Coventry City Council

Public report

Report to

Audit and Procurement Committee   30th January 2023

Name of Cabinet Member:
Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:
Chief Operating Officer (S151 Officer)

Ward(s) affected:
City Wide

Title:
Internal Audit Plan 2022-23 – Half Year Progress Report

Is this a key decision?
No – this is a monitoring report

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 September 2022, against the Internal Audit Plan for 2022-23.

Recommendations:

Audit and Procurement Committee is recommended to:

1.   Note the performance as at quarter two against the Internal Audit Plan for 2022-23.

2.   Consider the summary findings of the key audit reviews (attached at Appendix Two).

List of Appendices included:

Appendix One - Audit Reviews Completed between April and September 2022

Appendix Two - Summary Findings from Key Audit Reports

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:
Internal Audit Plan 2022-23 – Half Year Progress Report

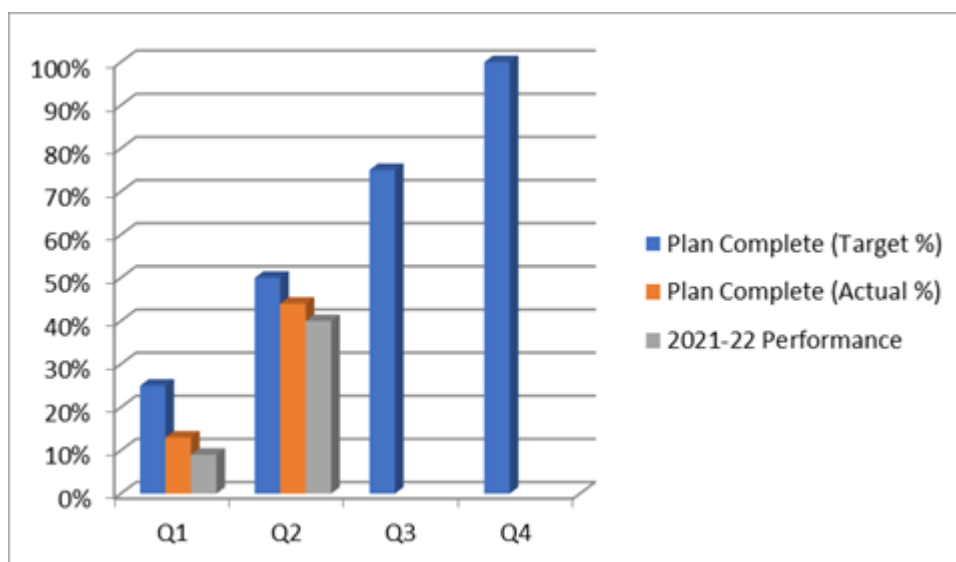**1.   Context (or background)**

1.1   This report is the first monitoring report for 2022-23, 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

The key target facing the Internal Audit Service is to complete 90% of its work plan by the 31st March 2023. The chart below provides analysis of progress against planned work for the period April to September 2022.

Chart One: Progress against delivery of Internal Audit Plan 2022-23

As at the end of September 2022, the Service has completed 44% of the Audit Plan against a benchmark of 50% (which reflects delivery of 100% of the Plan) and is on track to meet its key target by the end of 2022-23. This also represents an improvement in performance from 2021-22.

It should be noted that whilst the Annual Audit Plan is agreed at the start of the financial year, this may be subject to change as a result of emerging risks, requests from service areas to reschedule work, and any exceptions such as unplanned absence within the Service. It is important that the Internal Audit Service retains a flexible approach in order to ensure it can respond to issues on a timely basis and add value. Any significant changes to the Plan will be reported to the Audit and Procurement Committee.

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 2022-23 to date against these five KPIs, with comparative figures for the

financial year 2021-22. Three of the KPI's have been refined for 2022-23 to provide a more realistically attainable set of measures. This reflects that (a) it is important to balance quantitative performance measures against the quality of the work undertaken and (b) to recognise that there are factors outside of the auditor's control which can affect performance statistics. There is one indicator (i.e. draft report to deadline) where the Service's current performance is noticeably below expectations. This reflects the fact that draft reports are not issued in all cases, e.g. grant certification work, and as such, the performance to date is only based on a small number of audits where draft reports have been issued. Consequently, performance is expected to improve over the course of the year. Ongoing monitoring of internal audit work and identifying opportunities for improvement remains a key focus for management, in line with the Public Sector Internal Audit Standards.

Table One: Internal Audit Key Performance Indicators 2022-23

Performance Measure	Target	Performance Q2 2022-23	Performance 2021-22
Planned Days Delivered	100%	50%	93%
% of work time spent on audit work	90%	89%	91%
Draft Report to Deadline (Draft issued within two weeks of deadline)	80%	56%	47%
Final Report to Deadline (Final issued within two weeks of deadline)	80%	90%	88%
Audit Delivered within Budget Days (Where budget days have not been exceeded by more than 50%)	80%	85%	64%

2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between April and September 2022, along with the level of assurance provided.

As at the 30th September 2022, the following audits were in progress:

- **Audits at Draft Report Stage** – Software Asset Management

- **Audits On-going** – CareDirector 21-22, Templars Primary School, Formal follow up Asset Management and Patching, Climate Change risk assessment, ICT Physical Security Controls, Pre-employment Checks, Formal follow up Information Governance

risk management, Pot Hole Pro Health Check, Motion helpdesk, CWRT Loan Book Health Check.

Details of a selection of key reviews completed in this period are provided at Appendix Two. 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 Chief Legal Officer

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 One Coventry 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

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Paul Jennings	Finance Manager Corporate Finance	Finance	12/1/2023	20/1/2023
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance	-	12/1/2023	19/1/2023
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	12/1/2023	18/1/2023

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www.coventry.gov.uk/meetings

Appendix One – Audit Reviews Completed between April and September 2022

Audit Area	Audit Title	Assurance
2021-22 B/Fwd	Budgetary Control	Significant
	Monitoring, Logging and Event Management (ICT)	Moderate
	Plas Dol-y-Moch Recruitment	Fact Finding
	Formal Follow Up – IT Disaster Recovery and Business Continuity	Moderate
Corporate Risk	EDI in Recruitment	Moderate
Council / Audit Priorities	IR35 Compliance	Moderate
Financial Systems	Payroll 21-22	Significant
	Business Rates 21-22	Limited
Regularity	Baginton Fields School	Moderate
	Arts Council grant	Verification
	John Shelton Community Primary School	Moderate
	PSDS grant core	Verification
	PSDS grant schools	Verification
	Homelessness Top Up grant	Verification
	Protect and Vaccinate Grant	Verification
	Growth Hub core grant	Verification
	Growth hub peer to peer grant	Verification
	Disabled facility grant	Verification
	Teachers Pension Statements	Verification
	Bus subsidy grant	Verification
	Highways grants	Verification
	Adult Weight Management grant	Verification
	Contain Outbreak Management Fund grant	Verification
	Sherbourne Fields Teaching School grant	Verification
	Allesley Primary School related party transactions	Fact Finding
	Test and Trace grant	Verification
	Innovate UK Savor grant	Verification
	Innovate UK Urban Air Port grant	Verification
	Drug Treatment Crime and Harm Reduction activity grant	Verification
	Test and Trace Support Payments grant	Verification
Directorate issues	Transfer of Coventry Communications Centre to Whitley Depot	Significant
	Cash controls Homes for Ukraine	Fact Finding
Formal Follow ups	Health and Safety Audit Programme	Moderate

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Business Rates **March 2023** **Council Tax and Business Rates Manager / Commercial Property Manager**	**Overall Objective:** To ensure that the Council identifies, calculates and collects all income due to the Council through business rates. **Key controls assessed:** - An accurate register is maintained of all properties subject to business rates. - Liability for business rates is correctly calculated, including the application of any exemptions and reliefs. - Appropriate mechanisms are in place to collect monies due for business rates. - A risk-based quality assurance programme is in place to provide assurance in respect of accuracy of input and consistency of decisions made around liability. **Opinion**: Limited Assurance It is acknowledged that the Business Rates Team have had to continue to re-purpose its activities throughout 2021/2022 in order to administer Covid-19 grants to businesses. As a result, there has again been a significant impact on the Service's ability to maintain normal systems of control. Whilst this is not due to management failings, it does affect the level of assurance that we are able to provide in relation to the objective. From our perspective, it is now imperative that systems of control are robustly re-set and consistently complied with in 2022-23. The assurance level also reflects that the review has highlighted errors in the application of specific discounts / reliefs. Whilst these do not have a significant financial impact, it does indicate the need to strengthen arrangements around testing of parameters prior to implementation. **Agreed Actions - risk level high (H) or medium (M):** - Ensure that established controls which underpin the identification, calculation, and collection of business rates and which have lapsed due to the impact of Covid 19 are re-set and are complied with on a timely basis. (H) - Ensure that full audit trails are retained in Academy and Enterprise to support the processing / issue of reliefs and refunds. (M) - Undertake a full review of all accounts which have received the Expanded Retail Discount / Nurseries Discount in 2021-22 where the customer was / is also in receipt of Supporting Small Business Rates Relief and take appropriate action to correct these accounts. This should include ensuring that the charges for 2022-

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	23 are correctly calculated. (H) • Ensure that there are appropriate test plans in place for all annual parameters. Where officers undertake testing, ensure this is subject to an independent check / approval to confirm accuracy and all evidence relating to testing / approval is retained in a central repository. (H) • Ensure that outturn data to government for 2021-22 is corrected (via the NNDR3 form) and payment returned as appropriate. (H) • Agree a process to be implemented between the Corporate Property Team and the Business Rates Team to ensure that changes in corporate property are notified to Business Rates in a timely manner. (H)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
EDI in Recruitment **March 2023** **Resourcing Leads / Head of People & Culture / Workforce Diversity & Inclusion Lead**	**Overall Objective:** To ensure that there is an appropriate control framework in place within the Council's attraction, recruitment and selection process to support the equality, diversity and inclusion (EDI) aims of the Council. **Opinion**: Moderate Assurance The review highlighted that there are some elements of the recruitment process which clearly support EDI aims, including training, use of anonymised applications and targeted routes to attract candidates from diverse backgrounds /under-represented groups. However, from our perspective, and given the importance of equality and diversity within the Council, a more proactive approach is required in some areas if sustained, tangible improvements are to be achieved. **Agreed Actions:** • Update the Recruitment Guide on the Intranet to ensure it is consistent with the Recruitment Policy in relation to the make-up of interview panels. (M) • Define the role of the Resourcing Team in relation to the actions they should take as part of the recruitment process to ensure that the Council's responsibilities around EDI are met. (M) • Take appropriate steps to promote the Council's use of the Diversity Jobs Group with recruiting managers. (M) • Provide guidance to candidates on the recruitment portal which requests them not to include distinguishing information within their personal statement. (M) • Ensure that for all recruitment exercises, the Resourcing Team enforce compliance with the requirement that interview records are uploaded to the TribePad System. (M) • Take appropriate steps to ensure that the Workforce Diversity and Inclusion action plan for attraction, recruitment and selection is progressed. (M)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Formal Follow Up – IT Disaster and Business Continuity **March 2023** **Operational Delivery Manager / Principal Emergency Planning Officer** A summary of progress made against the agreed actions is shown below: | **Number of Actions**	**9**
Implemented	**1**
No Progress	**2**
On-going	**6**		**Overall Objective:** To provide assurance that agreed actions have been implemented as planned to ensure that the Council has effective and robust systems in place for IT disaster recovery and business continuity. **Opinion**: Moderate assurance Whilst a number of actions are continuing to be progressed, there is a clear desire to continue to develop arrangements to the benefit of both parties, including refining the business continuity plans to reflect a co-ordinated, organisation-wide approach to, for example, recovery prioritisation, and the development and collation of the key recovery data required into a single document. It is also acknowledged that there have been noticeable improvements in the relationship between ICT and the Resilience Team with more collaborative and closer working. **Agreed Actions:** • Give consideration to formalising the relationship between ICT and the Resilience Team with (suggested) bi-annual discussions to ensure that business continuity plans and documentation are fit for purpose and up to date. (H) • Continue the work already started to build understanding of recovery capability by having cross-business discussions about actual prioritisation where there are choices to be made. (H) • Continue the work already started and progress to the point where all service area plans are fully-populated and service areas have provided (and continue to provide) relevant information to the Resilience Team which may impact on an organisation wide recovery. (L) • Continue and complete the recovery schedule. (M) • The owners and users of the business systems that there are not on out of office support should be made aware of this and the associated risk to their services determined. (M) • Formal and regular disaster recovery testing arrangements should be introduced. (M)