



Coventry City Council

Public report

Report to

Audit and Procurement Committee

18th June 2018

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Internal Audit Plan 2018-2019

Is this a key decision?

No

Executive summary:

The purpose of this report is to share the draft Internal Audit Plan for 2018-19 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 2018-19 (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 2018-19

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 2018-19

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 2018-19. 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 (and updated March 2017), 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".

The priorities of internal audit activity are determined through the development of an annual risk- based Internal Audit Plan. This report documents the planning process and identifies the outcome of this process, namely the draft Internal Audit Plan for 2018-19.

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 a quality Internal Audit Service in line with the Public Sector Internal Audit Standards, to assist the Council in achieving its aims and objectives.
- 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 and provide relevant assurance.
- 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 2018-19** – 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. The resource requirements have been assessed, taking into account the requirement to produce an annual audit opinion and the Council's overall assurance framework. For 2018-19, the resources available are 550 days for audit and corporate fraud work, which is consistent with the resources available in 2017-18. In focusing these resources to meet the needs of the Council, the following approach has been taken:
 - A documented risk assessment has been undertaken, which considers the Council's corporate risk register and key priorities as identified from consultation with senior management. This has also been informed by an assurance mapping exercise which was undertaken in 2016-17 to identify other sources of assurance that the Council places reliance on. Where appropriate, the assessed risk level has been included in appendix one. Where the risk has been assessed as medium rather than high, this generally reflects the findings of previous audit reviews in the respective area.
 - A risk based approach to the audit of schools based on links with School Finance / issues raised by schools, 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, it is believed that the draft Audit Plan for 2018-19 is sufficient for the work required to report on governance, the management of risks and controls in the year and to prepare our annual opinion and report.

- **Corporate Risks** – The focus of audit coverage in 2018-19 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. This includes reviews of compliance with safeguarding working together standards, ICT strategy and compliance with GDPR.
- **Council / Audit Priorities** – This incorporates audit work linked to specific Council priorities around governance which have a corporate impact such as mandatory training and arrangements to respond to the risk of bribery and corruption, alongside key corporate priorities such as homelessness reduction and proposed changes to the processing of invoices.
- **Corporate Governance** – The work related to corporate governance is also in Regularity because it includes mandatory audit requirements such as the co-ordination of the Annual Governance Statement and Declarations of Interest exercise.
- **Contingency / Directorate risks** – This audit area includes those issues highlighted 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 31st March 2019. 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 2019 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 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

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

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Place

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

Appendix One – Internal Audit Plan 2018-19

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
Corporate Risk			
	High	ICT (Infrastructure and Change)*	30
	High	Finance	20
	High	Adult Social Care	15
	High	Safeguarding	15
	High	Information Governance	15
	High	Workforce Strategy	15
Council / Audit Priorities			
	High	Corporate governance	25
	High	Homelessness	15
	Medium	Procurement	27
Financial Systems			
	High	Care Director	20
	High	Business Rates	12
	Medium	Accounts Payable	10
	Medium	Accounts Receivable	10
	Medium	Council Tax	11
	Medium	Payroll	10
	Medium	Housing Benefits	12
Regularity			
		Grants	70
		Corporate Governance (mandatory)	20
		Risk Management	10
		Schools	30
		Other	15
Other			
		Contingency / Directorate Risks	45
		Fraud	40
		Follow up	45
		2017-18 B/Fwd	13
		Total Days Available	550

**Audits partly undertaken by third party*