



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

26<sup>th</sup> June 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 Plan 2017-18

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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 2017-18 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 2017-18 (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 2017-18

**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 2017-18

**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 2017-18. 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.

**2. Options considered and recommended proposal**

2.1 **Background** – Internal Audit is an essential part of the Council's corporate governance arrangements. In considering the Public Sector Internal Standards (PSIAS) which became applicable to local authorities in April 2013, Internal Audit is defined 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".*

In delivering against this expectation, we do have to acknowledge that resources available are limited and, therefore, need to undertake a planning exercise to ensure that resources are appropriately focused to meet the needs of the Council. This report documents the planning process and identifies the outcome of this process, namely the draft Internal Audit Plan for 2017-18.

In developing the Audit Plan, we aim to achieve the following objectives:

- To provide a cost effective, targeted and value added Service to our customers. This requires the Service to achieve a balance between delivering standard audit reviews and responding to new / emerging risks faced by the Council, both at the operational and corporate level.
- To provide the Service with a degree of flexibility to allow it to be able to respond to the changing needs of stakeholders during the year.
- Ensuring that the level and skills of audit resources available is appropriate to meet the audit needs of the Council.
- To allow the Acting Chief Internal Auditor to provide the Council with an annual opinion on the effectiveness of the organisation's risk management, control and governance arrangements.

2.2 **Draft Audit Plan 2017-18** – 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. For 2017-18, the resources available are 550 days for audit and corporate fraud work. This is an increase of approximately 60 days when compared with 2016-17 and reflects that the Service is no longer impacted by long term absences. In focusing these resources to meet the needs of the Council, the following approach has been taken:
  - An exercise was undertaken in 2016-17 to identify the Council's audit universe (i.e all the areas of activity which the Council undertakes in support of achieving its aims and objectives) and establish what sources of assurance exist in relation to this and upon which the organisation can place reliance. This has been used to establish priorities in those areas where other sources of assurance are not available and is subject to on-going review and update as required.
  - A risk based approach to the audit of schools based on links with School Finance rather than a fixed programme of audit work.
  - A flexible and responsive approach to issues highlighted by Senior Officers with on-dialogue to ensure resources are directed in accordance with their priorities.
  - A more flexible response to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.

As a result, we do believe that the draft Audit Plan for 2017-18 is sufficient for the work required to report on key risks and controls in the year and to prepare our annual opinion and report.

- Corporate Risks – The focus of audit coverage in 2017-18 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, including emerging issues linked to these activities.
- 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 co-ordination of the Annual Governance Statement and Declarations of Interest exercise (regularity work) and audit work linked to specific Council priorities around governance which have a corporate impact such as the annual review of the Code of Corporate Governance and reviews linked to the Code of Conduct, e.g. gifts and hospitality.
- Contingency / Directorate risks – This audit area includes those issues highlighted by both review of the audit universe and through dialogue with 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 There is an on-going process of consultation with Senior Officers across the Council to inform development of the Audit Plan and areas of specific focus throughout the year.

### **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 2018. 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 2018 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 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**

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 Plan?**

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 the delivery of the plan. The risk is managed through on-going communication with customers to

agree timing and identify issues at an 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):**

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**Name and job title:**

Acting Chief Internal Auditor

**Directorate:**

Place

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## Appendix One – Internal Audit Plan 2017-18

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
<b>Corporate Risk</b>			
	High	ICT *	25
	High	Data Protection	10
	High	Adult Social Care	15
	High	Childrens Services	15
	High	Workforce Strategy	10
<b>Council / Audit Priorities</b>			
	High	Corporate governance	30
	Medium	Fraud and corruption framework	15
	Medium	Procurement	25
<b>Financial Systems</b>			
	High	Accounts Payable	10
	High	Accounts Receivable	10
	High	Care Director income and expenditure	20
	High	Council Tax	10
	High	Business Rates	10
	Medium	Local Income Systems	10
	Medium	Payroll	10
	Medium	Housing Benefits	10
	Medium	Payment Audit	5
<b>Regularity</b>			
		Grants	70
		Corporate Governance (mandatory)	20
		Risk Management	10
		Other	35
<b>Other</b>			
		Contingency / Directorate Risks	100
		Fraud	30
		Follow up	40
		2016/17 b/f	5
		<b>Total Days Available</b>	<b>550</b>

*\*Audits partly undertaken by third party*