



Coventry City Council

Public report

Report to

Audit and Procurement Committee

19th February 2018

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:

Quarter Three Internal Audit Progress Report 2017-18

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 December 2017, against the Internal Audit Plan for 2017-18.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three against the Internal Audit Plan for 2017-18.
2. Consider the summary findings of the key audit reviews (attached at Appendix One).

List of Appendices included:

Appendix One - Summary Findings from Key Audit Reports Completed between October and December 2017

Background papers:

None

Other useful documents:

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:

Quarter Three Internal Audit Progress Report 2017-18

1. Context (or background)

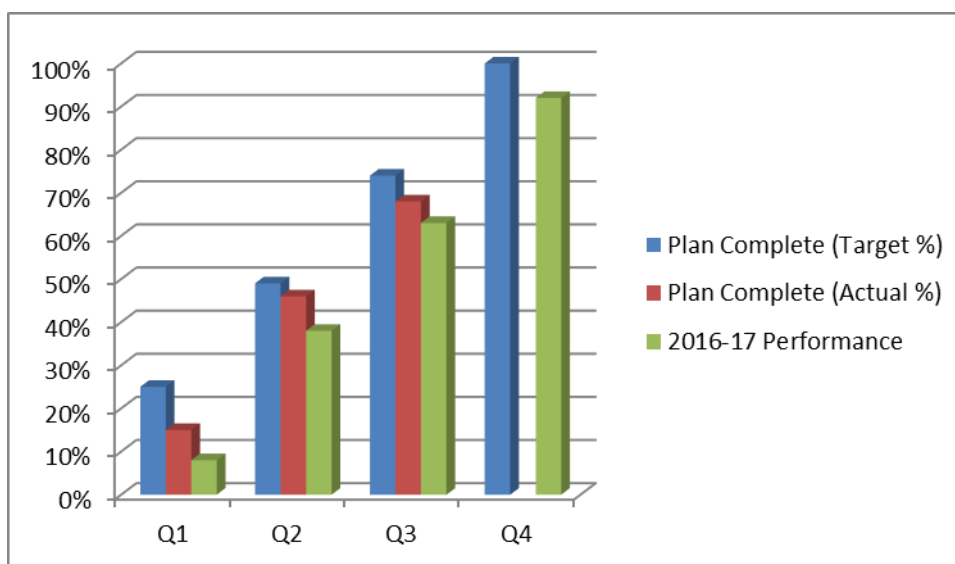
1.1 This report is the second monitoring report for 2017-18, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance 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 December 2017.

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



As at the end of December 2017, the Service had completed 68% of the Audit Plan against a planned target of 74%. Whilst the annual target is to complete 90% of the work plan, the quarterly targets which are set in quarters one, two and three are based on completing 100% of the plan, which reflects that the Service will always strive to achieve this. However, from a practical perspective, achieving 100% is generally unfeasible. The reasons for this are largely down to customers requesting a change in the timing of a review, or the focus of a review being super-ceded by other events. As a result, the formal target is 90%. Consequently, whilst the Service is slightly behind the quarter three target, it remains broadly on track to achieve the formal annual target of 90% by the end of 2017-18

2.2 Other Key Performance Indicators (KPIs)

The table overleaf shows a summary of the performance of Internal Audit for 2017-18 to date against five KPIs, with comparative figures for the financial year 2016-17. There is one indicator (audit delivered within budget days) where the Service's current performance is below expectations. Progress is continuing to be made to achieve consistent performance across all the KPI's and whilst performance is improving, this remains an on-going focus for

the Service, through both Team actions and targeted work with individuals to improve performance.

Table One: Internal Audit Key Performance Indicators 2016-17

Performance Measure	Target	Performance Q3 2017-18	Performance 2016-17
Planned Days Delivered (Pro rota against agreed plan)	100%	74%	95%
Productive Time of Team (% of work time spent on audit work)	90%	91%	89%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	83%	70%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	100%	97%
Audit Delivered within Budget Days	80%	73%	72%

2.3 Audits Completed to Date

2.3.1 Attached at Table Two below is a list of the audits finalised between October and December 2017, along with the level of assurance provided.

Table Two: Finalised audits October to December 2017

Audit Area	Audit Title	Assurance
Corporate Risk	Promoting Independent Living Service	Fact Finding
	Data Protection Children's Services	Moderate
	One Friargate Business Disruption Resilience	Significant
	Organised Crime Checklist	Moderate
Financial Systems Regularity	Raising invoices locally	Significant
	Bus Subsidy Grant	Verification
	Troubled Families Programme	Verification
	Post 16 Schools funding	Verification
	Hillfields Nursery School	Limited
	Henley Green Primary School	Moderate
	Edgewick Primary School	Limited

Audit Area	Audit Title	Assurance
	Ernesford Grange Primary School	Moderate
Contingency / Directorate Risks	Payment audit follow up – social care invoices	Fact finding
	New payroll processes	Fact finding
	LCS / ContrOCC	Moderate

2.3.2 The following audits are currently in progress:

- **Audits at Draft Report Stage** – Accounts Payable, Risk Management, Foster Carer Experience
- **Audits On-going** – User Accounts, Cyber Security, Database System Administration, Business Rates, CareDirector, Accounts Receivable

Details of a selection of key reviews completed in this period are provided at Appendix One. 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 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 and Risk 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. 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 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):

Name and job title:

Karen Tyler – Acting Chief Internal Auditor

Directorate:

Resources

Tel and email contact:

024 7683 4305 – 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	26/1/18	1/2/18
Paul Jennings	Finance Manager Corporate Finance	Place	26/1/18	26/1/18
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Corporate Services	Place	26/1/18	8/2/2018
Adrian West	Member and Elections Team Manager	Place	26/1/18	1/2/18

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Appendix One – Summary Findings from Key Audit Reports Completed between October and December 2017

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>LCS / ContrOCC</p> <p>March 2018</p> <p>Head of Business Systems / Operational Leads, Children’s Services / Lead Accountant AFC/ Performance Manager Social Care and Communities</p>	<p>Overall Objective: To ensure that the Council has robust processes in place to record and manage children’s social care cases through LCS and administer payments through ContrOCC.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>The review identified the following area of good practice:</p> <ul style="list-style-type: none"> • Mandatory e-learning modules which are matched to a new user’s job role and are required to be completed prior to user access being provided. <p>Whilst the system provides an appropriate approach to recording social care cases and administering payments, the review highlighted that there is scope to improve the financial controls in operation. In particular, in our view, there is insufficient focus on the financial implications of untimely recording of foster placement and start and end dates. This leads to delays in foster carers receiving payments due to them and overpayments being made unnecessarily.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Reviewing / amending access and approval levels on LCS to ensure appropriate separation of duties is enforced by the system and appropriate financial limits are set for approvers. • Communicating to Children’s Social Care teams the importance of timely recording in respect of foster placements and the associated financial / other implications. • Introducing appropriate sample checks on expense claims input to ContrOCC to ensure they are valid and accurate. • Agreeing changes to the recovery process to provide clear accountability for debt recovery. • Making arrangements to report management information on the recording policy / overpayments to the Children’s Services Leadership Team on a regular basis.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Organised Crime Checklist</p> <p>September 2018</p> <p>Risk and Insurance Manager / Acting Chief Internal Auditor / Recruitment Team Manager / Lead Accountant, Control and Treasury Management</p>	<p>Overall Objective: To provide assurance that the Council has effective processes and systems in place to protect the local authority from the risk of serious, organised crime.</p> <p>Opinion: Moderate assurance</p> <p>Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • The Council, as part of a multi-agency approach, is developing a Serious and Organised Crime local action plan with West Midlands police to tackle the threat if serious and organised crime. • Robust vetting checks are carried out on taxi drivers before granting them a license. Licenses are not automatically reviewed; drivers have to re-apply for their license every three years, when these checks are repeated. <p>Whilst the risk of crime groups infiltrating the public sector cannot be completely controlled, the Council employs a number of approaches to manage this risk. This includes developing an action plan in-conjunction with West Midlands Police, vetting procedures on staff and taxi drivers and robust procurement governance arrangements. However, the review highlighted a small number of gaps in the Council's internal arrangements which would ensure a more holistic response across the range of threats posed.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Reflecting the risks posed by serious and organised crime and corruption in directorate risk registers. • Reporting the fraud risk register to the Audit and Procurement Committee on an annual basis. • Establishing mechanisms to provide central oversight / monitoring of when DBS checks are due / completed. • Producing regular reports to identify / monitor large cash transactions and take action to investigate these. • Issuing a briefing note to schools to raise awareness of organised crime risks in relation to low level spend.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Hillfields Nursery School</p> <p>May 2018</p> <p>Office Manager / Head Teacher</p>	<p>Overall Objective: To provide assurance that robust systems and controls exist to support the effective management of the school's resources.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>The review identified the following area of good practice:</p> <ul style="list-style-type: none"> • There are effective safe procedures in place. <p>We recognise that the school has undergone significant changes in the current financial year linked to the set up as a single entity and changes in staffing. However, the level of assurance reflects our concerns that robust arrangements to manage the school's finances are not adequately embedded with the school, which are administered by proficient staff. As a result, there is an increased risk of fraud and error occurring.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Ensuring that HMRC requirements in respect of IR35 are complied with. • Taking immediate action to cancel the bank debit card and apply for a Council purchasing card. • Ensuring that non-invoiced income is appropriately recorded and the banking is prepared by two officers. • Ensuring that outstanding debts are appropriately pursued and recovered. • Ensuring that robust governance arrangements are maintained in relation to the roles and responsibilities of officers who undertake financial management duties in the school (including the provision of adequate training.)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>One Friargate Business Disruption Resilience</p> <p>n/a</p>	<p>Overall Objective: To ensure that in the event of business disruption following the move to One Friargate, appropriate arrangements are in place to enable the Council to respond appropriately and resume business as usual.</p> <p>Opinion: Significant Assurance Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • The building has been designed with a number of features which increases its' resilience to business disruption. • A risk register has been compiled for one Friargate which has been agreed by both the Head of Facilities Management and the Director of KickStart and includes control measures to mitigate the risks identified. • A Business Continuity Plan has been compiled for One Friargate which will ensure a co-ordinated approach in the event of business disruption and minimise duplication of arrangements. <p>We are also aware that actions are currently being undertaken to further improve the building's resilience, including implementing a second internet connection and the introduction of steel pipes with back up parts to be held on site. As such, the level of assurance reflects that in our opinion, there are adequate control measures in place to provide sufficient resilience in the operation of One Friargate.</p>