



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

24<sup>th</sup> October 2016

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

**Director approving submission of the report:**

Executive Director of Resources

**Ward(s) affected:**

City Wide

**Title:**

Internal Audit Plan 2016-17

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to share the draft Internal Audit Plan for 2016-17 with the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

**Recommendations:**

Audit and Procurement Committee is recommended to consider the draft Internal Audit Plan for 2016-17 (Appendix One) and provide any comments on the content and scope of the proposed Plan.

**List of Appendices included:**

Appendix 1 Draft Internal Audit Plan 2016-17

**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:**

Draft Internal Audit Plan 2016-17

**1. Context (or background)**

1.1 The Audit and Procurement Committee, within its terms of reference, is required to:

*'Consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts'.*

1.2 In terms of proposed audit activities, the draft Internal Audit Plan attached at Appendix One documents the outcome of the audit planning process for 2016-17. This report provides the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility as highlighted above, but also enables the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

1.3 The plan is normally presented to the Audit and Procurement Committee in April each year, but as previously reported to the Committee in April 2016, production of the plan for 2016-17 has been delayed to enable a review of the Council's audit needs to be undertaken. This work has informed the draft Audit Plan attached at Appendix One and will be used to inform a review of the Internal Audit Service and how it is delivered going forward.

**2. Options considered and recommended proposal**

2.1 **Planning** – As previously reported to the Audit and Procurement Committee in April 2016, the planning process for 2016-17 involves the following stages:

- Identifying the Audit Universe. This involves establishing all the areas of activity which the Council undertakes in support of achieving its aims and objectives, including the Council's key financial systems and mandatory audit areas.
- Establishing what sources of assurance currently exist in relation to the Audit Universe and upon which the organisation can place reliance.
- Completing a risk assessment to establish priorities in those areas where other sources of assurance are not available.
- Using the results of this to undertake an assessment of the resources within the Internal Audit Service.

2.2 **Draft Audit Plan 2016-17** – The results of the initial assessment of priorities are shown in Appendix One. Key points to note include:

- The draft plan is based on an allocation of priorities against the current level of audit resources available. Whilst the number of available days has reduced from 746 days (actual) in 2015-16 to 490 days in 2016-17, this impact has been managed through a more streamlined approach, in particular in regards to the following:
  - A more flexible approach to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.
  - A risk based approach to the audit of schools based on links with School Finance rather than a fixed programme of audit work.

- As part of the process for identifying audit areas, Senior Officers have been consulted in relation to operational risks and whether other sources of assurance are available.

As a result, we do believe that the draft Audit Plan for 2016-17 is sufficient for the work required to report on key risks and controls in the year and to prepare our annual opinion and report. As detailed in 1.3, the results of the planning process will be used to inform a review of the structure of the Internal Audit Service, which will include an appropriate evaluation as to the future resource requirements. Whilst it is intended that this process will be completed in the near future, it is unlikely that implementation of the review will have a significant impact on the Internal Audit Plan for 2016-17.

- Corporate Risks – The focus of audit coverage in 2016-17 in regards to the corporate risk register is aligned to those areas where it is clear Internal Audit can make a contribution to the management of these risks and taking into account those risks where for example alternative assurance mechanisms already exist, e.g. Ofsted.
- Corporate governance – The work related to corporate governance is reflected in both the Council/Audit Priorities area of work and Regularity. This is because it includes mandatory audit requirements such as the production of the Annual Governance Statement and Declarations of Interest exercise (regularity work) and audit work linked to specific Council priorities around areas such as the review of the Code of Corporate Governance.
- Contingency / Directorate risks – This audit area includes those issues highlighted by senior officers which, whilst they may not have a corporate impact, could affect the achievement of operational objectives.

### **3. Results of consultation undertaken**

- 3.1 Consultation has taken place with Senior Officers across the Council to inform development of this Audit Plan.

### **4. Timetable for implementing this decision**

- 4.1 The Internal Audit Plan is an annual plan and is based on a completion date of the 31<sup>st</sup> March 2017. Progress is monitored by the Audit and Procurement Committee. In addition to the planned quarterly progress reports, the Internal Audit Service is required to produce an annual report. This report is due in June / July 2017 and will include the opinion of the Acting Chief Internal Auditor on the adequacy of the Council's control environment, highlighting issues relevant to the preparation of the Annual Governance Statement.

### **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

The effective planning of audit activity across the organisation 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 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 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

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**Name and job title:**

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**Directorate:**

Resources

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## Appendix One – Internal Audit Plan 2016-17

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
<b>Corporate Risk</b>			
	High	ICT (Infrastructure and Change)*	30
	High	Customer Journey	15
	High	Adult Social Care	10
	High	Finance (Connecting Communities)	15
	High	Workforce Strategy	10
<b>Council / Audit Priorities</b>			
	High	Corporate governance	10
	Medium	Data Protection	5
	Medium	Procurement	10
<b>Financial Systems</b>			
	High	Accounts Payable	10
	High	Care Director expenditure	15
	High	Care Director income	10
	High	Accounts Receivable	10
	High	Council Tax	10
	High	Business Rates	10
	Medium	Local Income Systems	10
	Medium	Payroll	10
	Medium	Housing Benefits	15
	Medium	Payment Audit	5
<b>Regularity</b>			
		Grants	65
		Corporate Governance (mandatory)	15
		Risk Management	10
		Other	10
<b>Other</b>			
		Contingency / Directorate Risks	85
		Fraud	35
		Follow up	35
		2014-15 B/Fwd	25
		<b>Total Days Available</b>	<b>490</b>

*\*Audits undertaken by third party*