



Coventry City Council

Public report

Report to

Audit and Procurement Committee

15th February 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor Gannon

Director approving submission of the report:

Executive Director of Resources

Ward(s) affected:

City Wide

Title:

Quarter Three Internal Audit Progress Report 2015-16

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 2015, against the Internal Audit Plan for 2015-16.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three against the Internal Audit Plan for 2015-16.
2. Consider the summary findings of the key audit reviews (attached at Appendix One).

List of Appendices included:

Appendix One - Summary Findings from Key Audit Reports Completed between October and December 2015

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:

Quarter Three Internal Audit Progress Report 2015-16

1. Context (or background)

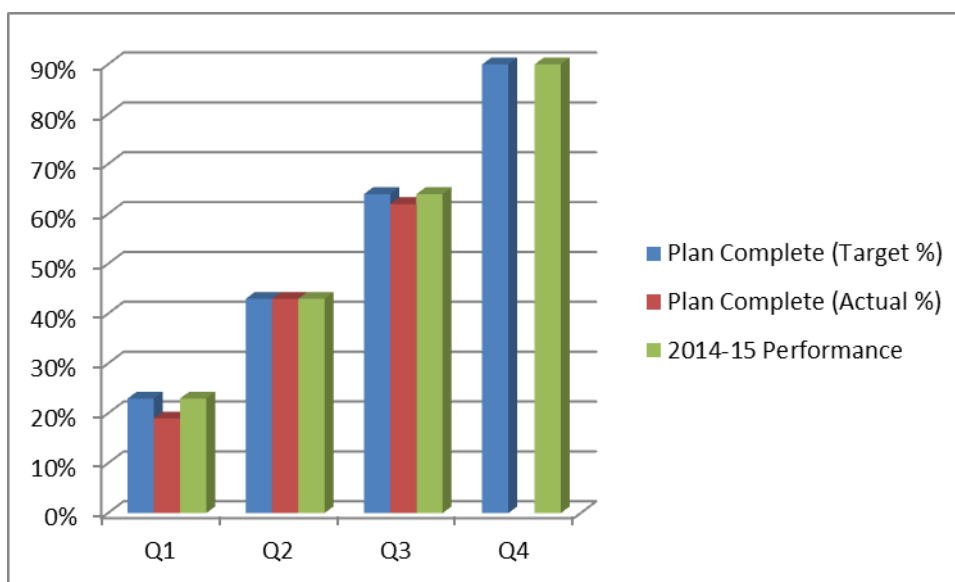
1.1 This report is the second monitoring report for 2015-16, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance 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 31st March 2016. The chart below provides analysis of progress against planned work for the period April to December 2015.

Chart One: Progress against delivery of Internal Audit Plan 2015-16



As at the end of December 2015, the Service has completed 62% of the Audit Plan against a planned target of 64%. Whilst the performance at the end of quarter three is only slightly behind target, the Service's ability to complete delivery of the plan has now been impacted by unplanned absences in the team since December 2015. In response to this, we plan to amend the Internal Audit Plan for 2015-16, given the view that the impact of these absences 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.

2.2 Other Key Performance Indicators (KPIs)

The table overleaf shows a summary of the performance of Internal Audit for 2015-16 to date against five KPIs, with comparative figures for the financial year 2014-15. There are two indicators (i.e. draft report to deadline and audit delivered within budget days) where

the Service's current performance is still below expectations and targeted actions are on-going to make improvements as part of a continual focus to deliver greater efficiency in the Service.

Table One: Internal Audit Key Performance Indicators 2015-16

Performance Measure	Target	Performance Q3 2015-16	Performance 2014-15
Planned Days Delivered (Pro rota against agreed plan)	100%	70%	100%
Productive Time of Team (% of work time spent on audit work)	90%	89%	89%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	75%	79%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	86%	88%
Audit Delivered within Budget Days	80%	73%	74%

2.3 Audits Completed to Date

2.3.1 Attached at Table Two below is a list of the audits finalised between October and December 2015, along with the level of assurance provided.

Audit Area	Audit Title	Assurance
Corporate Risk	ICT Change	Moderate
	ICT Major Incident Review	Limited
	ICT Protocol Application Review	Moderate
	Electronic Call Monitoring	Moderate
Council / Audit Priorities	Sickness Absence	N/A – Compliance Focused
Finance	Payroll	Significant
	Housing Benefit Quality Assurance	Moderate
Regularity	Section 256 Funding	N/A – Verification
	Grant: Schools Direct	N/A - Verification
Follow Up	Section 17	Moderate
	Per Temp Master Vendor	Moderate

2.3.2 The following audits are currently in progress:

- **Audits at Draft Report Stage** – Pay and Display Machines Security Review
- **Audits On-going** – Payment Audit, Troubled Families, Accounts Receivable, Accounts Payable, Council Tax, Business Rates, Minor Civil Engineering Contract, Long Service Award, Keresley Grange Primary School

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 of 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.

6.3 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):

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Enquiries should be directed to the above person.

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Contributors:				
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Neelesh Sutaria	Human Resources Business Partner	Resources	2/2/16	2/2/16

Names of approvers: (officers and members)				
Finance: Paul Jennings	Finance Manager Corporate Finance	Resources	2/2/16	2/2/16
Legal: Helen Lynch	Legal Services Manager (Place and Regulatory)	Resources	2/2/16	4/2/16

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Appendix Two – Summary Findings from Key Audit Reports Completed between October and December 2015

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>ICT Major Incident Reviews</p> <p>February 2016</p> <p>Head of ICT Infrastructure and Operations</p>	<p>Overall Objective: To ensure that arrangements in place to manage ICT major incidents are fully effective.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>Whilst the review found that major ICT incidents were being resolved on a timely basis, the conclusion we have reached is that the new review procedure is not currently seen as a key process in the ICT Service. It is acknowledged that the process has only been in place since May 2015 but the results indicate that this is more than just initial problems typically associated with introducing new working practices, given that:</p> <ul style="list-style-type: none"> • Major Incident Reviews (MIR's) have only been carried out for 41% of Priority one (P1) and Priority two (P2) incidents received. • Where MIR's have been completed, there are significant gaps in the information recorded despite the fact that all MIR's should be signed off by a Team Leader. • Arrangements to support management oversight of the process have yet to become fully operational and as result issues are not being dealt with. <p>Key areas for improvement that have been identified include:</p> <ul style="list-style-type: none"> • Ensuring that MIR's are carried out for all P1 and P2 incidents unless otherwise approved by management. • Ensuring that comprehensive information is captured in regard to how major incidents are managed and that sufficient rigor is applied to identifying follow up actions. • Putting in place a mechanism for management to gain assurance that where identified, action to prevent future incidents is implemented on a timely basis. <p>A self-assessment follow up of this area has recently been completed which indicates that four out of the five agreed actions are now in place (one is on-going). A formal follow up exercise will be undertaken in July 2016 to provide assurance that arrangements are working effectively.</p>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Sickness Absence Compliance Review	<p>Overall Objective: To ensure that the Council's Promoting Health at Work (PH@W) Procedure is being complied with by managers across the Council.</p> <p>Opinion: N/A – Compliance Focused Summary / Actions Identified:</p> <p>The audit focused on compliance testing (sample of 145 absences selected during 2015-16) against five key areas. These are outlined below along with the results of testing undertaken.</p> <p>(1) <u>A return to work (RtW) meeting form has taken place for all absences reviewed and if not there is a reasonable explanation for this not happening</u> - In 93% of absences, either evidence that a RtW meeting took place was found or the employee had left the Council before the meeting could take place.</p> <p>(2) <u>The RtW meeting occurred on a timely basis and in line with the requirements documented in the Council's PH@W Procedure</u> - Testing indicated that 35% of return to work meetings did not take place within three working days (requirement of the Council's procedure) of the absence ending. To provide some context to these results, it is unclear how the number of working days was determined in the first place and what the risk / impact are if meetings take place more than three days after the absence ended. Furthermore, the changing nature of the Council (i.e. impact of management layering, flexible working) may mean that a manager may not be routinely based in the same location of the employee who was absent.</p> <p>(3) <u>Paperwork to support the RtW meeting demonstrates that a thorough discussion has taken place between manager and employee</u> - In assessing the return to work forms for completeness and detail, we found that in the majority of cases, appropriate details were recorded around (a) the reasons for the absence, (b) determining whether additional support is provided to the employee and (c) agreeing outcomes.</p> <p>(4) <u>Where required, a fit note (formally a sick note) has been received in respect of an absence</u> - In absences that required a fit note to be provided, we found notes in 91% of cases.</p> <p>(5) <u>Where absences have resulted in a trigger being hit, a PH@W meeting has taken place</u> - In 95% of absences which resulted in a trigger being hit, we found evidence that a meeting had either taken place, been arranged or established that the employee had left the Council before the meeting could take place.</p> <p>Despite instances where we have found non-compliance in the above tests, our overall conclusion is that the Council's Promoting Health at Work Procedure is being complied with across the Council.</p>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>Pertemps Master Vendor Follow up</p> <p>April 2016</p> <p>Human Resources Advisor – Corporate Support</p>	<p>Overall Objective: To provide assurance that agreed actions have been implemented to ensure that the Council has effective systems in place to manage the completion of pre-employment checks in appointing agency staff, including where this is done through second tier agencies.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>A total of four actions were originally identified and agreed in the original audit. A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="651 608 1856 778"> <thead> <tr> <th data-bbox="651 608 936 676">Number of Actions</th> <th data-bbox="936 608 1234 676">Implemented</th> <th data-bbox="1234 608 1554 676">No Progress</th> <th data-bbox="1554 608 1856 676">On-going</th> </tr> </thead> <tbody> <tr> <td data-bbox="651 676 936 778">4</td> <td data-bbox="936 676 1234 778">2</td> <td data-bbox="1234 676 1554 778">0</td> <td data-bbox="1554 676 1856 778">2</td> </tr> </tbody> </table> <p>Actions that have been implemented since the last review include:</p> <ul data-bbox="562 887 2058 1086" style="list-style-type: none"> • Supporting documentation which was required to be uploaded from previous sample tests has now been uploaded onto PAWS and procedures have been introduced by both Pertemps and the Council to monitor the pre-employment check process. • The flowchart detailing the process for investigating safeguarding incidents involving agency workers has been disseminated both within the Council and Pertemps, which details the responsibilities of managers and pertemps where a safeguarding issue has been identified. <p>For the remaining agreed actions, progress has been made although, the action taken to date has not yet fully addressed the audit concerns, including:</p> <ul data-bbox="562 1230 2058 1430" style="list-style-type: none"> • Whilst arrangements are in now in place to provide assurance that pre-employment checks are completed, examples still exist, due mainly to timing issues, where some information has not been provided by the planned start date. Guidance will be developed for Council managers around the options available when information is not available in advance of the planned start date. • Job profiles have been reviewed and updated with the appropriate level of pre-employment check, however, due to a mis-communication these have not been uploaded onto PAWS at the time of the audit. 	Number of Actions	Implemented	No Progress	On-going	4	2	0	2
Number of Actions	Implemented	No Progress	On-going						
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Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Electronic Call Monitoring</p> <p>July 2016</p> <p>Head of Business Systems (People Directorate)</p>	<p>Overall Objective: To ensure that effective systems are in place to administer payments to home support providers generated by the CM200 Electronic Call Monitoring System.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • Effective processes are in place to administer the interface between CM2000 and Agresso with appropriate checks and balances to ensure the integrity of payment data. • Appropriate controls are in place to manage the risk of duplicate payments both in respect of individual clients and invoices generated through CM2000. <p>The assurance level reflects two concerns, namely:</p> <ul style="list-style-type: none"> • Audit testing identified overpayments being made through the system. These were low in value but we were not in a position as part of the review to assess the potential scale of this issue across all activity. • As part of the audit, we encountered a number of issues where there was a lack of system audit trail to support transactions within CM2000. <p>Key areas for improvement that have been identified include:</p> <ul style="list-style-type: none"> • Ensuring that workaround arrangements for identifying and recovering overpayments to providers are implemented as soon as possible. • To issue a reminder to all providers to ensure that they remove private visits prior to invoicing the Council. • Ensuring that there is a clear audit trail to support the justification for authorising payments for over-delivered visits. • To work with CM2000 to consider current system limitations and whether these can be resolved.