



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

12<sup>th</sup> November 2018

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

**Director approving submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

City Wide

**Title:**

Internal Audit Plan 2018-19 – Half Year Progress Report

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to provide the Audit and Procurement Committee with an update on the internal audit activity for the period April to September 2018, against the Internal Audit Plan for 2018-19.

**Recommendations:**

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter two against the Internal Audit Plan for 2018-19.
2. Consider the summary findings of the key audit reviews (attached at Appendix Two).

**List of Appendices included:**

Appendix One - Audit Reviews Completed between April and September 2018

Appendix Two - Summary Findings from Key Audit Reports

**Background papers:**

None

**Has it or will it be considered by scrutiny?**

No other scrutiny consideration other than the Audit and Procurement Committee

**Has it, or will it be considered by any other council committee, advisory panel or other body?**

No

**Will this report go to Council?**

No

**Report title:**

Internal Audit Plan 2018-19 – Half Year Progress Report

**1. Context (or background)**

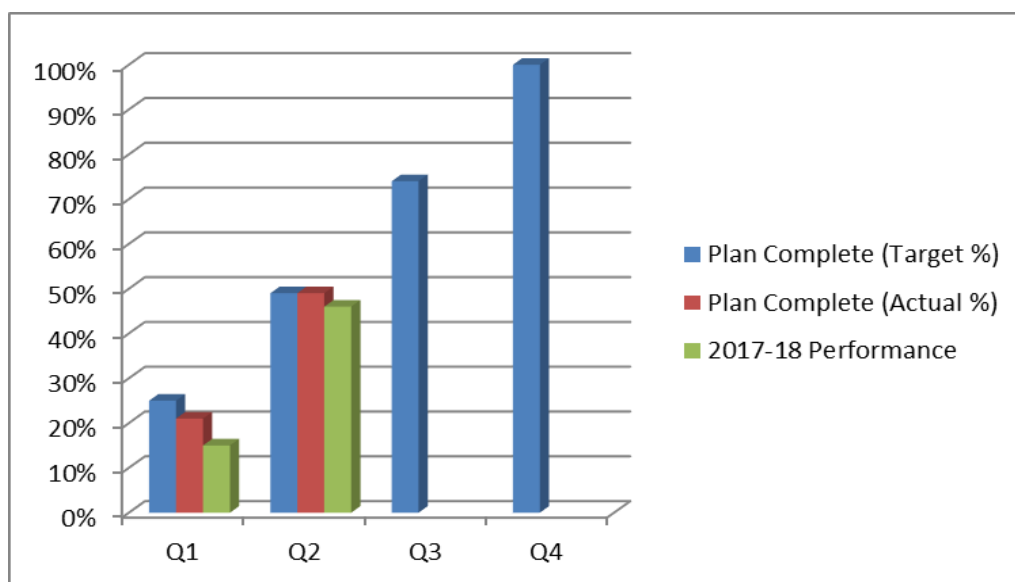
1.1 This report is the first monitoring report for 2018-19, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

**2. Options considered and recommended proposal**

**2.1 Delivering the Audit Plan**

The key target facing the Internal Audit Service is to complete 90% of its work plan by the 31<sup>st</sup> March 2019. The chart below provides analysis of progress against planned work for the period April to September 2018.

**Chart One: Progress against delivery of Internal Audit Plan 2018-19**



As at the end of September 2018, the Service has completed 49% of the Audit Plan against a planned target of 49% (which is based on delivering 100% of the plan) and is on track to meet its key target by the end of 2018-19. This also represents an improvement in performance from 2017-18.

**2.2 Other Key Performance Indicators (KPIs)**

In addition to the delivery of the Audit Plan, the Internal Audit Service has a number of other KPI's which underpin its delivery. The table overleaf shows a summary of the performance for 2018-19 to date against these five KPIs, with comparative figures for the financial year 2017-18. There is one indicator (i.e. final report to deadline) where the Service's current performance is below expectations. This reflects the fact that in 2018-19, performance targets in completing grant verification work to an internal deadline (prior to the grant providers deadline) are now being set and measured. This has highlighted that more priority needs to be given to ensuring that issues arising from the Internal Audit quality assurance process are acted upon in a timely manner and action is being taken by

management to address this. In saying this, all grant verification work has been completed by the deadline set by the grant provider.

**Table One: Internal Audit Key Performance Indicators 2018-19**

<b>Performance Measure</b>	<b>Target</b>	<b>Performance Q2 2018-19</b>	<b>Performance 2017-18</b>
<b>Planned Days Delivered</b> (Pro rota against agreed plan)	100%	48%	93%
<b>% of work time spent on audit work</b>	90%	91%	91%
<b>Draft Report to Deadline</b> (Draft issued in line with date agreed)	80%	88%	82%
<b>Final Report to Deadline</b> (Final issued within 4 weeks of draft)	80%	74%	100%
<b>Audit Delivered within Budget Days</b>	80%	80%	75%

### 2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between April and September 2018, along with the level of assurance provided.

The following audits are currently in progress:

- **Audits at Draft Report Stage** – Controls over accessing system data, Children’s Services financial culture (Section 17), Sowe Valley Primary School.
- **Audits On-going** – Learning Disabilities contract management, Frederick Bird Primary School, Risk management, Bribery and corruption, Permanence payments.

Details of a selection of key reviews completed in this period are provided at Appendix Two. In all cases, the relevant managers have agreed to address the issues raised in line with the timescales stated. These reviews will be followed up in due course and the outcomes reported to the Audit and Procurement Committee.

### 3. Results of consultation undertaken

3.1 None

### 4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a monitoring report.

## **5. Comments from the Director of Finance and Corporate Services**

### **5.1 Financial Implications**

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

### **5.2 Legal implications**

Reporting on progress in regards to the delivery of the Annual Audit Plan ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

## **6. Other implications**

### **6.1 How will this contribute to achievement of the council's plan?**

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis, and reflected in the annual Internal Audit Plan.

### **6.2 How is risk being managed?**

In terms of risk management, there are two focuses:

- Internal Audit perspective - The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e. planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. This risk is managed through on-going communication with customers to agree timing and identify issues at any early stage to allow for remedial action to be taken.
- Wider Council perspective - The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit and Procurement Committee. Where progress has not been made, further action is agreed and overseen by the Audit and Procurement Committee to ensure action is taken.

**6.3 What is the impact on the organisation?**

None

**6.4 Equalities / EIA**

None

**6.5 Implications for (or impact on) the environment**

No impact

**6.6 Implications for partner organisations?**

None

**Report author(s):**

**Name and job title:**

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**Directorate:**

Place

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<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Lara Knight	Governance Services Co-ordinator	Place	24/10/18	25/10/18
Paul Jennings	Finance Manager Corporate Finance	Place	24/10/18	25/10/18
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Director of Finance and Corporate Services	Place	24/10/18	24/10/18
Adrian West	Members & Elections Team Manager	Place	24/10/18	31/10/18

This report is published on the council's website:

[www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

## Appendix One – Audit Reviews Completed between April and September 2018

Audit Area	Audit Title	Assurance
<b>2017-18 B/Fwd</b>	User accounts	Moderate
	Housing benefits	Significant
<b>Council / Audit Priorities</b>	Changes to invoice processing	n/a systems advice
	Mandatory training	Moderate
	Resourcelink – delegated authority	Limited
	Tax evasion	n/a risk assessment
	Controls over cash administration	Moderate
	Purchasing cards	n/a systems advice
<b>Regularity</b>	S256 Health grant	Verification
	Troubled Families programme 1	Verification
	Troubled Families programme 2	Verification
	Disabled facilities grant	Verification
	Disabled facilities additional grant	Verification
	Teachers pension statements	Verification
	Post 16 Schools funding	Verification
	Highways maintenance / incentive / pothole grant	Verification
	Bus subsidy grant	Verification
	Integrated transport block grant	Verification
	Highways maintenance challenge fund grant	Verification
	Swanswell viaduct grant	Verification
	Catch grant	Verification
	Annual governance statement	Verification
	CNR	Significant
	NCH	Significant
	<b>Directorate issues</b>	Castlewood School
Foxford School		Moderate
Agency workers contract		n/a advice
	Administration of Corporate Identity Cards	Limited
	Community support grant	Significant
<b>Follow Up</b>	GDPR readiness	Moderate
	Hillfields School	Significant
	Edgewick School	Significant
	HB overpayments	Moderate
	Energy billing	Significant
	Management of plant and equipment	Limited

**Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2018**

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Administration of Corporate Identity Cards</b></p> <p><b>December 2018</b></p> <p><b>Operations Manager in conjunction with the Head of Facilities Management</b></p>	<p><b>Overall Objective:</b> To ensure that the Council has effective and efficient processes in place to control the issue and use of Corporate Identity Cards which provide access to Council buildings.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- The Council has an appropriate policy to support the issue and use of Corporate Identity Cards to employees and temporary staff to Council buildings to ensure access is effectively controlled.</li> <li>- Robust systems are in place to support the issue of Corporate Identity Cards.</li> <li>- Effective arrangements are in place to ensure access rights for leavers are revoked on a timely basis and Corporate Identity Cards retained by the Council.</li> <li>- A register of all Corporate Identity Cards holders is maintained which is subject to review on a periodic basis to ensure that cards no longer in use are cancelled.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p><b>Actions Agreed - risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Production of a documented procedure to outline the processes which should be followed in administering the system and ensuring that there is adequate management oversight of this. (H)</li> <li>• Investigating the capabilities of the IT system and provide training to relevant officers to ensure the software is fully understood and effectively used. (H)</li> <li>• Putting in place cover arrangements so that the system can be effectively operated in the absence of the Facilities Officer. (H)</li> <li>• Requiring temporary cards to be requested through MyServiceDesk and entering an appropriate end date on all temporary cards issued.(H)</li> <li>• Requiring Council House reception staff to notify the Facilities Officer on a timely basis where a visitors pass is not returned to enable it to be cancelled. (H)</li> <li>• Produce quarterly reports from the system to identify users who have not used their card in the past three months and take action to delete the user / cancel any cards issued to them. (H)</li> <li>• Stop the current approach to the data cleanse exercise and agree arrangements to enable this to be done as far as possible as a bulk exercise. (H)</li> </ul>



Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Mandatory training</b></p> <p><b>January 2020</b></p> <p><b>Organisational Development Manager / Head of Workforce Transformation / Digital Transformation Manager / Head of Payroll</b></p>	<p><b>Overall Objective:</b> To ensure the Council has effective systems in place to ensure that the corporate mandatory training programme includes appropriate content and is completed by all Council employees on a timely basis.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Processes exist to ensure the content of the mandatory training programme is appropriate and meets the needs of the Council.</li> <li>- Appropriate delivery methods are utilised to ensure that all employees across the Council can access mandatory training on a timely basis.</li> <li>- Effective monitoring arrangements are in place to ensure that all employees complete their mandatory training on a timely basis.</li> </ul> <p><b>Opinion:</b> Moderate Assurance</p> <p><b>Actions Agreed - risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Introduce a structured approach for updating the content of classroom briefings for non-networked staff. (M)</li> <li>• In-conjunction with senior management, undertake a periodic review of the overall mandatory training programme to ensure it continues to meet the needs of the Council. (M)</li> <li>• Ensure that work to introduce a process to issue reminders to staff that their mandatory training is due is commenced as a matter of priority. (H)</li> <li>• Continue to work towards developing management information reporting for all mandatory training courses to provide specific details of who has / has not completed the training. (H)</li> <li>• Once reporting is in place develop guidance which provides details to managers on how they should use the management information to monitor the completion of mandatory training and take appropriate action.(H)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p><b>GDPR Readiness Follow up review</b></p> <p><b>September 2018</b></p> <p><b>Head of Information Governance / Elections &amp; Members Team Manager</b></p> <p>A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="132 810 533 1121"> <tr> <td><b>Number of Actions</b></td> <td><b>7</b></td> </tr> <tr> <td><b>Implemented</b></td> <td><b>4</b></td> </tr> <tr> <td><b>No Progress</b></td> <td><b>0</b></td> </tr> <tr> <td><b>On-going</b></td> <td><b>3</b></td> </tr> </table>	<b>Number of Actions</b>	<b>7</b>	<b>Implemented</b>	<b>4</b>	<b>No Progress</b>	<b>0</b>	<b>On-going</b>	<b>3</b>	<p><b>Overall Objective:</b> To provide assurance that agreed actions have been implemented as planned and the Council has made sufficient progress to comply with GDPR.</p> <p><b>Recommendations followed up:</b></p> <ul style="list-style-type: none"> <li>- Develop a separate action plan for GDPR, which is owned and managed by the Information Governance Team and used to monitor progress through the GDPR steering group / Information Management Strategy Group (IMSG). (H)</li> <li>- Establish appropriate target dates for completion of Record of Processing Activity (ROPA's) which ensures adequate priority is given to completing this work. (H)</li> <li>- As part of the development of the action plan, review the current approach of relying on the ROPA's and ensure that the actions required to deliver the key activities are appropriate and fit for purpose. (H)</li> <li>- Review the current approach / timescales to producing service area action plans and put in place appropriate arrangements to manage this activity. (H)</li> <li>- Review the governance round the GDPR steering group and put in place arrangements to ensure it is fit for purpose and includes robust monitoring of the action plan. (M)</li> <li>- Ensure that the risks around Children's Services data in relation to GDPR are assessed and a clear position statement produced for consideration by senior management (M)</li> <li>- Consider the implications if mandatory training is not completed by the 30<sup>th</sup> April 2018 and whether other action will be required in the event that this happens. (M)</li> </ul> <p><b>Opinion:</b> Moderate Assurance</p> <p><b>Agreed Actions - risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Review / update the GDPR action plan and the tracker to ensure that they are both aligned and provide an accurate report of progress made. Arrangements should also be agreed to ensure that they are accurately updated on an on-going basis. (H)</li> <li>• Ensure that the target dates for outstanding ROPA's are communicated to service managers. (H)</li> <li>• Seek approval from IMSG to disband the GDPR steering group with responsibility for monitoring of the GDPR action plan becoming part of the Information Governance Team's business as usual processes (with oversight by IMSG). (M)</li> </ul>
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Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Resourcelink Self Service – Delegated Authority</b></p> <p><b>August 2019</b></p> <p><b>Payroll Support Manager</b></p>	<p><b>Overall Objective:</b> To provide assurance that appropriate delegations are in place in relation to the self-service function within Resourcelink and to consider what gaps exist in the governance of these arrangements.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- There is appropriate governance over the system of delegated authority for Resourcelink self-service.</li> <li>- Delegated authority for self-service is used appropriately across the Council, including separation of duties.</li> <li>- Irregular claims are made in accordance with the Council’s policies and procedures.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p><b>Actions Agreed - risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Develop and implement a clear set of protocols to provide governance over the use of delegated authority within Resourcelink. (H)</li> <li>• Develop arrangements to gain assurance that delegations are used in accordance with protocols.(H)</li> <li>• Take action to enable accurate and meaningful management information to be produced from Resourcelink on the use of delegated authority. (H)</li> <li>• Use management information to monitor the use of delegated authority in accordance with established protocols, e.g. through exception reports. (H)</li> <li>• As part of the development of protocols to underpin use of delegated authority, ensure that they include appropriate rules regarding separation of duties and levels at which delegations should operate. (H)</li> </ul>