



Coventry City Council

Public report

Report to

Audit and Procurement Committee

13th November 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 – Half Year Progress 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 internal audit activity for the period April to September 2017, against the Internal Audit Plan for 2017-18.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter two against the Internal Audit Plan for 2017-18.
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 2017

Appendix Two - Summary Findings from Key Audit Reports

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 2017-18 – Half Year Progress Report

1. Context (or background)

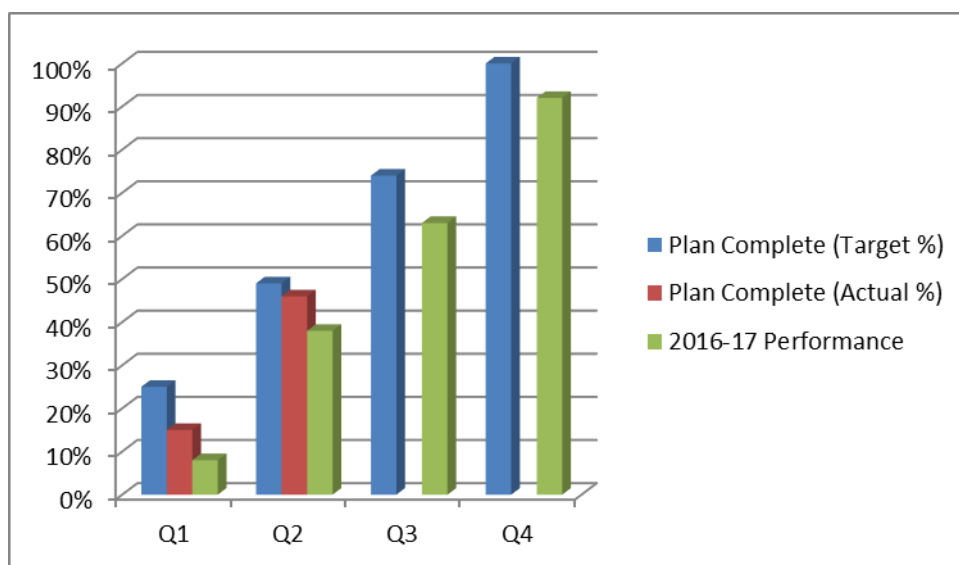
1.1 This report is the first monitoring report for 2017-18, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance 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 2018. The chart below provides analysis of progress against planned work for the period April to September 2017.

Chart One: Progress against delivery of Internal Audit Plan 2017-18



As at the end of September 2017, the Service has completed 46% of the Audit Plan against a planned target of 49% (which is based on delivering 100% of the plan) and is on track to meet its key target by the end of 2017-18. This also represents an improvement in performance from 2016-17.

2.2 Other Key Performance Indicators (KPIs)

In addition to the delivery of the Audit Plan, the Internal Audit Service has a number of other KPI's which underpin its delivery. The table overleaf shows a summary of the performance for 2017-18 to date against these five KPIs, with comparative figures for the financial year 2016-17. There is one indicator (i.e. audit delivered within budget days) where the Service's current performance is below expectations. Targeted actions by management to make improvements remain on-going as part of a continual focus to deliver greater efficiency in the Service. These include weekly progress meetings, improved use of technology to enable budget issues to be highlighted on a timely basis and targeted work with individual team members to improve performance.

Table One: Internal Audit Key Performance Indicators 2017-18

Performance Measure	Target	Performance Q2 2017-18	Performance 2016-17
Planned Days Delivered (Pro rota against agreed plan)	100%	49%	95%
% of work time spent on audit work	90%	91%	89%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	81%	70%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	100%	97%
Audit Delivered within Budget Days	80%	70%	72%

2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between April and September 2017, along with the level of assurance provided.

The following audits are currently in progress:

- **Audits at Draft Report Stage** – Data Protection: Childrens’ Services, Promoting Independent Living Service: Tenants Finances
- **Audits On-going** – Organised Crime Checklist, Raising Invoices Locally, Post 16 Schools Funding, LCS / Controc, Payment Audit Follow Up, New HR / Payroll Processes

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 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 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 the delivery of the plan. This risk is managed through on-going communication with customers to agree timing 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:

Place

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Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Place	26/10/17	26/10/17
Paul Jennings	Finance Manager Corporate Finance	Place	26/10/17	26/10/17
Names of approvers: (Officers and Members)				
Barry Hastie	Director of Finance and Corporate Services	Place	26/10/17	27/10/17
Adrian West	Members and Elections Team Manager	Place	26/10/17	31/10/17

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Appendix One – Audit Reviews Completed between April and September 2017

Audit Area	Audit Title	Assurance
2016-17 B/Fwd	Payment Audit	n/a Proactive
	Remote Working	Moderate
Corporate Risk	Constitution and Facilities Agreement	n/a Fact finding
Council / Audit Priorities	Public Health Commissioning and Contract Management	Significant
	Officer Gifts and Hospitality	Moderate
	Declarations of Interest	n/a Proactive
Regularity	Annual Governance Statement	n/a Annual Review
	S256 Health Grants	n/a verification
	Troubled Families Programme Claim 1	n/a verification
	Disabled Facilities Grant	n/a verification
	Teachers' Pension Scheme Grant	n/a verification
	Highway Maintenance Block Funding Grant	n/a verification
	Integrated Transport Block Funding Grant	n/a verification
	Highways Maintenance Challenge Fund Grant	n/a verification
	Highways Maintenance Challenge Fund Grant (Swansell Viaduct)	n/a verification
	Pothole Action Fund Grant	n/a verification
	Leigh Church of England Primary School	Moderate
	Whitmore Park Primary School	Moderate
	Coventry North Regeneration / North Coventry Holdings	Significant
	Due Diligence – Connecting Communities	n/a fact finding
	Due Diligence – Community Based Preventative Support Grant	n/a fact finding
Directorate issues	Direct Payments – set up of new process	N/a advice
	Housing Benefit Overpayments	Limited
	Provider Services Units Cash Handling	n/a fact finding
	Route 21 Purchasing Cards	n/a fact finding
	Building Facilities Management	Moderate
	Civil Engineering Support Framework Contract	Significant
Follow Up	Energy Bills	Limited
	Potters Green Primary School	Significant
	Card Refunds	Moderate
	Management of Plant and Equipment	Limited
	Data Protection	Moderate
	ICT Reviews	n/a (follow up of seven previous reviews)

Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2017

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Remote Working</p> <p>October 2017</p> <p>ICT Service Delivery Manager / IT Security Team Lead</p>	<p>Overall Objective: To ensure that the Council has appropriate and robust security controls in place to oversee the use of mobile devices to access the network and business systems, including the set up and management of laptops / smartphones and controls over data held / transmitted via these devices.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>The two main categories of devices in use at the Council for remote working are laptops and Windows smartphones and the “Standard for Remote Working” defines the Council’s requirements and arrangements relating to the control of such devices. Security settings are applied to both laptops and smartphones to minimise the risk of sensitive data they may contain being accessible to unauthorised individuals. These controls include:</p> <ul style="list-style-type: none"> • Enablement of firewalls. • Anti-virus software is installed and configured for regular automatic updating. • Devices with access to Council email managed via Office 365 are protected by device encryption. • The use of a password to access data is enforced. <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • The “Standard of Remote Working” and other supporting documents to be reviewed and updated on at least an annual basis. • ICT to investigate options to ensure access to USB drives on Council laptops is restricted. • ICT to investigate options around implementing encryption on older mobile phones and devices. • ICT to create and maintain a log of all devices issued to and held by individual staff members.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Housing Benefit Overpayments</p> <p>March 2018</p> <p>Acting Head of Benefits, Senior Operational Manager, Team Manager - Benefit Overpayment Enforcement</p>	<p>Overall Objective: To provide assurance that robust systems are in place to ensure that on a timely basis, all income due to the Council as a result of housing benefit overpayments is effectively pursued and recovered.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • Processes are in place to ensure overpayments are notified to the Enforcement Team and work is on-going to make this process timelier. • Robust processes ensure that overpayments are correctly coded for subsidy purposes and the outcomes of checks are used to identify issues and take action to minimise overpayments arising from local authority error. <p>Whilst recognising the limited resources within the Enforcement Team and acknowledging that priority is given to pursuing “new” debt as this is more easily recoverable, the level of assurance reflects our view that as there is limited focus on older debts or those where recovery action stalls, the overall caseload is not being effectively managed.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Putting in place arrangements to allocate work arising from monthly checks and establishing an on-going programme of review work to ensure that all debts are given appropriate focus. • Considering whether issues around taking legal action can be resolved and taking appropriate action on current overpayments listed at court status. • Considering whether cases should continue to be referred to the collection agents. • Ensuring that where overpayment cases are put on attachment of earnings status that payment actually commences. • Considering whether management information reports can be further developed so the effectiveness of recovery action can be reviewed. <p>In addition, the Benefits Service recently invited the DWP to undertake an Overpayments Health Check. This highlighted further good practice within the Enforcement Team and opportunities for improvement. Alongside our review, the Service has a clear understanding of the actions required to further develop the effectiveness of arrangements, which will support future decision making around the work of the Team and the use of resources.</p>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>Management of Plant and Equipment Follow Up Review</p> <p>August 2017</p> <p>Streetpride Area Manager North / South</p>	<p>Overall Objective: To provide assurance that agreed actions have been implemented to ensure that the Council has robust systems in place to oversee the management of small plant and equipment utilised by the Streetpride and Greenspace Service.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>A total of five high / medium risk actions were originally identified and agreed in the November 2016 audit report. A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="651 643 1856 777"> <thead> <tr> <th>Number of Actions</th> <th>Implemented</th> <th>No Progress</th> <th>On-going</th> </tr> </thead> <tbody> <tr> <td>5</td> <td>2</td> <td>2</td> <td>1</td> </tr> </tbody> </table> <p>Actions implemented since the last review include:</p> <ul style="list-style-type: none"> • The completion of the booking in / out record has significantly improved within the South Team and now provides a more complete / up to date record of spare equipment issued. • A booking in / out record has been introduced within the North Team and there was evidence that this was being used. <p>Actions that have not been implemented / are ongoing include:</p> <ul style="list-style-type: none"> • No consideration has been given to introducing a single inventory system using the Tranman system. This action has been delayed as it is dependent on a review of the existing inventory records on Tranman which is yet to commence / still in progress. • Periodic stock checks of plant and equipment have not been introduced. • The North Team have not undertaken a review of the Tranman central asset register and whilst the South Team have commenced a review, at the time of the audit this process had not been completed. <p>The level of assurance reflects the fact that only limited progress has been made to address the high risk actions agreed. Revised implementation dates have been agreed with management and a further formal follow up review will be undertaken to gain assurance that the outstanding actions have been fully addressed.</p>	Number of Actions	Implemented	No Progress	On-going	5	2	2	1
Number of Actions	Implemented	No Progress	On-going						
5	2	2	1						

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p data-bbox="129 306 450 368">Energy Bills Follow Up Review</p> <p data-bbox="129 405 349 435">December 2017</p> <p data-bbox="129 475 479 608">Head of Facilities Management / Corporate Property Information Manager</p>	<p data-bbox="562 306 2051 368">Overall Objective: To provide assurance that agreed actions have been implemented to ensure that there are now effective and efficient processes in place to support the payment of energy bills, which reflect the risks involved,</p> <p data-bbox="562 405 1429 435">Opinion: Limited Assurance Summary / Actions Identified:</p> <p data-bbox="562 475 2051 537">A total of four high / medium risk actions were originally identified and agreed in the November 2016 audit report. A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="651 572 1854 708"> <thead> <tr> <th data-bbox="651 572 952 639">Number of Actions</th> <th data-bbox="952 572 1254 639">Implemented</th> <th data-bbox="1254 572 1554 639">No Progress</th> <th data-bbox="1554 572 1854 639">On-going</th> </tr> </thead> <tbody> <tr> <td data-bbox="651 639 952 708">4</td> <td data-bbox="952 639 1254 708">0</td> <td data-bbox="1254 639 1554 708">0</td> <td data-bbox="1554 639 1854 708">4</td> </tr> </tbody> </table> <p data-bbox="562 746 2051 809">Whilst progress has been made to implement actions, in our view, the action taken to date has not fully addressed the audit concerns. This includes:</p> <ul data-bbox="562 847 2051 1289" style="list-style-type: none"> <li data-bbox="562 847 2051 948">• Responsibility for obtaining / providing monthly readings at specific sites has only been agreed / assigned in 25 out of 74 sites. Furthermore, testing of five meter readings provided to the Energy Management Team identified that in four cases the readings had not been input to Systemslink. <li data-bbox="562 986 2051 1086">• Whilst the validation checks within Systemslink have been reviewed / updated, this has not been subject to any sign-off by management and in reality, no reliance is being placed on them, with manual checks outside of the system still being undertaken on all bills. <li data-bbox="562 1125 2051 1187">• Testing highlighted that notifications of when Council properties are rented out / disposed of are not consistently being sent to the Energy Management Team. <li data-bbox="562 1225 2051 1289">• An appropriate central record of all bills placed on hold had yet to be introduced to enables management oversight of progress. <p data-bbox="562 1327 2051 1420">The level of assurance reflects the fact that only limited progress has been made to address the actions agreed. Revised implementation dates have been agreed with management and a further formal follow up review will be undertaken to gain assurance that the outstanding actions have been fully addressed.</p>	Number of Actions	Implemented	No Progress	On-going	4	0	0	4
Number of Actions	Implemented	No Progress	On-going						
4	0	0	4						