



Coventry City Council

Public report

Report to

Audit and Procurement Committee

20th October 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

Internal Audit Plan 2014-15 – Half Year Progress Report

Is this a key decision?

No

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 2014, against the agreed Internal Audit Plan for 2014-15.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter two against the Internal Audit Plan for 2014-15.
2. Consider the summary findings of the key audit reviews (attached at Appendix Two). Additionally, to decide whether any further action is required especially given the limited progress made by service areas, in the follow up reviews, as highlighted.

List of Appendices included:

Appendix One - Audit Reviews Completed between April and September 2014

Appendix Two - Summary Findings from Key Audit Reports

Other useful 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 2014-15 – Half Year Progress Report

1. Context (or background)

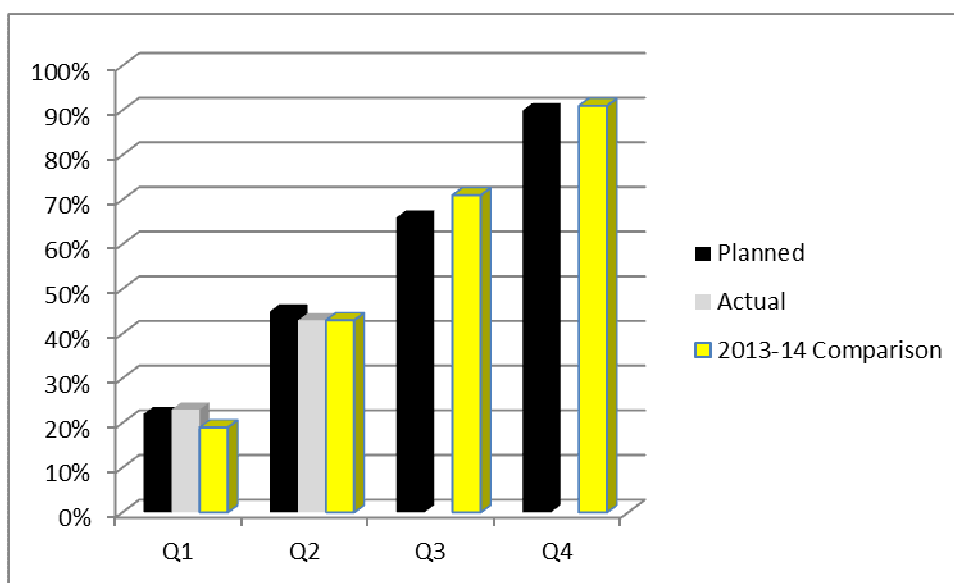
1.1 At its meeting in August 2014, the Audit and Procurement Committee formally approved the Council's Internal Audit Plan for the financial year 2014-15. This report is the first monitoring report for 2014-15, which is presented in order for the Audit and Procurement Committee to discharge its responsibility '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 and Risk Service is to complete 90% of its work plan by the 31st March 2015. The chart below provides analysis of progress against planned work for the period April to September 2014.

Chart One: Progress against delivery of Internal Audit Plan 2014-15



As at the end of September 2014, the Service has completed 43% of the Audit Plan against a planned target of 45%. Whilst slightly behind target at this point, this is not viewed as a concern and should not impact on the Service completing 90% of the plan by the end of March 2015.

2.2 Other Key Performance Indicators (KPIs)

The table overleaf shows a summary of the performance of Internal Audit for 2014-15 to date against five KPIs, with comparative figures for the financial year 2013-14. There are two indicators (i.e. draft report to deadline and audit delivered within budget days) where management continue to focus attention as part of the on-going drive for greater efficiency within the Service.

Table One: Internal Audit Key Performance Indicators 2014-15

Performance Measure	Target	Performance Q2 2014-15	Performance 2013-14
Planned Days Delivered (Pro rota against agreed plan)	100%	100%	96%
Productive Time of Team (% of work time spent on audit work)	90%	89%	87.5%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	76%	75%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	89%	92%
Audit Delivered within Budget Days	80%	77%	75%

2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between April and September 2014, along with the level of assurance provided.

The following audits are currently in progress:

- **Audits at Draft Report Stage** – St Augustines
- **Audits On-going** – Direct Payments, Safeguarding Children (training), John Shelton, St John Vianney, Stivichall, Safeguarding Adults, Post Implementation Review – Agresso, Talentlink, Petty Cash Usage, Care Director Income, Duplicate Payments, Troubled Families Grant, Business Continuity, Recovery of Legal Costs, Little Heath Follow Up, Route 21 Follow Up

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 timescale 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 Executive Director Resources

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

There are no legal implications associated with this report.

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

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 and Risk Service 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.
- 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.

6.2 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:

Resources

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Sallie Davis	Group Auditor	Resources	03/10/2014	03/10/2014
Hugh Peacocke	Governance Services Manager	Resources	03/10/2014	06/10/2014
Neelesh Sutaria	Human Resources Business Partner	Resources	03/10/2014	06/10/2014
Names of approvers: (officers and members)				
Finance: Paul Jennings	Finance Manager Corporate Finance	Resources	03/10/2014	06/10/2014
Legal: Carol Bradford	Solicitor	Resources	03/10/2014	07/10/2014

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www.coventry.gov.uk/meetings

Appendix One – Audit Reviews Completed between April and September 2014

Audit Area	Audit Title	Assurance
2013-14 B/Fwd	Accounts Payments Agresso	Moderate
	Financial Management Agresso	Moderate
	Accounts Receivable Agresso*	Limited
	Payment Audit*	N/A
	Business Rates Proactive Review*	N/A
Schools	Our Lady of the Assumption	Moderate
	Sherbourne Fields	Significant
	Grangehurst	Significant
	Park Hill	Significant
	Earlson	Moderate
	Allesley Hall	Moderate
	Clifford Bridge	Moderate
	Stoke Park	Moderate
	Charter	Moderate
	St Mary's and Benedicts	Moderate
	Ernesford Grange Primary	Moderate
	Courthouse Green	Moderate
	Moseley	Significant
	St Thomas Moore	Moderate
	Key / Audit Priorities	Paper Rationalisation – Housing Options Service Review
IT Security		Moderate
Pertemps Master Vendor		Limited
Finance	CNR	Significant
	Protocol	Moderate
Regularity	Adoption Reform Grant	Verification
	Highways Grant	Verification
	Section 256 Funding (NHS)	Verification
	Pension Scheme – Council	Verification
	Pension Scheme – Academies	Verification
	Cycle Coventry Grant	Verification
	Declaration of Interest	Annual Exercise
	Annual Governance Statement*	Annual Exercise
	Review of the System of Internal Audit*	Annual Exercise
	Follow up	Stoke Heath
Network Security (IT)		Moderate (incorporated into IT security review)
System Back Up, Recovery and Data Centre		Limited
Section 17		Limited
Contingency	Bereavement Services	Support and Advice
	Cashiers Office	Significant
	Data Migration (Oracle to Agresso)	Validation
	System Audit Trails	Fact Finding

* Key findings of review already considered by the Audit and Procurement Committee in July / August 2014

Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2014

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>Stoke Heath Primary School Follow Up Review</p> <p>March 2015</p> <p>Headteacher</p>	<p>Overall Objective: To provide assurance that management have taken appropriate action to ensure that robust systems and controls exist to support the effective management of the school's resources.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>A summary of progress made in response to the November 2013 audit report is detailed below.</p> <table border="1" data-bbox="651 608 1821 679"> <thead> <tr> <th>Number of Actions</th> <th>Implemented</th> <th>No Progress</th> <th>On-going</th> </tr> </thead> <tbody> <tr> <td align="center">9</td> <td align="center">3</td> <td align="center">4</td> <td align="center">2</td> </tr> </tbody> </table> <p>Actions that have been implemented since the last review include:</p> <ul style="list-style-type: none"> • Final cheque run listings are presented, with cheques, for approval by a senior officer. • Petty cash reimbursements are processed on SIMS in a timely manner. • Three comparable quotes are now being obtained for purchases over £3,000 in value to support the decision for selecting a supplier. <p>The level of assurance reflects the fact that our review has highlighted continuing weaknesses, particularly in respect of income processes at the school. Key actions that have not been addressed include:</p> <ul style="list-style-type: none"> • Income received by the Willows Club and cash collected in classrooms is not reconciled to the amounts recorded on the supporting cash collection sheets when passed to the school office. Further, the reconciliation of cash prior to banking is not being carried out by two staff members. • Separation of duties across income processes at the school has not been established, with oversight provided on a termly basis, by a senior officer. • Debts are not being pursued in line with the debtors' policy. • Inconsistent practices which has resulted in key financial transactions (i.e. credit note issued against income expected and / purchase orders raised with suppliers) being generated without any senior officer approval. 	Number of Actions	Implemented	No Progress	On-going	9	3	4	2
Number of Actions	Implemented	No Progress	On-going						
9	3	4	2						

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>Section 17</p> <p>February 2015</p> <p>Head of Service, Social Work and Family Intervention</p>	<p>Overall Objective: To provide assurance that agreed actions have been implemented to ensure that there are now effective systems in place to manage the key risks associated with the Council's duties under Section 17 of the Children's Act 1989.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>A summary of progress made in response to the March 2013 audit report is detailed below.</p> <table border="1" data-bbox="651 571 1821 644"> <thead> <tr> <th data-bbox="651 571 943 611">Number of Actions</th> <th data-bbox="943 571 1234 611">Implemented</th> <th data-bbox="1234 571 1525 611">No Progress</th> <th data-bbox="1525 571 1821 611">On-going</th> </tr> </thead> <tbody> <tr> <td data-bbox="651 611 943 644">6</td> <td data-bbox="943 611 1234 644">1</td> <td data-bbox="1234 611 1525 644">2</td> <td data-bbox="1525 611 1821 644">3</td> </tr> </tbody> </table> <p>Since the last review, clarification has now been provided to all neighbourhood teams around the availability of the DWP Short Term Advances Scheme as an alternative to Section 17 funding. This Scheme provides financial assistance to individuals (including those eligible for Section 17 funding) whilst DWP benefit applications are being processed. Despite this awareness, the review still found some instances where cash loans were still being made.</p> <p>The level of assurance reflects the fact that whilst acknowledging that all attempts are taken to make economic purchases, without an overarching policy for Section 17 payments that provides clarity over the scope of support available, significant gaps in the control environment remain. Key actions that have not been addressed include:</p> <ul data-bbox="562 979 2051 1150" style="list-style-type: none"> • To develop an overarching policy and procedural guidance to support Section 17 payments and in doing so provide clarity around the types of support provided. • Despite legal advice that cash loans cannot be recovered by the Council, there is a need to ensure that this is embedded in practice as some neighbourhood teams were still accepting repayments. • To maximise opportunities for the joint administration of payments covering all Discretionary Funds. 	Number of Actions	Implemented	No Progress	On-going	6	1	2	3
Number of Actions	Implemented	No Progress	On-going						
6	1	2	3						

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>System Back Up, Recovery and Data Centre</p> <p>Head of ICT Operations</p> <p>March 2015</p>	<p>Overall Objective: To provide assurance that agreed actions have been implemented to ensure that the Council now has effective systems in place to manage the risks associated with System Backup, Recovery and Data Centre within the Council.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>A summary of progress made in response to the June 2013 audit report is detailed below.</p> <table border="1" data-bbox="651 571 1821 644"> <thead> <tr> <th>Number of Actions</th> <th>Implemented</th> <th>No Progress</th> <th>On-going</th> </tr> </thead> <tbody> <tr> <td>7</td> <td>2</td> <td>-</td> <td>5</td> </tr> </tbody> </table> <p>Actions that have been implemented since the last review include:</p> <ul style="list-style-type: none"> • A second data centre has now been set up in Nuneaton which provides for additional resilience in terms of the offsite storage of data. • Robust processes have been put in place to underpin the recording and investigation of backup failures to ensure errors are identified and resolved. <p>Key actions that still require progressing include:</p> <ul style="list-style-type: none"> • To agree with management, a list of the Council's IT business critical systems and for each system to ensure that: <ul style="list-style-type: none"> ➢ Formal disaster recovery arrangements are documented. ➢ Disaster recovery plans are developed and subject to testing. ➢ Test restores of backups are performed on a periodic basis. • To review and update the Council's Backup and Media Handling Policy. 	Number of Actions	Implemented	No Progress	On-going	7	2	-	5
Number of Actions	Implemented	No Progress	On-going						
7	2	-	5						

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Pertemps Master Vendor</p> <p>January 2015</p> <p>Human Resources Business Manager - Recruitment</p>	<p>Overall Objective: To ensure that Pertemps has effective systems and processes for completing all the necessary pre-employment checks in appointing agency staff, including where this is done through second tier agencies.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • Electronic timesheets highlight any changes to the agreed work pattern; where the working time directive has been exceeded; and ensures approval of hours worked and expenses incurred are verified by the line manager, with an audit trail maintained. • Audits of second tier agencies have recently commenced to verify compliance with contractual requirements. <p>The level of assurance reflects the key finding that pre-employment checks could not be fully evidenced for agency staff placed with the Council by Pertemps. It is acknowledged that Council managers undertake a validation check, based on the completion of an Induction Checklist. This requires the agency worker to provide photo evidence of identity, and where required a valid DBS and evidence of appropriate training, prior to commencing work with the Council.</p> <p>The following key areas for improvement have been identified:</p> <ul style="list-style-type: none"> • To ensure evidence to support the relevant level of pre-employment check has been obtained and are available for review, prior to the candidate being placed with the Council for all current bookings supplied, as well as in the future. • All job profiles provided by the Council are updated with the required level of pre-employment check. • To expedite the agreement of the flowchart detailing roles and responsibilities of both Pertemps and the Council in respect of the investigation of safeguarding incidents.