



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 – 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 2016, against the Internal Audit Plan for 2016-17.

**Recommendations:**

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter two against the Internal Audit Plan for 2016-17.
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 2016

**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 2016-17 – Half Year Progress Report

**1. Context (or background)**

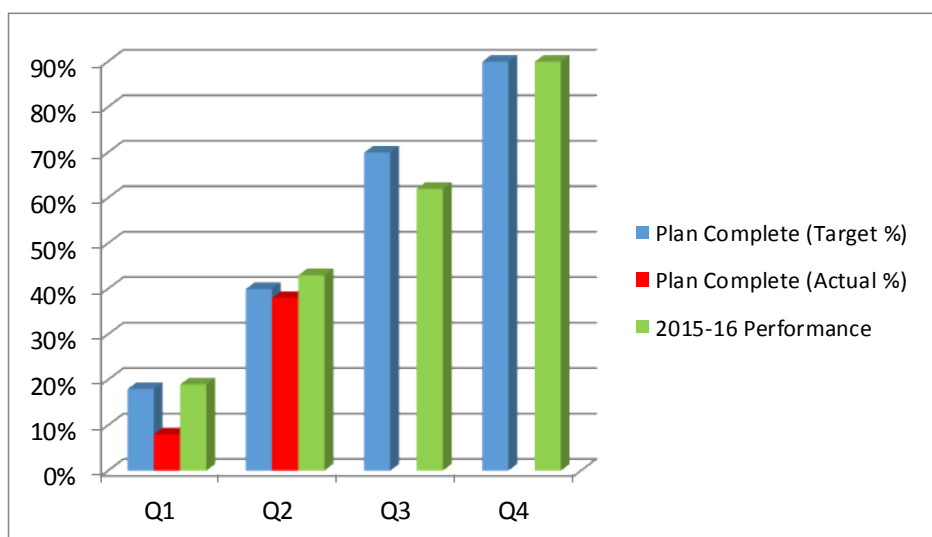
1.1 This report is the first monitoring report for 2016-17, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance 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 2017. The chart below provides analysis of progress against planned work for the period April to September 2016.

**Chart One: Progress against delivery of Internal Audit Plan 2016-17**



As at the end of September 2016, the Service has completed 38% of the Audit Plan against a planned target of 40% and is broadly on track to meet its key target by the end of 2016-17.

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

The table overleaf shows a summary of the performance of Internal Audit for 2016-17 to date against five KPIs, with comparative figures for the financial year 2015-16. There is one indicator (i.e. audit delivered within budget days) where the Service current performance is below expectations and management are taking targeted actions to make improvements as part of a continual focus to deliver greater efficiency in the Service. These include holding a team development session on the audit process, weekly progress meetings and an increased focus on time planning within individual audits.

**Table One: Internal Audit Key Performance Indicators 2016-17**

<b>Performance Measure</b>	<b>Target</b>	<b>Performance Q2 2016-17</b>	<b>Performance 2015-16</b>
<b>Planned Days Delivered</b> (Pro rota against agreed plan)	100%	45%	96%
<b>Productive Time of Team</b> (% of work time spent on audit work)	90%	88%	88%
<b>Draft Report to Deadline</b> (Draft issued in line with date agreed)	80%	88%	74%
<b>Final Report to Deadline</b> (Final issued within 4 weeks of draft)	80%	100%	91%
<b>Audit Delivered within Budget Days</b>	80%	67%	68%

### 2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between April and September 2016, along with the level of assurance provided.

The following audits are currently in progress:

- **Audits at Draft Report Stage** – IT Disaster Recovery Follow Up, Bereavement Hub Governance Arrangements
- **Audits On-going** – Direct Payments, Traffic Regulation Orders, Processing of Energy Bills, Potters Green School, Code of Corporate Governance, Business Continuity, Employment Costs, Major Incident Reviews Follow Up, Broad Heath 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 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 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**

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 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. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on delivery of the plan. This risk is managed through on-going communication with customers to agree timings 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:**

Resources

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<b>Contributors:</b>				
Lara Knight	Governance Services Co-ordinator	Resources	5/10/16	5/10/16
Helen Joyce	Human Resources Interim	Resources	5/10/16	11/10/16
<b>Names of approvers: (officers and members)</b>				
Finance: Paul Jennings	Finance Manager Corporate Finance	Resources	5/10/16	6/10/16
Legal: Helen Lynch	Legal Services Manager (Place and Regulatory)	Resources	5/10/16	7/10/16

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**Appendix One – Audit Reviews Completed between April and September 2016**

<b>Audit Area</b>	<b>Audit Title</b>	<b>Assurance</b>
<b>2015-16 B/Fwd</b>	ICT Cloud Review	Significant
<b>Corporate Risk</b>	Customer Journey – Financial Processes	Moderate
<b>Council / Audit Priorities</b>	Declarations of Interest Guidance	Support and Advice
<b>Financial Systems</b>	Hostels and Supported Accommodation (Housing Benefits)	Moderate
<b>Regularity</b>	Annual Governance Statement	Annual Exercise
	S256 Health Grants	Validation
	Highways Maintenance Challenge Fund Grant – Swanswell Viaduct	Validation
	Major Transport Schemes Grants	Validation
	Troubled Families Grant	Validation
	Disabled Facilities Grant	Validation
	Teachers' Pension scheme	Validation
	Local Growth Fund	Moderate
	Highways Maintenance Challenge Fund Grant – Improvements to Road Network	Validation
	Innovate UK Grant	Validation
	UK Cite Grant	Validation
	Integrated Transport Grant	Validation
	Highways Capital Maintenance Grant	Validation
<b>Contingency / Directorate Risks</b>	CNR	Significant
	Card Refunds	Limited
	School Admissions	Fact Finding
	Stanton Bridge	Fact Finding
	Fire Drill roll call	Fact finding
<b>Follow Up</b>	Keresley Grange Primary School	Significant
	Council Tax exemptions and discounts	Moderate

**Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2016**

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Customer Journey Financial Processes</b></p> <p><b>July 2016</b></p> <p><b>Customer Focus Manager – Revenues</b></p>	<p><b>Overall Objective:</b> To ensure that the Council has robust systems in place to oversee the payment and banking functions required both externally and internally by customers / service areas.</p> <p><b>Opinion:</b> Moderate Assurance      <b>Summary / Actions Identified:</b></p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> <li>• Following the closure of cashiers, appropriate facilities have been made available to customers and staff to ensure prompt receipting and banking of income to the Council which maximises the principles of a self-service approach.</li> <li>• Effective operational arrangements have been implemented within Post and Fastprint which support the Council's payment / banking functions.</li> </ul> <p>Whilst significant changes have been implemented across the Council for both its' customers and staff, the level of assurance reflects that the review highlighted there is scope for further improvement to the handling of cash in the Customer Service Centre to ensure that monies are appropriately safeguarded.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> <li>• Ensuring the procedures for handling and accounting for monies within the Customer Service Centre are fully complied with.</li> <li>• Enhancing control records maintained within the Customer Service Centre to ensure that monies can be fully reconciled and a complete audit trail maintained.</li> <li>• Ensuring that a receipt is obtained for all collections made by the Council's third party agent.</li> <li>• Ensuring that permanent access to cash through purchasing cards is removed where there is no operational requirement.</li> </ul>



Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Cloud Review</b></p> <p><b>March 2017</b></p> <p><b>Head of ICT Infrastructure and Operations and Head of ICT Systems, Strategy and Development</b></p>	<p><b>Overall Objective:</b> To assess the risks known to exist as a result of increased use of cloud technologies within the Council. This involved the assessment of the Council’s risk profile against the risks identified from sources including the Cloud Security Alliance.</p> <p><b>Opinion:</b> Significant Assurance      <b>Summary / Actions Identified:</b></p> <p>The use of cloud based services within the Council is currently limited to two main areas – use of office 365 for staff email and cloud based team Sharepoint sites, though other areas are in early stages of being developed. A license agreement with Microsoft is in place for the provision of these services. The security and resilience of the services provided to the Council by Microsoft includes:</p> <ul style="list-style-type: none"> <li>• Data centres are certified to meet industry standard cloud certifications including the international cloud privacy standard, ISO 27018.</li> <li>• A documented service level agreement is in place covering all cloud based services used by the Council.</li> <li>• Port scanning, perimeter vulnerability scanning and intrusion detection are in place to prevent or detect malicious access.</li> <li>• Virus detection and blocking is in place to prevent infection / corruption of data.</li> </ul> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> <li>• ICT management to develop a strategy to detail the current usage of cloud services and ensure this is aligned with the Council’s objectives and define future plans for the development of cloud usage to ensure that any efficiencies are identified and that risk factors are identified and mitigated before they arise.</li> <li>• Once the overall strategy has been completed ICT management to consider the creation of a risk register to manage the ongoing risks around the developing usage of cloud applications within the Council.</li> <li>• The use of Cloud Security Alliance guidance and tools as development of usage of the cloud progresses and as part of the process for developing a future strategy, risk registers and privacy impact assessments in relation to the adoption of cloud services, could be beneficial.</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Card Refunds</b></p> <p><b>September 2016</b></p> <p><b>Lead ICT Strategy Delivery Manager / Team Leader – Registrars / Childcare Sufficiency Quality Manager</b></p>	<p><b>Overall Objective:</b> To assess whether effective arrangements are in place within service areas where card payments are received to minimise the need for a refund being required.</p> <p><b>Opinion:</b> Limited Assurance      <b>Summary / Actions Identified:</b></p> <p>The review identified the following area of good practice:</p> <ul style="list-style-type: none"> <li>• Systems are in place within Adult Education to effectively manage course bookings, with clear audit trails maintained to support refunds being requested.</li> </ul> <p>The level of refunds is low in comparison to the overall number of payments processed by the Council. However, the review highlighted that despite the fact the Council's policy is to encourage customer self-service by maximising the use of new technology, known system errors are still to be rectified and as a result, customers continue to make duplicate payments in error. The level of assurance also reflects the fact that there is scope to improve arrangements in service areas to minimise refund requests and ensure that procedures to support the effective processing of refunds are robust.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> <li>• Ensuring that software updates to the on-line payment facility are installed as a matter of priority and tested to confirm that system errors are fixed.</li> <li>• Enhancements to arrangements within the Early Years' Service and the Registry Office to minimise the need for refunds to be issued.</li> <li>• Ensuring that complete audit trails are maintained to support the processing of refund requests.</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p data-bbox="129 306 535 400"><b>Council Tax Discounts and Exemptions Follow Up Review</b></p> <p data-bbox="129 440 349 469"><b>November 2016</b></p> <p data-bbox="129 507 535 571"><b>Senior Operational Manager – Revenues</b></p>	<p data-bbox="562 306 2049 370"><b>Overall Objective:</b> To provide assurance that agreed actions have been implemented to ensure that the Council has effective systems in place to administer council tax discounts and exemptions.</p> <p data-bbox="562 408 1458 437"><b>Opinion:</b> Moderate Assurance      <b>Summary / Actions Identified:</b></p> <p data-bbox="562 475 2049 539">A total of three high / medium risk actions were originally identified and agreed in the March 2016 audit report. A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="651 571 1854 708"> <thead> <tr> <th data-bbox="651 571 952 639">Number of Actions</th> <th data-bbox="952 571 1254 639">Implemented</th> <th data-bbox="1254 571 1554 639">No Progress</th> <th data-bbox="1554 571 1854 639">On-going</th> </tr> </thead> <tbody> <tr> <td data-bbox="651 639 952 708">3</td> <td data-bbox="952 639 1254 708">2</td> <td data-bbox="1254 639 1554 708">0</td> <td data-bbox="1554 639 1854 708">1</td> </tr> </tbody> </table> <p data-bbox="562 746 1211 775">Actions implemented since the last review include:</p> <ul data-bbox="562 813 2049 1050" style="list-style-type: none"> <li>• Additional guidance in relation to discounts and exemptions has been issued to all council tax officers, with further discussion at a recent team meeting. However, whilst we have assessed that the recommendation has been implemented, alongside testing undertaken which highlighted a significant improvement in compliance with established procedures, we would suggest that in order to embed arrangements, such activity should form part of an ongoing programme of awareness activities.</li> <li>• Routine quality checks are undertaken on a monthly basis across a sample of council tax officers which include at least one exemption or discount.</li> </ul> <p data-bbox="562 1088 2049 1254">For the remaining agreed action, progress has been made, although in our view, the action taken to date has not yet fully addressed the audit concerns, namely whilst some additional checks have been incorporated into the application process to minimise the risk of fraud and error, the guidance covering student exemptions could be improved upon to provide clearer direction on the checks to be undertaken prior to awarding the exemption. We have agreed that this issue will be followed up as part of the next planned audit of Council Tax.</p>	Number of Actions	Implemented	No Progress	On-going	3	2	0	1
Number of Actions	Implemented	No Progress	On-going						
3	2	0	1						