auditing of public sector bodies. Details of the Council's consultation on the draft new Standards, and guidance recommended for the Committee to consider, are provided for Committee awareness at this stage. Further updates and briefings will be provided to Committee as the Standards are published, and when updates are made to the PSIAS which will define public sector application.
 9. Section 2.1 'Current Activities' 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 progress delivery of assurance engagements from the Audit Plan. Audit 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.
 10. Section 2.2 'Resources', outlines that two vacant Senior Auditor posts had been appointed to with the post holders each commencing during July. Interviews for two Auditor vacancies were held during July and it is pleasing to report that all posts were appointed to, with the new post holders commencing in October. One post holder was appointed on a full-time basis, and the other post was appointed to on a job share basis, filled by two applicants. Three CIPFA Trainee postholders also commenced in July, with one placed within Internal Audit. Since the appointment to all vacant posts, priority has been given to the development of new staff for their benefit, and for the
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longer-term benefit of the audit service overall. This was with the knowledge that providing detailed training and support would impact the capacity of the wider team as audit staff across the team have been involved.

11. Section 2.3 'Annual Plan' proposes adding an assurance audit engagement to the current Audit Plan on 'building repairs and maintenance'. The scope of the audit, as summarised in Appendix B – Audit Plan, is to provide assurance on asset and financial management in the council and school non-domestic estate. The detailed objectives will be developed through audit planning and risk assessment processes. The anticipated time required to complete this audit is 15 days, and accordingly, agreement from the Committee is requested for this audit to be added to the existing Audit Plan. Committee will note that the Audit Plan contains a provision for audit consultancy, and some of this time has been allocated to provide advice and guidance on the 'implementation of new weighbridge software (and associated controls)'. This is further to an open recommendation relating to management developing or replacing the Gatehouse System, used to record weighbridge activity at the Council's Civic Amenity Sites, to address audit trail and reporting limitations.
 12. Delivery of the Audit Plan 2023/24 is proportionately lower than the pro rata target as at the end of quarter two, for which the reasons primarily relate to vacant posts being held during quarter one, followed by appointments being made during quarter two for which training, and development have been prioritised as outlined in section 2.2. 'Resources'. The aim is to improve slightly on the proportion of the Audit Plan delivered in quarter three, relative to the prior financial quarters, following the appointment of three new Auditors in October (2 FTEs) as the wider team support their training and development. Attention will then be given to ramping up the delivery of the audit plan in quarter four. At all times audits are allocated on the basis that assurance is maximised and that a sufficient spread of coverage will be achieved in order to mitigate any risk to the provision of a full audit opinion on the Council's control environment at the financial year end.
 13. It is positive to report that in the year to date all audit opinions provided were either 'effective' or 'effective with opportunity for improvement'. Section 2.7 'Critical Findings or Emerging Trends (Q2 2023/24)' outlines the findings of the audits that were categorised as high / fundamental system audits in the Audit Plan, that have been reported on at draft stage during the quarter.
 14. 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.
 15. **Appendix A** shows a list of audits and their reporting status in the current year, as at 30 September 2023, in which 20 new audit engagements have been completed to at
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least draft output stage and 22 audit engagements from the prior year have been finalised. The current position for the full Audit Plan is shown in **Appendix B**.

Audit Recommendations

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

Internal Audit Assurance Update – Adults Housing and Communities

17. The Director of Adults, Housing and Communities has provided the Committee with an update on the completion of Internal Audit recommendations following attendance at Committee in March. The update was circulated to Committee in November and is included within **Appendix D** for completeness.

a) Investigations

18. Annex 2 outlines the activities of the Investigation Team in the year to date. 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).
 19. Excluding blue badge data, which is not currently available, in respect of all other casework:
 - 89 cases were identified for investigation so far this year, compared to 57 for the same period last year.
 - 56 investigations are ongoing, compared to 55 for the same period last year.
 - 108 investigations have concluded, compared to 84 over the same period last year.
 - £212,273 has been attributed to concluded investigations, compared to £208,431 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. A number of the cases identified for investigation are generated by participation in the National Fraud Initiative (NFI) data matching exercises run by the Public Sector Fraud Authority and Audit Wales. Details of this work and a consultation on further proposed exercises are provided in the Annex 2, as are brief details of the outcomes of the Waste Management criminal case, which will be considered in more detail as part of agenda item 14.
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22. The summary report in Annex 2 provides further details in respect of the above.

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.
- Agree the proposed in-year amendment, to add an assurance audit engagement of 'building repairs and maintenance' to the Audit Plan.

CHRIS PYKE AUDIT MANAGER

The following are attached:

Annex 1 - Internal Audit Progress - Summary Report

Appendix A Report Status as at 30 September 2023

Appendix B Audit Plan

Appendix C Recommendations Summary

[Committee Member Link to Recommendation Trackers](#)

Appendix D Adults, Housing and Communities – Internal Audit Assurance Update

Annex 2 - Investigation Team Progress – Summary Report
