

GOVERNANCE & AUDIT COMMITTEE: 26 March 2024

INTERNAL AUDIT & INVESTIGATION TEAM - PROGRESS REPORT

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 7.1

Reason for this Report

1. The Terms of Reference of the Governance and Audit Committee requires that Members:
 - 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 January – 29 February 2024, and follows the updates provided in the Committee meeting held on 23 January 2024.

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.
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](#) which have been recently published and will take effect during 2025. The UK Public Sector Internal Audit Standards Advisory Board has begun its review of the new Standards ([IASAB](#)). The IASAB will determine the implications for the PSIAS and will develop proposals for revised material which will be suitable for the UK public sector context. Any subsequent changes to the UK's PSIAS, and their implementation, will be subject to consultation and appropriate transitional arrangements and the Committee will be kept updated on developments.
9. The PSIAS will be aligned to the 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.
10. Section 2.1 'During 2023/24 to date, 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 deliver a sufficient breadth 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.
11. 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. Delivery of the Audit Plan has ramped up during quarter four, with posts now appointed to and with new staff having received initial training and development.
12. Section 2.3 'Annual Plan' advises Members that delivery of the Audit Plan 2023/24 is proportionately lower than the pro rata target as at 29 February 2024, 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 Committee was advised in January 2024 that the Audit Plan had 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 before the end of the financial year, and the current status of these audits, 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 2.4 'Critical Findings or Emerging Trends outlines the findings of the draft report of Fairwater Primary School that has been issued with an audit opinion of 'insufficient with major improvement needed'. Management consideration and discussions will follow before the report is finalised, at which time the assurance rating and recommendations will be confirmed.
14. Section 3 'Performance' provides the client feedback and wider performance against performance indicators which are deigned to be realistic and stretching. The performance position in respect of quarter three was provided to the Governance and Audit Committee in January 2024, with relevant commentary, and it is provided below for reference ahead of the quarter four statistics which will be collated following the financial year-end.
15. The position against the full Audit Plan is contained in agenda item 7.2 (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

16. Annex 2 outlines the activities of the Investigation Team in quarter 4, as at 29 February 2024. For the current financial year, 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).
17. Excluding insurance and blue badge casework, which will be reported following the financial year-end, as at 29 February 2024:
 - 136 cases have been identified for investigation so far this year, compared to 212 for the same period last year.
 - 52 investigations are ongoing, compared to 62 for the same period last year.
 - 141 investigations have concluded, compared to 213 over the same period last year.
 - £593,364 has been attributed to concluded investigations, compared to £156,758 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.
19. The summary report in Annex 2 provides further details in respect of the above, the establishment of a Counter-Fraud Oversight Group, a planned corporate risk assessment exercise and the year end, and the approach to delivering new mandatory fraud awareness training.

Audit Recommendations

20. 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

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 29 February 2024

Appendix B Recommendations Summary

[Committee Member Link to Recommendation Trackers](#)

Annex 2 - Investigation Team Progress – Summary Report