



Coventry City Council

Public report

Report to

Audit and Procurement Committee

3rd April 2017

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Internal Audit Recommendation Tracking 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 progress made in implementing internal audit recommendations since the last update in December 2015.

Recommendations:

The Audit and Procurement Committee is recommended to note the progress made in implementing audit recommendations and confirm its satisfaction with this and the proposed action by the Acting Chief Internal Auditor for audits where actions remain outstanding.

List of Appendices included:

Appendix One - Results of Formal Follow up Exercise

Appendix Two - Results of Self-Assessment Follow up Exercise

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 Recommendation Tracking Report

1. Context (or background)

- 1.1 The Public Sector Internal Audit Standards requires that “the Chief Audit Executive (i.e. Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action”.
- 1.2 As reflected within its terms of reference, the Audit and Procurement Committee is required to receive reports on Internal Audit’s follow up process. This report provides an update as to progress in respect of the agreed management actions which have been followed up during the period December 2015 to March 2017.

2. Options considered and recommended proposal

- 2.1 **Follow Up Procedure** – Given the number of audits that the Internal Audit Service completes every year, it is critical that it has a robust procedure in place for ensuring that it obtains appropriate assurance that audit recommendations have been implemented, but does so in a way that allows the Service to respond to new risks facing the Council. Where appropriate, Internal Audit defines within its audit reports the follow up process to those responsible for the system / area under review and a date is agreed of when this will take place.

Currently, there are three key considerations that will determine the follow up procedure adopted, namely:

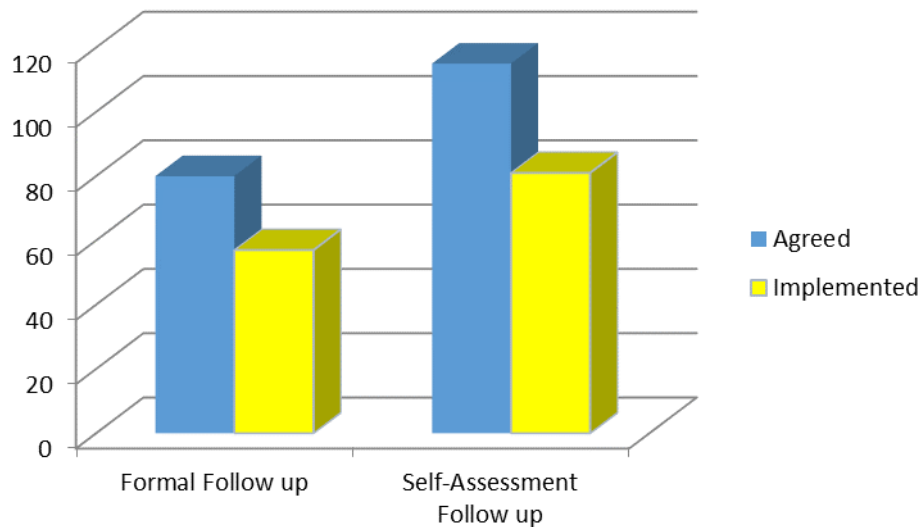
- 1) Whether the area audited is of such significance that it is subject to an annual review.
- 2) The level of assurance provided in the audit report.
- 3) A 'catch all' process for those reviews where neither of the points above apply, but a follow up review is necessary.

- 2.2 These considerations are expanded upon below.

- **Annual Audits:** These audits are generally included in the Audit Plan on an annual basis because of the nature of the systems, and the fact they are corporate wide and have been identified as key in delivering the Council's objectives (e.g. financial systems, corporate risks).
- **Level of Assurance:** Any audit which receives '*no*' or '*limited*' assurance is subject to a follow up review to assess improvements based on a timing agreed between Internal Audit and relevant management. In either of these circumstances, a formal follow up review will take place which involves Internal Audit assessing progress through audit testing to ensure that agreed actions have been implemented and are working effectively.
- **Catch All Process:** For all other audits, a process exists which is based on a self-assessment by relevant managers. This involves Internal Audit asking managers for an update on the action taken to implement audit recommendations. The response provided by managers is not subject to any independent validation by Internal Audit.

2.3 Overall, we believe that the procedure achieves the right balance between ensuring action is taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks. This is particularly important given the reductions in the size of the audit team over the last few years.

2.4 **Results** - The results of the latest follow up exercise are attached at Appendix One and Two and are summarised in the graph below.



Of the 195 actions followed up, 71% have been implemented based on both the formal and self-assessment follow up method. Analysis by follow up method shows that the results across both methods are consistent:

- Formal follow up method – 71% implementation rate.
- Self-assessment follow up method – 70% implementation rate.

In terms of the specific results, the following points should be considered:

- Formal follow up – The implementation rate of 71% is comparable with results achieved over the last three years where implementation averaged 63%. It is difficult to reach any specific conclusions on the implementation rate, although it should be noted that this does not mean that the recommendations outstanding are not subsequently implemented.
- Self-assessment – The implementation rate of 70% reflects a reduction when compared to last three years where reported implementation averaged 92%. However, we expected this rate to decrease this year in light of the reduced focus on school audits in our audit plan, where historically the actions identified in such reports were likely to be straightforward, not time consuming to implement and tended to focus on compliance rather than control issues. Given that the current rate of implementation is comparable to that of the formal follow up method, it is our view that the self-assessment process is fit for purpose at the current time.

- 2.5 **Proposed Way Forward for Dealing with Outstanding Actions** - After the follow up has been completed, the results are collated within Internal Audit. If progress is not consistent with expectations, audit management will determine the next course of action.

Based on the reasons for the lack of progress, the following courses of action are available:

- Revised implementation dates are agreed for outstanding actions.
- Concerns raised through the management structure to ensure senior managers are aware of both the lack of progress made and the risks still facing a service.
- As a last resort, to ask the Audit and Procurement Committee to intervene and seek prompt action from the relevant manager.

Our proposed actions for the audits where recommendations remain outstanding are highlighted within Appendices One and Two.

- 2.6 During 2017/18, we also intend to carry out a specific exercise around IT audits undertaken in the last three years, given the high number of audit reviews in this area (which are predominately delivered externally) and in light of the significant pace of change in the IT environment, to gain a better understanding of overall progress and develop a single action plan to manage any outstanding recommendations still required.

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 Director of Finance and Corporate Services

- 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 made in implementing audit recommendations ensures that the Council meets its statutory obligations in respect of maintaining an effective 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 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):

Name and job title:

Karen Tyler – Acting Chief Internal Auditor

Directorate:

Place

Tel and email contact:

024 7683 4035 – Karen.tyler@coventry.gov.uk

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:				
Lara Knight	Governance Services Co-ordinator	Place	15/3/17	20/3/17
Helen Joyce	Workforce Planning Manager	People	15/3/17	21/3/17
Names of approvers: (officers and members)				
Finance: Paul Jennings	Finance Manager Corporate Finance	Place	15/3/17	15/3/17
Legal: Helen Lynch	Legal Services Manager (Place and Regulatory)	Place	15/3/17	21/3/17

This report is published on the council's website:
www.coventry.gov.uk/meetings

Appendix One – Results of Formal Follow up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Pertemps Master Vendor	2	1	2	1	Outstanding actions have subsequently been followed up through self-assessment process – see Appendix Two for results.
Performing Arts Services (2 formal follow ups undertaken)	3	3	9	6	Outstanding actions have subsequently been followed up through self-assessment process – see Appendix Two for results.
Highways Minor Civil Engineering Contract	6	6	4	3	Outstanding actions have subsequently been followed up through self-assessment process – see Appendix Two for results.
Accounts Receivable (includes two follow ups)	2	2	5	4	
Accounts Payable (includes two follow ups)			5	4	
Business Rates			3	2	
Keresley Grange Primary School	2	2	4	3	Outstanding actions have subsequently been followed up through self-assessment process – see Appendix Two for results.
ICT Major Incident Reviews	2	1	3	1	To be included in specific follow up exercise around IT audits
Stanton Bridge Primary School			12	6	School have now converted to Academy status.
Council Tax exemptions and discounts	2	1	1	1	Outstanding action has been followed up through on-going dialogue and collaboration with service area.
Direct Payments			3	2	Will be subject to a further formal follow up review.
Payroll			2	2	
CareDirector Expenditure	3	3	5	3	

Unless stated otherwise – any outstanding actions will now be followed up through self-assessment process / next annual review

Appendix Two – Results of Self-Assessment Follow up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Protocol / Controc			6	Not confirmed due to changes in staffing within the service area.	This system will be subject to a full audit review in 2017-18
CareDirector Income			7	5	Subject to review March 2017
St Annes			8	8	
Schools Appeals			4	2	
ICT CareDirector			7	5	To be included in specific follow up exercise around IT audits
ICT Agresso			4	2	To be included in specific follow up exercise around IT audits
Infrastructure Assets			5	5	
ICT Security Review			19	9	To be included in specific follow up exercise around IT audits
Procurement Statutory Services			3	3	
FACE	3	1	4	3	Further self-assessment follow up to be requested in 2017/18
Procurement health check			1	1	
Discretionary payments			3	3	
Mount Nod			1	1	
Southfields			1	1	
Disabled Facilities Grants			8	8	
Housing Benefit Overpayments			2	1	
Income Manager			3	1	
Pertemps Master Vendor			2	2	
Housing Benefits quality assurance			2	2	
IT Protocol Application Review			6	3	To be included in specific follow up exercise around IT audits
Electronic call monitoring			5	5	

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Long Service Award			2	2	
Performing Arts Service			3	3	
Highways Minor Civil Engineering Contract			1	1	
Customer Journey	1	1	1	1	
School Admissions			2	1	
Keresley Grange Primary School			1	1	

Unless stated otherwise – Outstanding actions will be followed up in next review