
GOVERNANCE & AUDIT COMMITTEE: 23 January 2024

**INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT
REPORT OF THE AUDIT MANAGER** **AGENDA ITEM: 6.1**

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 October - 31 December 2023, and follows the updates provided in the last Committee meeting held on 28 November 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** refer to the new Global Internal Audit Standards ([GIAS](#)) which have been recently published and will take effect during 2025. The PSIAS will be aligned to the GIAS to apply to internal auditing of public sector bodies. Further updates and briefings will be provided to Committee when updates are made to the PSIAS to define public sector application.
 9. Section 2.1 'Current Activities' outlines how during quarter three 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 appointments made in the year to date, and how priority has been given to the development of new staff for their benefit, and for the 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. All new staff have been supporting the delivery of audit fieldwork and, the delivery of the Audit Plan will ramp up during quarter four, with posts now appointed to and with new staff having received initial training and development.
 11. Section 2.3 'Annual Plan' advised Members that through engagement with senior officers within the Education Directorate, a request was made to add two advisory
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audits to this year's Audit Plan, on 'schools education technology procurement' and 'school catering controls'. The request has been made by the Operational Manager who has taken on responsibility for these areas after the recent retirement of the Head of Services to Schools, and asked for an audit review of the controls in place. These reviews have been agreed by the Audit Manager in accordance with his delegation to approve audit engagements of no more than 10 planned audit days without seeking approval from the Governance and Audit Committee.

12. Delivery of the Audit Plan 2023/24 is proportionately lower than the pro rata target as at the end of quarter three, 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'. At the current stage in the financial year, the Audit Plan has been reviewed and prioritised to support a full audit annual audit opinion, through completing sufficient testing of fundamental systems, ensuring sufficient coverage in respect of planned corporate governance audits areas and an appropriate spread of service level audit work. The audits being targeted for completion to draft reporting stage in the remainder of the year are contained within Annex 1 – figure 4. The level of completion of the Audit Plan by 31 March 2023 will be affected by audit and client staff availability, as well as the complexity of issues that may arise during the audit fieldwork, however, any of the following audit that are not completed to draft report stage by the financial year end will be prioritised for completion in quarter 1 2024/25.
13. Section 2.7 'Critical Findings or Emerging Trends (Q2 2023/24)' outlines the findings of the two audits with opinions with 'insufficient with major improvement needed' issued over the reporting period, with details also provided on the findings and outcomes of an advisory review completed on the weighbridge software and associated controls.
14. Section 3 'Performance' provides the client feedback and wider performance against performance indicators which are deigned to be realistic and stretching. 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 31 December 2023, in which 29 new audit engagements have been completed to at least draft output stage and 24 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.
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a) Investigations

17. 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).
18. Excluding blue badge and insurance data, which is not currently available, in respect of all other casework:
 - 118 cases were identified for investigation so far this year, compared to 82 for the same period last year.
 - 55 investigations are ongoing, compared to 43 for the same period last year.
 - 118 investigations have concluded, compared to 100 over the same period last year.
 - £523,888 has been attributed to concluded investigations, compared to £52,441 for the same period last year.
19. In addition to identifying and progressing investigation cases, the team has continued to provide counter-fraud advice, guidance, training, and support across the Council.
20. 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 the annual exercise on Council Tax and the Electoral Register are also provided in the Annex 2. Members are also advised that following consideration by Governance and Audit Committee in November, the Counter-Fraud, Bribery and Corruption Strategy and counter-fraud operational document updates were approved by Cabinet in December 2023.
21. The summary report in Annex 2 provides further details in respect of the above.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

24. That the Governance and Audit Committee notes and considers 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 31 December 2023

Appendix B Audit Plan

Appendix C Recommendations Summary

[Committee Member Link to Recommendation Trackers](#)

Annex 2 - Investigation Team Progress – Summary Report
