



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

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

Internal Audit Plan 2021-22

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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 2021-22 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 2021-22 (Appendix 1 to the report) and provide any comments on the content and scope of the proposed Plan.

**List of Appendices included:**

Appendix 1 - Draft Internal Audit Plan 2021-22

**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 2021-22

**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 2021-22. 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 2021-22.

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, internal control and governance arrangements.

2.2 **Draft Audit Plan 2021-22** – 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. Due to current vacancies in the Service, it is difficult at this stage to precisely define the overall level of resources that will be available for 2021-22, however a current estimate has been made that there will be 650 days for audit and corporate fraud work, compared to 500 days in 2020-21. In the event that there is a significant change in the available audit days over the course of the year, flexibility will be retained in how these resources are utilised. 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 meets 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 linked to areas of risk which have been highlighted by the Chief Internal Auditor. 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, rather than a cyclical programme of audit work.
  - A flexible and responsive approach to issues highlighted by senior officers with dialogue to ensure resources are directed in accordance with their priorities.
  - A flexible approach to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.
  - The need to continue to allocate some resource to supporting the administration and assurance requirements linked to the government's Covid-19 business related grants.
- Other areas of planned work include:
  - Corporate Risks – the focus of audit coverage in 2021-22 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 budgetary control, equality and diversity in recruitment, and arrangements linked to the prevention and relief of homelessness.
  - ICT – The programme of work of IT audit work is established through an IT audit needs assessment which identifies areas of focus over a three-year period (subject to annual review.) In 2021-22, the areas which have been agreed are File Storage (optimising and making the best use of available platforms), Service Desk (assessment of the new system for raising IT issues and associated processes), and Storage Area Network (a modernisation project.)

- Council / Audit priorities – this incorporates audit work linked to specific priorities which have a corporate impact such as purchasing cards, IR35 compliance and climate change.
- Regularity – this includes work to meet the assurance requirements of grant funding received by the Council, and co-ordination of the Annual Governance Statement and declarations of interest exercise.
- Directorate risks – this audit area includes those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. In 2021-22 identified areas include Public Health information management system, Fleet Services and buildings statutory compliance.

As a result, it is believed that the draft Audit Plan for 2021-22 is sufficient for the work required to report on governance, the management of risks and internal 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 2022. 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 2022 and will include the opinion of the Chief Internal Auditor on the adequacy of the Council's risk management, internal control and governance arrangements, 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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**Name and job title:**

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**Service:**

Finance

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Barry Hastie	Director of Finance	-	10/6/21	15/6/21
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	10/6/21	17/6/21

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## Appendix One – Internal Audit Plan 2021-22

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
<b>Corporate Risk</b>			
	High	ICT (Infrastructure and Change)*	30
	High	Finance	36
	High	Workforce strategy	17
	High	Homelessness / temporary accommodation	23
	High	Covid-19 grants to businesses	20
<b>Council / Audit Priorities</b>			
	Medium	Payment Audit*	5
	Medium	Purchasing cards	17
	High	IR35 compliance	17
	High	Climate change	15
	High	Modern slavery	7
<b>Financial Systems</b>			
	High	Care Director	15
	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	110
		Corporate Governance	22
		Risk Management	7
		Schools	20
<b>Other</b>			
		Contingency / Directorate Risks	93
		Fraud	20
		Follow up	50
		2020/21 B/Fwd	66
		<b>Total Days Available</b>	<b>650</b>
		* undertaken by third parties	