



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

30<sup>th</sup> November 2020

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Director of Finance

**Ward(s) affected:**

City Wide

**Title:**

Internal Audit Plan 2020-21

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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 2020-21 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 2020-21 (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 2020-21

**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:**

Draft Internal Audit Plan 2020-21

**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 2020-21. 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 2020-21.

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 2020-21** – 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, along with changes in staffing and recruitment to vacant posts which have occurred in the year to date. For 2020-21, the resources available are 550 days for audit and corporate fraud work, compared to 440 days in 2019-20.
- Whilst there is an established methodology in place to determine the focus of audit resources, the Covid-19 pandemic has had a significant impact on both (a) the audit planning process and (b) determining audit priorities for 2020/20201. In summary:
  - Consultation on the audit plan for the forthcoming year would normally commence in March / April 2020. Clearly, from a practical perspective, this was not achievable at this time given the Council's need to focus on its initial response to the pandemic.
  - Equally, from the perspective of Internal Audit, given the level of uncertainty arising from Covid-19, it was clearly difficult to undertake a formal risk assessment and identify meaningful priorities at this time.
  - As a result, a more flexible approach to audit planning has been adopted for 2020/2021. This has allowed the Service to respond more appropriately to the needs of the Council at this time whilst still making some provision for "business as usual" audit work.
- Whilst the Service has continued to respond flexibly during the year, it is now in a position to be clearer about the focus of audit priorities to both respond to new areas identified as a result of covid-19 and ensure that sufficient work is undertaken to inform the annual audit opinion. 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 significant amount of resource has been allocated to covid-19 related assurance work. This has been assessed as a key risk area for 2020-21, given (a) the significant level of funding which has been allocated to local authorities to support the government's response to the pandemic and the assurance requirements linked to this and (b) the new systems and processes which local authorities have had to set up in order to administer this funding in effectively very short timescales. This work covers a number of activities, including:
  - Advising on controls required to support the payment of funding to businesses and individuals to minimise the risk of fraud and error. These schemes have included business rates funding, discretionary funding, test and trace support payments, infection control fund and most recently, the new schemes linked to national and local restrictions.
  - Leading on the assurance requirements linked to the business rates and discretionary schemes, including undertaking risk assessments, developing assurance plans, undertaking assurance checks and reporting on outcomes to central government on a monthly basis.

- Where assurance checks identify potential fraud or error in grant payments, coordinating investigations and ensuring appropriate action is taken (e.g. reclaiming funds.)
  - Membership of the supplier relief panel which was set up to consider requests for financial support from Council suppliers in accordance with the Government's guidance on this area and developing the process to ensure appropriate governance of this activity.
  - Specific audit reviews to provide assurance on the Council's response to the pandemic, including, PPE, targeted review of expenditure, and controls around the distribution of additional funds.
- Given the resource required to support the Council's response to Covid-19, the Service have focused wider consultation with senior managers on those areas which underpin corporate risks rather than service specific risks. In addition, the routine programme of school audit work will not be undertaken this year. Given the limited number of school audits carried out each year this is not viewed as having a significant impact and the Service will look to address this in 2021-22 with a wider programme of work.
  - Other areas of planned work include:
    - ICT - A new IT audit needs assessment has been conducted this year to identify areas of focus for the programme of IT audit work for the next three years (subject to annual review.) For 2020-21 particular focus has been given to areas where risks have increased due to covid-19, including remote working and cyber security.
    - Council / Audit Priorities – This incorporates audit work linked to specific Council priorities around governance which have a corporate impact such as bribery and corruption and data quality of performance indicators linked to the Council Plan and reviews of new systems implemented during the year, i.e. Tribepad recruitment system and Repairs and Maintenance.
    - Financial systems – Audit reviews of all of the Council's key financial systems are included in the Audit plan as standard. However, in all cases, the budget days allocated to this work have been increased this year to allow for an assessment of the impact of covid-19 on the control environment within these systems and working practices.
    - 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.

As a result, it is believed that the draft Audit Plan for 2020-21 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.

### **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 2021. 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 2021 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 the Director of Law and Governance**

##### **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) climate change and the environment**

No impact

**6.6 Implications for partner organisations?**

None

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Barry Hastie	Director of Finance	-	12/11/20	17/11/20
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	12/11/20	19/11/20

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 2020-21

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
<b>Corporate Risk</b>			
	High	ICT (Infrastructure and Change)*	30
	High	Safeguarding	15
	High	Information governance	10
	High	Homelessness / temporary accommodation	20
	High	Workforce strategy (People Plan)	22
	High	Covid 19 assurance	99
<b>Council / Audit Priorities</b>			
	Medium	Payment Audit*	5
	Medium	Bribery and Corruption	10
	Medium	Tribepad recruitment system	13
	Medium	Council Plan performance reporting	10
	Medium	Repairs and maintenance system	15
<b>Financial Systems</b>			
	High	Care Director	25
	High	Business Rates	15
	Medium	Accounts Payable	15
	Medium	Accounts Receivable	15
	Medium	Council Tax	15
	Medium	Payroll	13
	Medium	Housing Benefits	15
<b>Regularity</b>			
		Grants	73
		Corporate Governance	21
		Risk Management	10
<b>Other</b>			
		Contingency / Directorate Risks	10
		Fraud	40
		Follow up	22
		2019/20 B/Fwd	12
		<b>Total Days Available</b>	<b>550</b>
		* undertaken by third parties	

*\*Audits partly undertaken by third party*