



Report to

Audit and Procurement Committee

16th March 2020

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 2019-20

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 2019, against the Internal Audit Plan for 2019-20.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three against the Internal Audit Plan for 2019-20.
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 2019

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 2019-20

1. Context (or background)

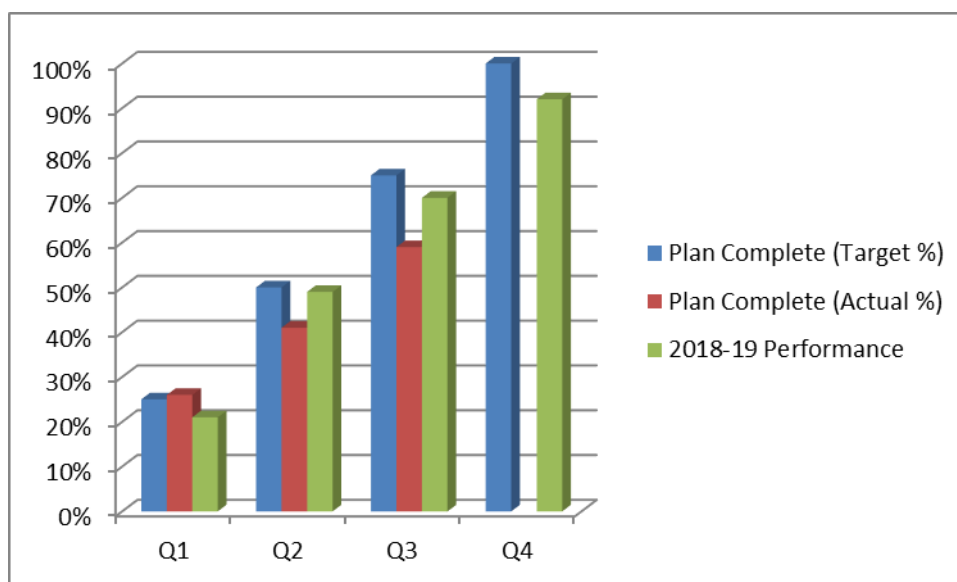
1.1 This report is the second monitoring report for 2019-20, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance 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 2020. The chart below provides analysis of progress against planned work for the period April to December 2019.

Chart One: Progress against delivery of Internal Audit Plan 2019-20



As at the end of December 2019, the Service has completed 59% of the Audit Plan against a planned target of 75% (which is based on delivering 100% of the plan). It is acknowledged that progress in quarter three remains below target. The number of audits completed at the end of December 2019 has been affected by (a) the induction of new members of staff within the Internal Audit Service and (b) the Christmas leave period. However, it is the Chief Internal Auditor’s view that, based on an assessment of progress made at the end of January 2020, the Service is on track to meet its key target by the end of 2019-20.

2.1.2 At its meeting on the 11th November 2019, the Audit and Procurement Committee received an update on the resource position within the Internal Audit Service. As a result, the Committee noted that the Internal Audit Plan had been amended to 460 days, which reflected the current best estimate of available resources at the time. During quarter three, the resource position has continued to be closely monitored. The Service’s ability to complete the revised Audit Plan has continued to be impacted by an unplanned absence within the Team. As a result, the Plan has been amended to 440 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 2020/21.
- Changes in operational requirements for audit involvement.

In the view of the Chief Internal Auditor, this further minor change to the available audit days 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 2019-20 to date against these five KPIs, with comparative figures for the financial year 2018-19. Currently, all of the indicators are close to / above target. However, performance management continues to be a key focus for management within Internal Audit with targeted actions remaining on-going to continue to make improvements and deliver sustainable performance.

Table One: Internal Audit Key Performance Indicators 2019-20

Performance Measure	Target	Performance Q3 2019-20	Performance 2018-19
Planned Days Delivered (Pro rota against agreed* plan) *revised plan for 2019-20	100%	69%	94%
% of work time spent on audit work	90%	90%	91%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	87%	84%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	86%	82%
Audit Delivered within Budget Days	80%	78%	77%

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 2019, along with the level of assurance provided.

Table two: Audits completed October to December 2019

Audit Area	Audit Title	Assurance
Corporate Risk	Car Park Passes	Fact finding
	Compliance with HR Procedures – Children’s Services	Limited
Council / Audit priorities	Council Plan Performance – Data Quality	Moderate
	Agency Workers Contract	Moderate
Regularity	Post 16 School Funding	Verification
	Parking Platform Grant	Verification
	St Osburg’s Primary School	None
Directorate issues	Coroners Review	Moderate
	Trading Standards Exercising Warrants	Fact finding
Formal Follow Ups	Access to Council Buildings	Limited

The following audits are currently in progress:

- **Audits at Draft Report Stage** – Sports and Arts grants process
- **Audits On-going** – Adult Social Care Workflow Processes, Health and Safety Audit Programme, IT Disaster Recovery and Business Continuity, Business Rates, CareDirector, Tribunals for Special School Places, Selective and Additional Licensing.

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.

2.3.2 Following the findings of the audit review of St Osburg’s Primary School, arrangements have been made with finance colleagues to support the School to address the issues raised. The Internal Audit Service will be undertaking a formal follow up review to obtain assurance that actions have been progressed before the end of this academic year.

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 regarding 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) Climate Change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

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Place

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Names of approvers: (officers and members)				
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Adrian West	Members and Elections Team Manager	Place	23/2/20	2/3/20
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	23/2/20	23/2/20

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

Appendix One – Summary Findings from Key Audit Reports Completed between October and December 2019

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Compliance with HR procedures – Children’s Services</p> <p>May 2020</p> <p>Director of HR / Head of Workforce Transformation/ Senior HR Managers / Head of Recruitment, Payroll, Pensions and Employee Benefits / Director of Children’s Services</p>	<p>Overall Objective: To evaluate the arrangements in place within Children’s Services to ensure that line managers comply with key responsibilities in relation to managing staff, specifically where there is a risk that non-compliance could result in overpayments of salary being made, e.g. sickness absence. This included identifying barriers which may prevent managers from complying with HR procedures and considering opportunities for removing these.</p> <p>Audit methodology:</p> <ul style="list-style-type: none"> - Interview with a sample of 21 managers across Children’s Services. - Audit testing of a sample of transactions linked to sickness absence and contract variations. - Evaluation of the processes in place which underpin the Council’s HR procedures. <p>Opinion: Limited Assurance</p> <p>Actions Agreed:</p> <ul style="list-style-type: none"> • Undertake a review of the Promoting Health at Work (PHAW) Policy and corporate procedures to ensure that they are fit for purpose and reflect the Council’s current processes. • Ensure that the corporate induction process for managers incorporates appropriate introduction around HR responsibilities, including requirements around sickness absence recording. • Take steps to enhance the current Intranet offer for managing absence and sickness recording. • Explore how ICT could be more effectively utilised to provide proactive prompts / reminders to managers of the need to record sickness absence on a weekly basis. • Consider if the currently monthly report from Resourcelink used to identify employees who have triggered the Promoting Health at Work procedure can be revised to ensure it includes all employees, regardless of when the sickness absence has been recorded. • Introduce appropriate processes to escalate / take action where HR do not receive assurance that PHAW procedures have been complied with. • Update the Council’s contract variation procedures to include target timescales for the processing of requests. • Ensure that an appropriate audit trail is maintained to support the on-line approval of contract variations undertaken in Children’s Services. • Disseminate the results of this review to all managers within Children’s Services to raise awareness.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Council Plan Performance – Data Quality</p> <p>April 2020</p> <p>Consultant Public Health (Insight) / Insight (Social Care) Performance Manager</p>	<p>Overall Objective: To provide assurance on the accuracy of the performance indicator data used in the Council Plan.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - Confirming the integrity of the systems used to generate the required data. - Testing to validate the data reported in relation to a sample of indicators, namely carbon dioxide emissions, fly-tipping incidents, adults receiving direct payments and re-referrals into Children’s social care. <p>Opinion: Moderate Assurance</p> <p>Actions Agreed - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Take appropriate steps to gain assurance that the Council will be in a position to produce the performance figure in relation to carbon dioxide emissions for 2019-20 (and future years) on a timely basis and progress on-going work to improve the accuracy and reliability of data used in this calculation. (M) • Investigate the reasons behind the data anomalies highlighted in relation to the performance indicator on adults receiving direct payments and ensure that if required, action is taken to prevent future errors of this type occurring when performance is calculated. (M)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>St Osburg's Primary School</p> <p>March 2020</p> <p>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>Key controls assessed:</p> <ul style="list-style-type: none"> - 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. <p>Opinion: No Assurance</p> <p>Agreed Actions - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • With immediate effect, take steps to change the Head Teacher's password to the School's finance system and take action to ensure that access to the School's finance system is strictly controlled and that adequate separation of duties is maintained within the operation of financial processes at the School. (H) • Take appropriate action to ensure that financial procedures are consistently adhered to by the School, specifically (a) ensure that arrangements for the filing of invoices are fit for purpose and complied with (b) official purchase orders are raised / issued at the time the order is placed with the supplier (c) wherever possible, delivery notes are retained and (d) cease the practice of raising purchase orders to reimburse staff for minor items of expenditure. (H) • Ensure that in respect of all purchases, the School complies with procurement rules / legislation or where exceptions to this are required, approval is sought in advance from the Governing Body. (H) • Ensure that all electronic bank transfers are made through the BACS payment run facility within the School's finance system and ensure that all final cheque run listings are retained to provide a complete audit trail of payments. (H) • Complete transaction logs for all purchase card expenditure, which are subject to approval by the Head Teacher and are retained as evidence. (H) • Ensure that HMRC requirements in respect of IR3 are complied with for all individuals and agencies. (H) • Ensure that (a) cash collection sheets are fully completed and retained for all cash transactions (b) income summary sheets of monies to be banked are completed and retained (c) when monies are prepared for

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<p>banking, this duty is undertaken by two officers and includes appropriate checks to ensure all monies can be accounted for. (H)</p> <ul style="list-style-type: none"> • 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) • Ensure that the debtor's policy is updated in accordance with the Fair Funding Scheme of Delegation and is approved by the Governing Body. (M) • Take appropriate action to ensure that separation of duties is maintained between the raising and authorisation of credit notes and supporting documentation is retained to support the authorisation of any debts written off. (M) • Ensure that a safe register is introduced and maintained. (M) • Consider re-introducing more frequent use of the Security Collection Service to collect / bank income on behalf of the School. (M) • Ensure that all credits on account are cleared within the financial year that they relate to. (M) • Ensure that virements are authorised and reported in accordance with the provisions of the Fair Funding Scheme of Delegation. This should include a formal decision being taken by the Governing Body in relation to the delegation of powers of virement. (H) • Take action to update the Whistleblowing Policy to ensure it is aligned to current arrangements and is approved by the Governing Body. (H) • Undertake a specific piece of work with the School's Finance Support Service to obtain clear guidance / training on financial processes that should be in place to provide an appropriate system of internal control. (H)