



Coventry City Council

Public report

Report to

Audit and Procurement Committee

21st March 2022

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City Wide

Title:

Quarter Three Internal Audit Progress Report 2021-22

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 2021, against the Internal Audit Plan for 2021-22.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three against the Internal Audit Plan for 2021-22.
2. Consider the summary findings of 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 2021

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 2021-22

1. Context (or background)

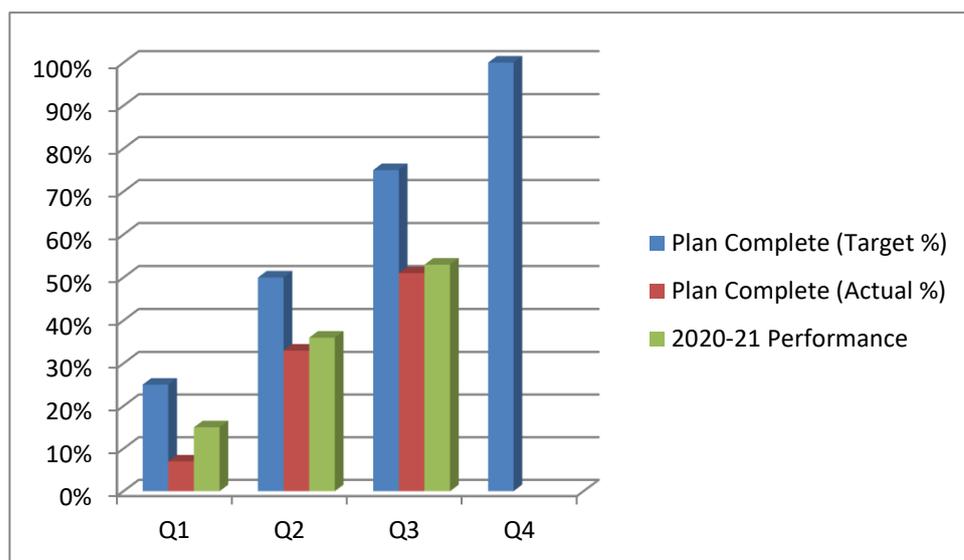
1.1 This report is the second monitoring report for 2021-22, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance 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 2022. The Internal Audit Plan for 2021-22 was presented to the Audit and Procurement Committee at its meeting on the 28th June 2021. In this report, it was explained to the Committee that the level of resources available in 2021-22 for audit and corporate fraud work could not be precisely defined when the plan was developed due to staff vacancies in the Service. As these vacant posts have now been recruited to, management have been able to measure the impact on the available audit days for 2021-22 and consequently the plan has been revised from 650 days to 470 days. The Service have accommodated this change through (a) undertaking a more focused approach to the audit of key financial systems which are undertaken on an annual basis and (b) re-programming some audit reviews into the first quarter of 2022-23. In certain cases, this has been at the request of the customer and in other cases, it reflects the fact that the precise timing of the review is not critical from a risk perspective. As such, the current performance of the Service has been assessed against the revised audit plan of 470 days. The chart below provides analysis of progress against planned work for the period April to December 2021.

Chart One: Progress against delivery of Internal Audit Plan 2021-22



2.1.2 As at the end of December 2021, the Service has completed 51% 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 2021 having been affected by the following factors:

- In quarter three a number of more significant / complex pieces of work were commenced, which inevitably take longer to complete. This position is reflected in section 2.3 below which details those audits which were at draft report stage at the end of December 2021 and those audits which were on-going. It is worth noting that of the 19 audits highlighted, five have since been finalised and a further nine are nearing completion.
- There have been a number of more detailed fraud investigations which have been required to be completed.
- Resources required to support the recruitment exercise.

Achievement of 90% of the audit plan by the end of March 2022 will be a key priority for the Internal Audit Service in quarter four. However, this clearly does present some challenges in light of the current need to focus an element of the available resources on work linked to Covid-19 business grants assurance, which is time critical. Throughout 2021-22, and despite the reduced capacity, the Service have ensured it has delivered all the work required in respect of statutory obligations, including grants to businesses and have completed a number of pieces of work requested by management to respond to emerging risks. Whilst there is a risk that the Service will not achieve 90% of the audit plan, it is the Chief Internal Auditor's view that sufficient planned work will be completed by the end of March 2022 to enable the annual audit opinion to be produced.

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 2021-22 to date against these five KPIs, with comparative figures for the financial year 2020-21.

Table One: Internal Audit Key Performance Indicators 2021-22

Performance Measure	Target	Performance Q3 2021	Performance 2020-21
Planned Days Delivered (Pro rota against agreed plan)	100%	70%	89%
% of work time spent on audit work	90%	91%	90%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	63%	67%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	96%	90%

Audit Delivered within Budget Days	80%	71%	76%
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Whilst performance in two areas is currently below target, there are a number of reasons behind this and performance management remains a key focus for management within Internal Audit as part of the Quality Assurance and Improvement Programme.

2.3 Audits Completed to Date

Attached at Table Two below is a list of the audits finalised between April and December 2021, along with the level of assurance provided.

Table Two: Audits completed April to December 2021

Audit Area	Audit Title	Assurance
2020-21 B/Fwd	Remote Access	Moderate
	Repairs and Maintenance	Moderate
	Business Rates *	Limited
	Housing Benefits	Significant
Corporate Risk	Coventry and Warwickshire Reinvestment Trust loan books	Health Check
Council / Audit priorities	Purchasing card compliance	Fact finding
Regularity	Annual Governance Statement	Verification
	Innovate UK Grant – Urban airport	Verification
	Coventry North Regeneration	Significant
	North Coventry Holdings	Significant
	Disabled Facilities Grant	Verification
	Rough Sleeper Grant	Verification
	Community Testing Grant	Verification
	Teachers Pension Statements	Verification
	Bus Subsidy Grant	Verification
	Highways Maintenance / Incentive / Pothole Grant	Verification
	Swanswell Viaduct Phase 2 Grant	Verification
	Growth Hub Peer to Peer Grant	Verification
	Restart Grant	Verification
	Growth Hub Core Grant	Verification
	Growth Hub Additional Grant	Verification
	Growth Hub EU Transition Grant	Verification
	Green Homes Grant	Verification
Directorate Issues	Broadgate House Payment Kiosks *	Fact finding
	Telecare	Fact finding
Formal Follow Ups	St Osburg's Primary School	Moderate
	Access to Council Buildings	Significant
	Sports and Arts Grants process	Significant

(*) Audit findings reported to Audit and Procurement Committee during municipal year 2021-22

The following audits are currently in progress:

- **Audits at Draft Report Stage** –, ICT File Storage, Allesley Hall Primary School, Plas Dol-y-moch Recruitment
- **Audits On-going** – Children’s Services Compliance with Working Together Standards Budgetary Control, Potters Green Primary School, Wyken Croft Primary School, ICT Storage Area Network Modernisation Project, ICT Monitoring, Logging and Event Management, Climate Change Risk Assessment, Accounts Payable, Accounts Receivable, Allesley Primary School, Declarations of Interest, Innovate UK Grant – RESO, Special Educational Needs National Trial Grant, Deprivation of Liberty Safeguards, Parking Enforcement and IT Disaster Recovery and Business Continuity

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 Chief Operating Officer (Section 151 Officer) 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:

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Service:

Finance

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Law and Governance	02/03/2022	03/03/2022
Paul Jennings	Finance Manager Corporate Finance	Finance	02/03/2022	03/03/2022
Names of approvers for submission: (officers and members)				
Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	02/03/2022	09/03/2022
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	02/03/2022	09/03/2022

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

Appendix One – Summary findings from Key Audit Reports completed between April and December 2021

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Purchasing Card Compliance</p> <p>April 2022</p> <p>Procurement Systems and Contracts Manager</p>	<p>Overall Objective: To provide insight and assurance around the behavioural drivers and controls linked to non-compliance with responsibilities of purchasing card holders and approvers, given the inherent risks involved.</p> <p>Key controls assessed: The review considered how “soft” controls impact on the behaviour of purchasing card holders and approvers. These controls included leading by example, achievability, transparency and accountability.</p> <p>Opinion: not applicable – given the scope of the work undertaken, formal assurance was not provided. In any activity where the control environment is based predominantly on manual controls, ensuring compliance relies upon having an effective framework of soft controls in place which act to influence the behaviours of individuals. As such, the review identified a number of insights into what further steps the Council can take to influence behaviours and increase compliance.</p> <p>Actions Agreed:</p> <ul style="list-style-type: none"> • Directly issuing the purchasing card guidance to cardholders and approvers by email, including details of how to request further training / support. • Putting in place appropriate arrangements to provide mandatory refresher training to cardholders and approvers. • Issuing more frequent reminders to both cardholders and approvers to review and approve purchasing card transactions. • Developing an approach to pro-actively roll-out the Power-BI reports on compliance to management teams / approvers on a regular basis, accompanied by guidance on how the data can be used to improve compliance through raising issues with cardholders / approvers.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>St Osburg's Primary School Follow up Review</p> <p>January 2022</p> <p>School Business Manager</p> <p>A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="147 639 544 815"> <tr> <td>Number of Actions</td> <td>6</td> </tr> <tr> <td>Implemented</td> <td>3</td> </tr> <tr> <td>No Progress</td> <td>1</td> </tr> <tr> <td>On-going</td> <td>2</td> </tr> </table>	Number of Actions	6	Implemented	3	No Progress	1	On-going	2	<p>Overall Objective: To provide assurance that agreed actions have been implemented as planned and there are now robust systems and controls in place to support the effective management of the School's resources.</p> <p>Recommendations followed up:</p> <ul style="list-style-type: none"> - Ensure that the use of order request forms is embedded within the School's working practices to ensure that purchase orders are raised / issued at the time the order is placed with the supplier. (M) - The petty cash system is introduced as planned to reimburse staff for minor items of expenditure. (M) - Introduce arrangements to allow for supplier payments to be made using the BACS payment run facility within the School's finance system and ensure that all direct debits are subject to review and ended where appropriate. (H) - Ensure that an appropriate audit trail is maintained to evidence that banking is prepared by two officers. (M) - 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 all credits on account are cleared within the financial year that they relate to. (M) <p>Opinion: Moderate assurance</p> <p>Whilst the School have made progress in implementing the actions agreed in the March 2021 follow up audit report, there are still some areas for improvement which need to be addressed to ensure that there is a robust system of internal control in place. Alongside this, it is our view that financial expertise within the School is still developing, with further time required for knowledge and skills to become fully embedded in working practices.</p> <p>Actions Agreed – risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Continue to embed the use of order request forms to ensure that purchase orders are raised / issued at the time the order is placed with the supplier. (M) • Cease the practice of raising purchase orders to reimburse staff for minor items of expenditure and as an alternative, use non-order invoice payments to process these transactions. (M) • Ensure that credit notes / write offs are adequately controlled and the correct accounting treatment applied in respect of this type of transaction. (M)
Number of Actions	6								
Implemented	3								
No Progress	1								
On-going	2								