Coventry City Council

Public report

Report to

Audit and Procurement Committee   25th February 2019

Name of Cabinet Member:
Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:
Deputy Chief Executive (Place)

Ward(s) affected:
City Wide

Title:
Quarter Three Internal Audit Progress Report 2018-19

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 2018, against the Internal Audit Plan for 2018-19.

Recommendations:

Audit and Procurement Committee is recommended to:

1.   Note the performance as at quarter three against the Internal Audit Plan for 2018-19.

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 2018

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:
Quarter Three Internal Audit Progress Report 2018-19

**1.   Context (or background)**

1.1   This report is the second monitoring report for 2018-19, 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**

2.1.1   The key target facing the Internal Audit Service is to complete 90% of its work plan by the 31st March 2019. The chart below provides analysis of progress against planned work for the period April to December 2018.

Chart One: Progress against delivery of Internal Audit Plan 2018-19
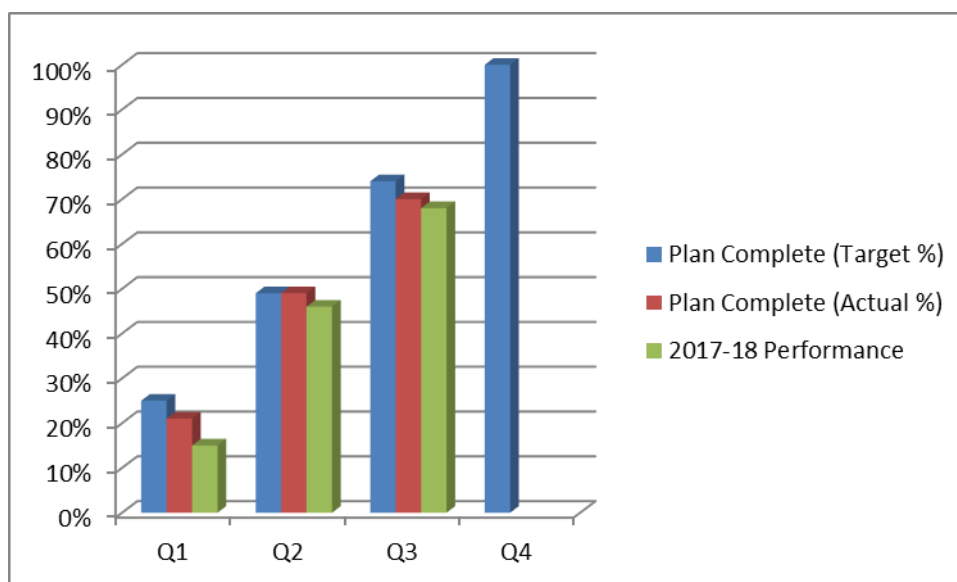
As at the end of December 2018, the Service has completed 70% of the Audit Plan against a planned target of 74% (which is based on delivering 100% of the plan) and is on track to meet its key target by the end of 2018-19.

2.1.2   During quarter three, the Service's ability to complete the original Audit Plan of 550 days has been impacted by an unplanned absence within the Team. As a result, the Plan has been amended to 480 days (which reflects the available resources for the remainder of the financial year).   Consequently, the progress reported in 2.1.1 above is based on this revised Audit Plan. This reduction has been accommodated through:

- A small number of audits have been postponed until 2019/2020.

- Changes in operational requirements for audit involvement.

In the view of the Acting Chief Internal Auditor, these changes will not, in any significant respects, impact on the ability to deliver the annual internal audit opinion.

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 below shows a summary of the performance for 2018-19 to date against these five KPIs, with comparative figures for the financial year 2017-18. There are two indicators (i.e. final report to deadline and audit delivered within budget days) where the Service's current performance is below expectations. As highlighted in previous reports to Audit and Procurement Committee, targeted actions remain on-going to make improvements and deliver sustainable performance.

Table One: Internal Audit Key Performance Indicators 2018-19

Performance Measure	Target	Performance Q3 2018-19	Performance 2017-18
Planned Days Delivered (Pro rota against agreed* plan) *revised plan for 2018-19	100%	71%	93%
% of work time spent on audit work	90%	91%	91%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	85%	82%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	79%	100%
Audit Delivered within Budget Days	80%	73%	75%

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 2018, along with the level of assurance provided.

Table two: Audits completed October to December 2018

Audit Area	Audit Title	Assurance
Corporate Risk	Children's Services (Section 17 monies) Financial Culture	N/A – fact finding
Finance	Accounts Receivable	Significant
Regularity	Troubled Families Programme 3	N/A - Verification

	School direct grant	N/A Verification
	Risk Management	Moderate
	UK Autodrive Grant	N/A Verification
	Frederick Bird Primary School	Limited
	Sowe Valley Primary School	Moderate
	The Corley Centre	Moderate
	Spon Gate Primary School	Significant
Directorate issues	Permanence Payments	Moderate
	Learning Disability Providers – contract management	Moderate
	Car Park Passes	N/A Verification

The following audits are currently in progress:

- **Audits at Draft Report Stage** – none (all draft reports were finalised as at the end of December 2018.)

- **Audits On-going** – ICT Strategy, Policies, Procedures and Procurement, Sharepoint / legacy storage, Homelessness (prevention and relief), Accounts Payable.

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'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. 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):

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Place

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Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Corporate Services	Place	5/2/18	5/2/18
Adrian West	Members & Elections Team Manager	Place	5/2/18	13/2/18

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Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Controls over accessing system data **June 2019** **Members & Elections Team Manager**	**Overall Objective:** To ensure that the Council has appropriate arrangements in place to govern employees' use of ICT systems holding personal / sensitive data. This includes both employees accessing systems as part of their professional service responsibilities and employees in support services such as finance and ICT. **Key controls assessed:** - Appropriate processes are in place to ensure employees are made aware of and understand the expected standards in relation to accessing information held on ICT systems and their responsibility to meet these standards. Arrangements are in place to ensure that requirements are reinforced. - The Council maximises the use of functionality within systems to restrict access to data where a potential conflict of interest exists. - Effective use is made of system audit trails to identify and take action on inappropriate access to information. **Opinion**: Moderate Assurance **Actions Agreed - risk level high (H) or medium (M):** • Take action to introduce a new data access standard for all key ICT systems which hold personal / sensitive information, which reflects the Data Protection Act 2018 and which all users of the system are required to sign / agree to before they are given access to the system. (H) • Ensure that where an employee has signed / agreed the new data access standard, a copy of this is retained on the employee's HR file. (H) • Arrange for existing users of these systems to be made aware of / accept the new data access standard. (H) • Determine where responsibility should sit within the Council for reinforcing expected standards in relation to accessing information. Following this, establish an appropriate mechanism for gaining assurance that this is done. (M) • In-conjunction with system owners, establish arrangements for an annual review of system access to be undertaken for all key ICT systems to confirm with managers that users' access is still relevant / needed. (M) • Ensure that the risk that users inappropriately view personal / sensitive information held on ICT systems is recorded in the Information Risk Register (and is dealt with in accordance with the Council's Risk Management Framework. (M)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Permanence Payments **July 2019** **Strategic Lead – Looked After Children / Customer Services Manager**	**Overall Objective:** To ensure the Council has effective and efficient processes in place to support the assessment, payment and review of permanence payments. **Key controls assessed:** - Permanence payments are made for children where applicable to do so and are underpinned by robust arrangements to support the assessment and approval of payments. - Processes to support the payment of permanence allowances are efficient and ensure payments are made accurately and on a timely basis. - Permanence payments are subject to effective monitoring and review. **Opinion**: Moderate Assurance **Actions Agreed - risk level high (H) or medium (M):** • Ensure that the responsibility for undertaking financial assessments is agreed / formally defined by management. (M) • Introduce a single method for administering and undertaking financial assessments which supports the accurate calculation of the payment required. (M) • Take action to produce detailed guidance on how financial assessments should be undertaken and introduce appropriate checks on completed assessments / reviews (H) • Ensure that new payments / changes to payments input to the LCS system are checked by another officer prior to the input being submitted. (M) • Ensure that the spreadsheet error is corrected and that a considered decision is taken on whether to seek recovery of overpayments or not. (M) • Take appropriate action to ensure that all permanence payments are subject to an annual review, which is undertaken on a timely basis. (M) • Request a system report to be written to provide a schedule of when reviews are due. (M)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Frederick Bird Primary School **January 2019** **School Business Manager**	**Overall Objective:** To provide assurance that robust systems and controls exist to support the effective management of the School's resources. **Key controls assessed:** - Effective systems are in place to manage the school's finances. - All expenditure is committed in line with documented procedures, is appropriately authorised and accounted for. - All income due to the school is collected, accounted for and banked in full. - Effective systems exist over the school's banking arrangements. - All school assets are securely held minimising the risk of theft and losses. **Opinion**: Limited Assurance **Agreed Actions - risk level high (H) or medium (M):** • Ensure that in respect of all purchases, the School complies with procurement rules / legislation. Where exceptions to this are required, these should be dealt with in accordance with established rules and approval sought in advance from governors. (H) • Ensure that the final Bacs run is printed / approved at the time the Bacs run is completed. (M) • Ensure that cash collection sheets are fully completed and retained for all cash transactions. (M) • Ensure that all purchasing card transaction logs are subject to appropriate oversight / approval by an independent officer and receipts (or equivalent) are retained for all purchases. (M) • Ensure that HMRC requirements in respect of IR35 are complied with. (H) • Ensure that sundry income invoices contain sufficient details of when the service was provided. (M) • Ensure that an independent review of the income process is completed on a regular basis and an appropriate audit trail is retained as evidence of the review. (M) • Take action to update the lettings policy and ensure that letting agreement forms are completed by hirers. (M) • Ensure that the debtor's policy is updated and take action to ensure that debts are chased in accordance with the policy. (M) • Ensure that virements are authorised and reported in accordance with the provisions of the Fair Funding Scheme of Delegation. (H)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Children's Services (Section 17 monies) Financial Culture **December 2019** **Strategic Lead (Help and Protection) in-conjunction with Finance**	**Overall Objective:** To understand the key influences and beliefs around providing support to families through Section 17 monies and to consider how Children's Services identify and pay attention to the financial culture to take positive action to promote and deliver service improvements. **Key messages:** Within Children's Services, we found a number of ways in which the values articulated by management have been embedded within the Service, including a strong level of awareness by staff at all levels of the financial challenges faced, considering budget implications when making funding decisions and taking action to identify areas where expenditure can be reduced by doing things differently. Alongside this, the funding request process is well controlled with appropriate challenge being given to ensure that other mechanisms of support have been considered. However, the review highlighted a number of key areas where further action could be taken to promote and embed the culture that senior management are looking for in the use of Section 17 monies. **Actions Agreed -** • Provide more detailed information on the financial position to make this more meaningful to staff and making this a regular agenda item at team meetings. • Undertake further work to build mutual trust and empathy between staff and management, with staff better understanding the difficult decisions that have to be made by senior managers. • Further develop the knowledge, skills and confidence of Operational Leads around financial management. • Grow knowledge of support organisations and local suppliers and skills to negotiate the cheapest deals when goods and services are being purchased, including providing a central reference point of information / support organisations which staff can readily access to assist them. • Raise awareness of the Section 17 policy within Area Teams and ensure the policy is reviewed annually. • Review the structure of Area Teams budgets to enable Section 17 spend to be easily identified, including consistent coding. • Support Area Teams to obtain financial reports on a more regular basis and carry out appropriate analysis of spend. • Facilitate the flow of information upwards and across Area Teams.