



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

24<sup>th</sup> June 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:**

Internal Audit Plan 2019-20

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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 2019-20 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 2019-20 (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 2019-20

**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 2019-20

**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 2019-20. 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 2019-20.

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 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 2019-20** – 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 2019-20, this assessment has also been influenced by the following factors:
  - The Internal Audit Service has recently undergone a restructure, which is currently being implemented and includes undertaking a recruitment exercise. However, at this stage, it is difficult to predict with any certainty the exact timescales of when the new structure will be fully populated.
  - Unplanned absence within the Team.

Consequently, the level of resources available in 2019-20 for audit and corporate fraud work cannot be precisely defined at the current time. Taking these factors into account, alongside an assessment of the resources which will be available when the new structure has been fully implemented, the draft plan has been developed on an estimate of 550 days available for audit and corporate fraud work. This compares to 480 days which were available in 2018-19. Whilst the level of resources will continue to be closely monitored, it is envisaged that any short-term reduction will be compensated for later in the year. Updates on the resource position and any resulting change to the audit plan will be provided in future reports to the Committee.

In focusing the available resources to develop a plan which 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 Directors and other senior managers, alongside other priorities identified from (a) the annual review of the Local Code of Corporate Governance and (b) areas of risk which have been highlighted by the Chief Internal Auditor during the course of the year. Where appropriate, an 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 / an initial assessment of the control environment.
- 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. In 2019-20, specific focus has been given to schools which have not been audited for some time.
- A flexible and responsive approach to issues highlighted by senior officers with 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 2019-20 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 2019-20 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 health and safety, contract management framework, ICT, homelessness reduction, information governance risk management and compliance with key HR procedures.
- Council / Audit Priorities – This incorporates audit work linked to specific Council priorities around governance which have a corporate impact such as oversight over agency workers, appointments to outside bodies and data quality of performance indicators linked to the Council Plan.
- Corporate Governance – The work related to corporate governance is also under the heading 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 Directors / senior officers which, whilst they may not have a corporate impact, could affect the achievement of operational objectives. In 2019-20, identified areas include the new early payments system, parking enforcement recovery and tribunals for special school places.
- Carried forward audits – The areas highlighted above also include a small number of audits which were postponed from 2018-19, either following a request from senior management or the resources available in the Team during the year.

### **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 2020. 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 2020 and will include the opinion of the 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

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**Name and job title:**

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**Directorate:**

Place

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Barry Hastie	Director of Finance and Corporate Resources	Place	4/6/2019	12/6/2019
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Councillor G Duggins	Cabinet Member for Policy and Leadership	-	4/6/2019	13/6/2019

This report is published on the council's website:

[www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

## Appendix One – Internal Audit Plan 2019-20

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
<b>Corporate Risk</b>			
	High	ICT (Infrastructure and Change)*	30
	High	Finance (Contract Management Framework)	20
	High	Workforce strategy	22
	High	Adult Social Care	15
	High	Safeguarding	15
	High	Information Governance	7
	High	Health and Safety	10
<b>Council / Audit Priorities</b>			
	Medium	Payment Audit*	5
	Medium	Leavers IT processes	5
	Medium	Separation of duties Agresso / IT	5
	High	Agency workers contract	7
	Medium	Bribery and Corruption	5
	Medium	Code of governance	17
<b>Financial Systems</b>			
	High	Care Director	20
	High	Business Rates	10
	Medium	Accounts Payable	10
	Medium	Accounts Receivable	10
	Medium	Council Tax	10
	Medium	Payroll	10
	Medium	Housing Benefits	10
<b>Regularity</b>			
		Grants	82
		Corporate Governance	20
		Risk Management	10
		Schools	28
<b>Other</b>			
		Contingency / Directorate Risks	71
		Fraud	40
		Follow up	38
		2018/19 B/Fwd	18
		<b>Total Days Available</b>	<b>550</b>

*\*Audits partly undertaken by third party*