Coventry City Council

Public 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 December 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 three against the Internal Audit Plan for 2014-15, including planned changes to the plan.

2.   Consider the summary findings of the key audit reviews (attached at Appendix Two), and to decide whether the agreed focus of improvements identified and the timescales agreed for implementation for each review is appropriate.

List of Appendices included:

Appendix One - Audit Reviews Completed between April and December 2014
Appendix Two - Summary Findings from Key Audit Reports Completed between April and December 2014

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 second 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 December 2014.

Chart One: Progress against delivery of Internal Audit Plan 2014-15
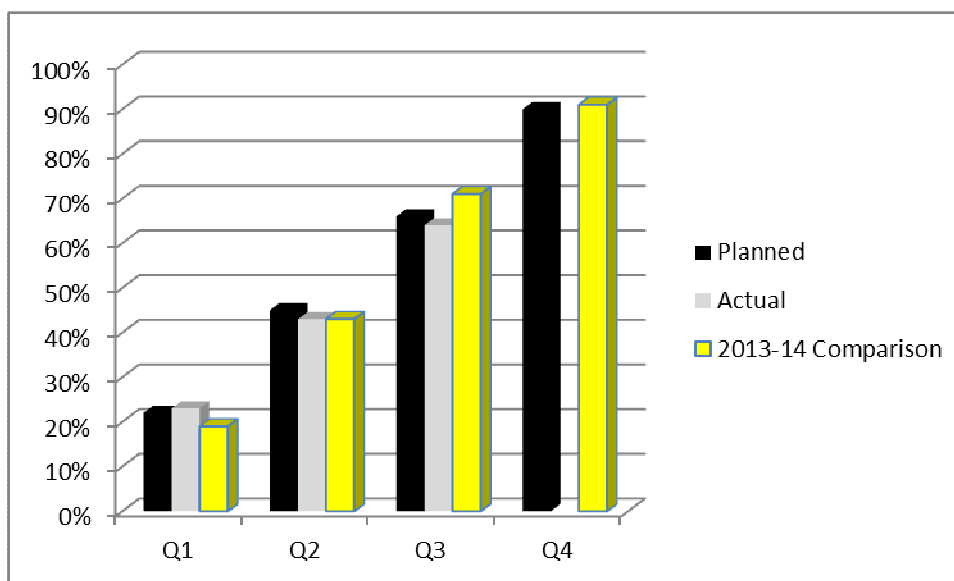
As at the end of December 2014, the Service has completed 64% of the Audit Plan against a planned target of 66%. Whilst the performance is only slightly behind target, the Service ability to deliver the plan has been impacted by the fact that two members of the team left the Council in November / December 2014. In response to this, we plan to amend the Internal Audit Plan for 2014-15 given the view that the impact of the officer's leaving can be offset by changes in the audit plan either as a result of:

- Audits being delayed, deferred or postponed, and

- Where days allocated in the plan are not reflective of need.

These are detailed in the table overleaf:

Table One: Planned Changes in 2014-15 Audit Plan

Audit Area	Planned Days	Revised Days	Reason
Financial Management	20	0	Assurance provided through External Auditors in the Annual Audit Letter considered by Audit and Procurement Committee in December 2014.
Adult Social Care (meeting need with resources available)	20	0	Planned reviews of developments (i.e. FACE – Resource Allocation System, Electronic Call Monitoring) have been deferred to 2015-16 as a result of delays in implementation or to allow time for the systems to embed.
Welfare Reform	20	0	Planned review of a single point of access around accessing discretionary support deferred due to operational delays.
Paper Rationalisation	100	75	Allocation of days not reflective of need.
Audit and Procurement Committee Concerns	25	0	No reviews identified in year.
Schools	210	180	Anticipated planned coverage reduced.

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

The table below shows a summary of the performance of Internal Audit for 2014-15 to date against five KPIs, with comparative figures for 2013-14.Whilst performance is consistent with that achieved in 2013-14, two indicators remain (i.e. draft report to deadline and audit delivered within budget days) where management continue to focus attention as part of a drive for greater efficiency within the Service.

Table Two: Internal Audit Key Performance Indicators 2014-15

Performance Measure	Target	Performance Q3 2014-15	Performance 2013-14
Planned Days Delivered (Pro rota against agreed plan)	100%	99%	96%
Productive Time of Team (% of work time spent on audit work)	90%	88%	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%	92%	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 October and December 2014, along with the level of assurance provided. The list includes a relatively high number of non-assurance based reviews where the focus has been either on (a) providing advice / guidance on controls given the reducing staffing levels across the Council and (b) validating grants (e.g. troubled families funding) or payments (duplicate payment exercise).

The following audits are currently in progress:

- **Audits at Draft Report Stage** – Cardinal Newman Catholic Secondary School, Payroll, Payment System Control Review

- **Audits On-going** – St Annes Primary School, Schools Appeals, Care Director IT Application Review, Highways Procurement, Accounts Receivable, Cash Collections Review, Business Rates, Housing Benefits Overpayments, Business Continuity,

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

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Appendix One – Audit Reviews Completed between October and December 2014

Audit Area	Audit Title	Assurance
Schools	Pearl Hyde Primary School	Significant
	St Augustines Catholic Primary School	Moderate
	St John Vianney Catholic Primary School	Moderate
	Woodfield Primary School	Moderate
	John Shelton Primary School	Moderate
	Stivichall Primary School	Moderate
	Henley Green Primary School	Moderate
	Stoke Primary School	Moderate
	Templars Primary School	Moderate
	Whitmore Park Primary School	Moderate
	St Elizabeths Primary School	Moderate
Corporate Risk	Major Projects – Coventry Investment Fund	Moderate
	Major Projects – Agresso Post Implementation Review	N/A – Lessons Learnt
	Safeguarding Adults	Moderate
	Safeguarding Training	N/A – Support and Advice
Key / Audit Priorities	Talent Link	Moderate
	Direct Payments	N/A – Support and Advice
Financial Systems	CareDirector Income	Moderate
	Duplicate Payment Exercise	N/A - Validation
Regularity	Trouble Families Grant	N/A – Validation
Contingency	Information Governance	N/A – Fact Finding
	Recovery of Legal Costs	N/A – Support and Advice
Follow Up	Little Heath Primary School	Significant

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Agresso Post Implementation Review	**Overall Objective:** To evaluate key aspects around the implementation of the Agresso System. The Council went live with a new finance system, Agresso, in December 2013. The approach to delivering this project was different to other major IT system implementations that have been undertaken in recent years, in that the Council led on the implementation with support from the software supplier. The implementation has clearly been successful in delivering a new system on time and which was operational from the outset. A number of critical factors were identified which, in our opinion, were fundamental to the success of the project, including: • There was a clear rationale for change in that it was clearly understood that the Council needed a new finance system. • The decision from the outset that the system would not be customised unless viewed as business critical and as an alternative, working practices were re-designed instead. • Management's selection of the project team and allocation of dedicated resources to fulfill the roles required, led to effective team working and strong relationships. Surveys undertaken by the Project Team with key users of the system also indicate that the implementation has been successful, especially in terms of improvements in the accessibility and format of financial information when compared with the previous system. Areas for improvement identified include: • Ensuring clarity around key roles and responsibilities in the project, especially given the critical relationship between the business area, the ICT service and the implementation partner. This clarity also extends to the role of the Steering Group. • The need for project to be formally closed so that all stakeholders are clear that the project has been completed and to understand how issues that arise will be taken forward. • The need for on-going proactive support for users to improve / refresh system knowledge and ensure that the benefits from system functionality are maximised. There are no specific recommendations from this report but it has been agreed that the findings will be considered in future IT projects.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Safeguarding Adults **Head of Safeguarding** **September 2015**	**Overall Objective:** To ensure that the Council has robust controls in place for safeguarding adults, specifically in relation to the referral process and conversion of 'alerts' to 'referrals'. **Opinion**: Moderate Assurance **Summary / Actions Identified:** The review identified the following areas of good practice: • The central Safeguarding Team is playing a pivotal role in supporting the Safeguarding Adults Board, co-ordinating safeguarding adult matters, providing performance information to assist operational teams manage cases, identifying gaps in current practices and disseminating any lessons learned / areas for improvement to operational teams and external partners. • In consultation with the Safeguarding Adults Coordinator, testing has highlighted that appropriate decisions had been made in relation to the cases we reviewed. The level of assurance in part reflects the fact that a key action relating to the CareDirector System upgrade, agreed and reported in the previous two audit reports, has not yet been implemented although we acknowledge that this is not within the control of the Safeguarding Team. Further, there is a wider corporate issue around the recording of safeguarding training to enable the monitoring of attendance and, if necessary, intervention to ensure take up. The Head of Safeguarding should now progress this with the Head of Business Services since he has agreed, in principle, for cluster administration to provide the support for recording training and professional development in the children's social care service. Areas for improvement identified include: • Ensuring safeguarding actions and decisions are recorded electronically on CareDirector as soon as the safeguarding aspects of Version 4 have been configured and implemented. • Assisting the regionally appointed working group to establish the reasons for the significant variances in the rate of conversion of 'alerts' to 'referrals' and align local practices to those subsequently agreed regionally. • Ensure that the new in-house peer review plans for increasing quality checks are progressed and monitored.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
CareDirector Income **Financial Assessment Manager** **May 2015**	**Overall Objective:** To ensure that the Council has effective systems in place to ensure that income due to the Council from social care charges is identified on a timely basis, accurately raised and collected. **Opinion**: Moderate Assurance **Summary / Actions Identified:** The review identified the following area of good practice in that a thorough validation of the CareDirector extract report is undertaken by the Financial Assessment Manager, where any anomalies [and known system created issues] are identified to ensure the accuracy of client invoices raised in Agresso. The level of assurance is reflective of our view that improvements are required to ensure financial assessments are undertaken prior to a service provision commencing, barring where exceptional circumstances preclude. The following areas for improvement have been identified: • Implement the proposed pooling of Financial Assessment and Operations workforce, to enable case management of the end to end process for both payment and charging information, to reduce the transfer of tasks between teams and improve the timeliness of recording within CareDirector. • Utilise the corporate data dashboard functionality and performance reports, to ensure referrals are made and service provisions are authorised within CareDirector on a timely basis. • Introduce a targeted approach to the completion and review of financial assessments based on financial risk. • Establish processes to ensure a reconciliation of interface reports from CareDirector Finance into the Agresso Accounts Receivable system is undertaken.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Talent Link **Human Resources Business Manager, Recruitment** **April 2015**	**Overall Objective:** To ensure that the Council has effective systems for processing any changes to the establishment headcount, including recruitment to posts and variations to salary payments, so that salary budgets are managed. **Opinion**: Moderate Assurance **Summary / Actions Identified:** The review identified the following areas of good practice: • System reporting provides directorates with improved senior management visibility, and therefore challenge, of the level of recruitment and salary enhancement requests. • With teams now centralised, Finance provides more focused and consistent oversight at a time when the Council is facing increasingly challenging budgetary constraints. • Planned management payroll reports on establishment and salary information, in conjunction with setting headcount targets, will provide greater corporate oversight and opportunity for robust senior management challenge and performance management. The level of assurance reflects the fact that this on-line system approval process is still being embedded and, while the system enables users to track the progress of their requests, our testing was not able to validate that this is happening, resulting in delays and additional work to process through the payroll**.** Areas for improvement identified include: • Establishing a process to amend the approval chain when employees leave or transfer. • As part of a system review, considering exception reporting from Talent Link to identify any bottlenecks" causing process delays and any improvements needed to address issues.