



Coventry City Council

# Public report

---

**Report to**

Audit and Procurement Committee

25<sup>th</sup> January 2021

**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:**

Quarter Three Internal Audit Progress Report 2020-21

---

**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 2020, against the Internal Audit Plan for 2020-21.

**Recommendations:**

Audit and Procurement Committee is recommended to:

- 1) Note the performance as at quarter three against the Internal Audit Plan for 2020-21.
- 2) Consider the summary findings of the key audit reviews (attached at Appendix One to the report).

**List of Appendices included:**

Appendix One - Summary Findings from Key Audit Reports Completed between April and December 2020

**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:**

Quarter Three Internal Audit Progress Report 2020-21

**1. Context (or background)**

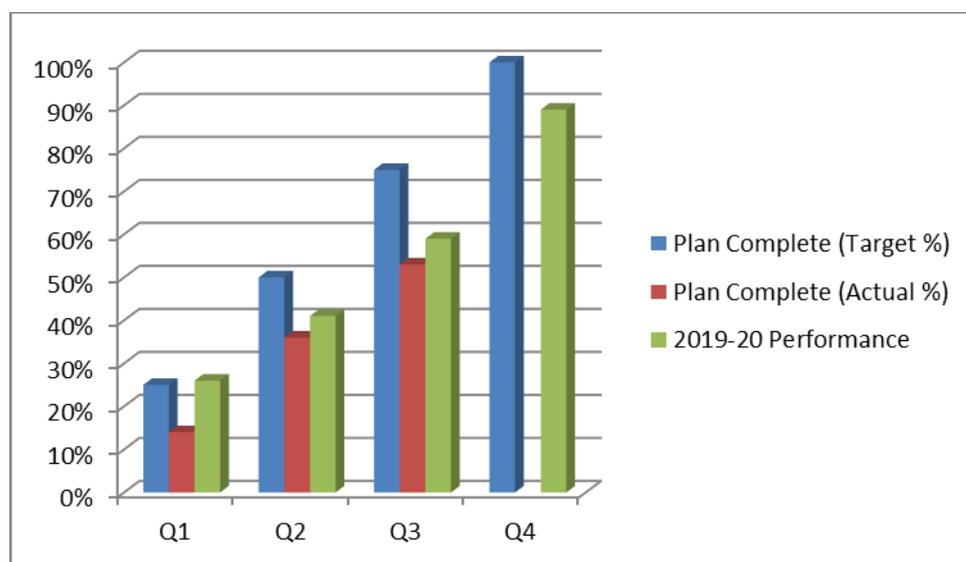
- 1.1 This report is the first monitoring report for 2020-21, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.
- 1.2 Whilst normally the Audit and Procurement Committee would have received the first monitoring report at quarter two, due to the impact of the pandemic, this report is the first monitoring report presented to the Committee this year. However, it does provide all relevant information for the period April to December 2020.

**2. Options considered and recommended proposal**

**2.1 Delivering the Audit Plan**

The key target facing the Internal Audit Service is to complete 90% of its work plan by the 31<sup>st</sup> March 2021. The chart below provides analysis of progress against planned work for the period April to December 2020.

**Chart One: Progress against delivery of Internal Audit Plan 2020-21**



As at the end of December 2020, the Service has completed 53% of the Audit Plan against a planned target of 75% (which is based on delivering 100% of the plan). It is acknowledged that progress at the end of quarter three is below target with the number of audits completed at the end of December 2020 having been affected by the following factors:

- As a result of the Principal Auditor post becoming vacant at the end of April 2020, all quality assurance work on completed audits has been undertaken during the period by the Chief Internal Auditor. Whilst this activity is a key part of the audit process, it has had to be managed alongside other work priorities which in some cases, has led to delays in draft audit reports being issued. A new Principal Auditor was appointed in November

2020, which will ensure there is sufficient capacity to undertake this work on a timely basis moving forward.

- A significant number of audit days was allocated during April to September 2020 to deliver the assurance requirements linked to the first round of grants to businesses affected by covid-19. Whilst assurance work has now commenced on the next phase of grants, this process has now become more streamlined, with reliance placed on the results of previous checks wherever possible.
- Given the Council's priorities around the pandemic, the Service has had to maintain flexibility with customers, which on occasion has led to audit work being completed over long time frames than usual.

Achievement of 90% of the audit plan by the end of March 2021 will be a key priority for the Internal Audit Service in quarter four. Whilst clearly this does present some challenges, it is the Chief Internal Auditor's view that meeting this target is not unrealistic, given the appointment of two new members of staff to the Team in quarter three (including the Principal Auditor) and the fact that a number of on-going audits are now nearing completion.

## 2.2 Other Key Performance Indicators (KPI's)

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 2020-21 to date against these five KPIs, with comparative figures for the financial year 2019-20. Currently, all of the indicators are at or 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, especially in the context of remote working. (It should be noted that where there have been delays in the completion of work due to factors outside of the Auditor's control, appropriate extensions have been approved by the Chief Internal Auditor.)

**Table One: Internal Audit Key Performance Indicators 2020-21**

<b>Performance Measure</b>	<b>Target</b>	<b>Performance Q3 2020</b>	<b>Performance 2019-20</b>
<b>Planned Days Delivered</b> (Pro rota against agreed plan)	100%	61%	95%
<b>% of work time spent on audit work</b>	90%	90%	88%
<b>Draft Report to Deadline</b> (Draft issued in line with date agreed)	80%	88%	85%
<b>Final Report to Deadline</b> (Final issued within 4 weeks of draft)	80%	88%	88%

<b>Audit Delivered within Budget Days</b>	80%	83%	79%
---	-----	-----	-----

### 2.3 Audits Completed to Date

Attached at Table Two below is a list of the audits finalised between April and December 2020, along with the level of assurance provided.

**Table Two: Audits completed April to December 2020**

<b>Audit Area</b>	<b>Audit Title</b>	<b>Assurance</b>
<b>2019/20 B/Fwd</b>	Contract Management Framework	Moderate
	Adult Social Care workflow processes	Moderate
	Asset Management Patching and Secure Configuration	Limited
	Accounts Payable	Significant
<b>Corporate Risk</b>	Business Rates Grants – round 1	N/a
	Discretionary Grants – round 1	N/a
	PPE	Fact finding
	Supplier relief	N/a
<b>Council / Audit priorities</b>	Bribery and Corruption arrangements	Moderate
	Tribepad Recruitment System	Moderate
	Council Plan performance reporting	Significant
<b>Regularity</b>	Annual Governance Statement	N/a
	Blue Badge Grant	Verification
	Innovate UK Grant – West Midlands RESO	Verification
	Coventry North Regeneration	Significant
	North Coventry Holdings	Significant
	Innovate UK Grant – Parking AV	Verification
	Disabled Facility Grant	Verification
	Sherbourne Fields Grant	Verification
	Growth Deal Hub	Verification
	S256 Health Grant	Verification
	Teachers Pension Statements	Verification
	Bus Subsidy Grant	Verification
	Highways Grants	Verification
	EU Brexit Readiness Grant	Verification
	School Direct Grant	Verification
<b>Formal Follow Ups</b>	Passenger Transport	Moderate
	Sports and Arts Cultural Grants process	Limited
	Resourcelink Self-Service delegated Authority	Limited

The following audits are currently in progress:

- **Audits at Draft Report Stage** – Information Governance Risk Management
- **Audits On-going** – Expenditure Analytical Review, Sickness Absence Reporting, Management Compliance with HR Procedures Follow Up, CareDirector, Cyber Resilience, Mobile Phones, Council Tax, Payment of Allowances, Risk Management, Controls over Additional Covid Funding, Business Grants round 2, Accounts Receivable.

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 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

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. 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

**Report author(s):**

**Name and job title:**

Karen Tyler  
Chief Internal Auditor

**Service:**

Finance

**Tel and email contact**

Tel: 024 7697 2186

Email: Karen.tyler@coventry.gov.uk

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Service</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Law and Governance	7/01/21	8/01/21
Paul Jennings	Finance Manager Corporate Finance	Finance	7/01/21	8/01/21
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Director of Finance	-	7/01/21	12/01/21
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	12/01/21	14/01/21

This report is published on the council's website: [www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

**Appendix One – Summary findings from Key Audit Reports completed between April and December 2020**

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Asset Management Patching and Secure Configuration</b></p> <p><b>March 2021</b></p> <p><b>Operational Delivery Manager / End User Device Lead / IT Security Lead / Data Centre Service Lead</b></p>	<p><b>Overall Objective:</b> To review controls to ensure that all assets are known, allocated, securely configured and if appropriate, patched up to date.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Documented Asset Management and Patch Management policies and procedures exist together with build standards outlining secure configuration settings.</li> <li>- There are complete and accurate inventory records for all ICT hardware and software assets.</li> <li>- Endpoint security build including hardware encryption, automated patch management software and antivirus software.</li> <li>- The prompt and complete installation of all new security patches across the PC, database and server estate.</li> <li>- All un-supported Council systems or servers are promptly upgraded or decommissioned.</li> <li>- Council servers are subject to regular internal vulnerability scanning and all reported vulnerabilities are promptly resolved.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p><b>Actions Agreed – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• A documented and approved Asset Management Policy should be issued outlining guidelines on the procurement, tracking, physical security and secure disposal of IT assets. (M)</li> <li>• All inactive Certero accounts should be promptly disabled and a review should be initiated of all ICT devices that have not connected to the Cetero application for over 60 days. (M)</li> <li>• All network devices with a significantly out of date antivirus signature should be disabled from the Council's Active Directory domain. (M)</li> <li>• Active Directory security settings should be reviewed to ensure that AutoPlay is disabled by default and a review should be initiated to assess the feasibility of restricting USB devices to authorised ICT personnel. (M)</li> <li>• The latest Service Pack should be applied to all SQL Server databases. (M)</li> <li>• Domain Admin superuser rights should be subject to quarterly review and all unnecessary accounts promptly disabled. (H)</li> <li>• All unsupported Windows 2008 servers should be promptly replaced or decommissioned, with a target data set to achieve this. (M)</li> <li>• All unsupported SQL Server 2008 databases should be upgraded or decommissioned. (M)</li> <li>• The Council's server estate should be subject to monthly internal vulnerability scanning. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p><b>Sports and Arts Cultural Grants Process Follow up Review</b></p> <p><b>March 2021</b></p> <p><b>Head of Sport, Culture and Destination Services</b></p> <p>A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="145 707 539 884"> <tr> <td><b>Number of Actions</b></td> <td><b>6</b></td> </tr> <tr> <td><b>Implemented</b></td> <td><b>2</b></td> </tr> <tr> <td><b>No Progress</b></td> <td><b>0</b></td> </tr> <tr> <td><b>On-going</b></td> <td><b>4</b></td> </tr> </table>	<b>Number of Actions</b>	<b>6</b>	<b>Implemented</b>	<b>2</b>	<b>No Progress</b>	<b>0</b>	<b>On-going</b>	<b>4</b>	<p><b>Overall Objective:</b> To provide assurance that agreed actions have been implemented as planned and there are now effective systems in place to provide robust governance over grant schemes to support cultural activities within the city.</p> <p><b>Recommendations followed up:</b></p> <ul style="list-style-type: none"> <li>- As part of the fundamental review of the grants scheme, define / agree the role of the different officers in the Sports and Arts Service within the governance framework relating to grants, to put the Service in a position to ensure that funding priorities are clearly aligned to decision making and that any potential for vulnerability to fraud is mitigated. (H)</li> <li>- For all new grant schemes, ensure that a complete audit trail is maintained to support the decision-making process in relation to the grant awards made. (H)</li> <li>- Following the completion of the fundamental review of the grants scheme and the implementation of any outcomes from this, ensure that grant aid agreements (or equivalent) are put in place for all grants which are awarded. (H)</li> <li>- Put in place a requirement that in the event that other payments are made in 2019/20 to organisations with small budgets in place for core funding, approval must be given by the Head of Sports and Arts before the payment is processed and an appropriate audit trail maintained of this. (H)</li> <li>- As part of the fundamental review of the grants scheme, determine formal arrangements for monitoring the use of core grants, including a process for providing assurance to senior management within the Sports and Arts Service on the results of this monitoring. (H)</li> <li>- Develop a structured process for evaluating completed grant schemes and reporting the results of this to senior management within the Sports and Arts Service. (M)</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p><b>Actions Agreed – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Ensure that the roles of officers within the governance framework for grants is clearly documented and put into operation. (H)</li> <li>• Ensure that all grant payments are subject to review / approval by the Head of Sport, Culture and Destination Services. (H)</li> <li>• Ensure that formal arrangements for monitoring the use of core grants are developed as planned, including a process for providing assurance to senior management. (H)</li> <li>• Ensure that a structured process for evaluating completed grant schemes and reporting the results of this to senior management is developed as planned. (M)</li> </ul>
<b>Number of Actions</b>	<b>6</b>								
<b>Implemented</b>	<b>2</b>								
<b>No Progress</b>	<b>0</b>								
<b>On-going</b>	<b>4</b>								

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p><b>Resourcelink Self Service Delegated Authority Follow Up Review</b></p> <p><b>July 2021</b></p> <p><b>HR Payroll Support Manager</b></p> <p>A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="147 708 544 884"> <tr> <td><b>Number of Actions</b></td> <td><b>4</b></td> </tr> <tr> <td><b>Implemented</b></td> <td><b>0</b></td> </tr> <tr> <td><b>No Progress</b></td> <td><b>3</b></td> </tr> <tr> <td><b>On-going</b></td> <td><b>1</b></td> </tr> </table>	<b>Number of Actions</b>	<b>4</b>	<b>Implemented</b>	<b>0</b>	<b>No Progress</b>	<b>3</b>	<b>On-going</b>	<b>1</b>	<p><b>Overall Objective:</b> To provide assurance that agreed actions have been implemented as planned and there are now robust systems in place to manage delegations within the self service function of Resourcelink.</p> <p><b>Recommendations followed up:</b></p> <ul style="list-style-type: none"> <li>- Develop and implement a clear set of protocols to provide governance over the use of delegated authority within Resourcelink. (H)</li> <li>- Develop arrangements to gain assurance that delegations are use in accordance protocols. (H)</li> <li>- Take action to enable accurate and meaningful management information to be produced from Resourcelink on the use of delegated authority and use this to monitor the use of delegated authority. (H)</li> <li>- As part of the development of protocols to underpin the use of delegated authority, ensure that they include appropriate rules regarding separation of duties and levels at which delegations should operate. (H)</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p><b>Actions Agreed – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Following the new delegation functionality becoming operational, ensure that a clear set of protocols to provide governance over the use of delegated authority within Resourcelink are developed and introduced. (H)</li> <li>• Once introduced, develop arrangements to gain assurance that delegations are used in accordance with protocols. (H)</li> <li>• Following the transition to reporting through the data warehouse ensure accurate and meaningful management information is produced from Resourcelink on the use of delegated authority and use this to monitor the use of delegated authority. (H)</li> <li>• As part of the development of protocols to underpin the use of delegated authority, ensure that they include appropriate rules regarding separation of duties and levels at which delegations should operate. (H)</li> </ul>
<b>Number of Actions</b>	<b>4</b>								
<b>Implemented</b>	<b>0</b>								
<b>No Progress</b>	<b>3</b>								
<b>On-going</b>	<b>1</b>								