



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 (Section 151 Officer)

Ward(s) affected:

City Wide

Title:

Internal Audit Recommendation Tracking Report

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 progress made in implementing internal audit recommendations since October 2021.

Recommendations:

The Audit and Procurement Committee is recommended to note the progress made in implementing audit recommendations and confirm its satisfaction with this and the proposed action by the Chief Internal Auditor for audits where actions remain outstanding.

List of Appendices included:

Appendix One – Results of Formal Follow up Exercise

Appendix Two – Results of Self-Assessment Follow up Exercise

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:

Internal Audit Recommendation Tracking Report

1. Context (or background)

- 1.1 The Public Sector Internal Audit Standards requires that “the Chief Audit Executive (i.e. Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action”.
- 1.2 As reflected within its terms of reference, the Audit and Procurement Committee is required to receive reports on Internal Audit’s follow up process. This report provides an update as to progress in respect of the agreed management actions which have been followed up during the period October 2021 to November 2022.
- 1.3 Due to the impact of Covid-19, a decision was taken to suspend self-assessment follow ups from March 2020. These arrangements have been re-set for follow ups due from October 2021 onwards. It is therefore recognised that for those audits which were due to be followed up by the self-assessment method during the period March 2020 to October 2021, no follow up has been undertaken. This does not mean that the recommendations were not implemented, but rather that assurance has not been obtained. Any future audits of these areas will encompass a follow up of previous recommendations.

2. Options considered and recommended proposal

- 2.1 **Follow Up Procedure** - Given the number of audits that the Internal Audit Service completes every year, it is critical that it has a robust procedure in place for ensuring that it obtains appropriate assurance that audit recommendations have been implemented but does so in an efficient and proportionate way. Where appropriate, Internal Audit defines within its audit reports the follow up process to those responsible for the system / area under review and a date is agreed of when this will take place.

Currently, there are three key considerations that will determine the follow up procedure adopted, namely:

- 1) Whether the area audited is of such significance that it is subject to an annual review.
- 2) The level of assurance provided in the audit report.
- 3) A self-assessment process for those reviews where neither of the points above apply, but a follow up review is necessary.

- 2.2 These considerations are expanded upon below:

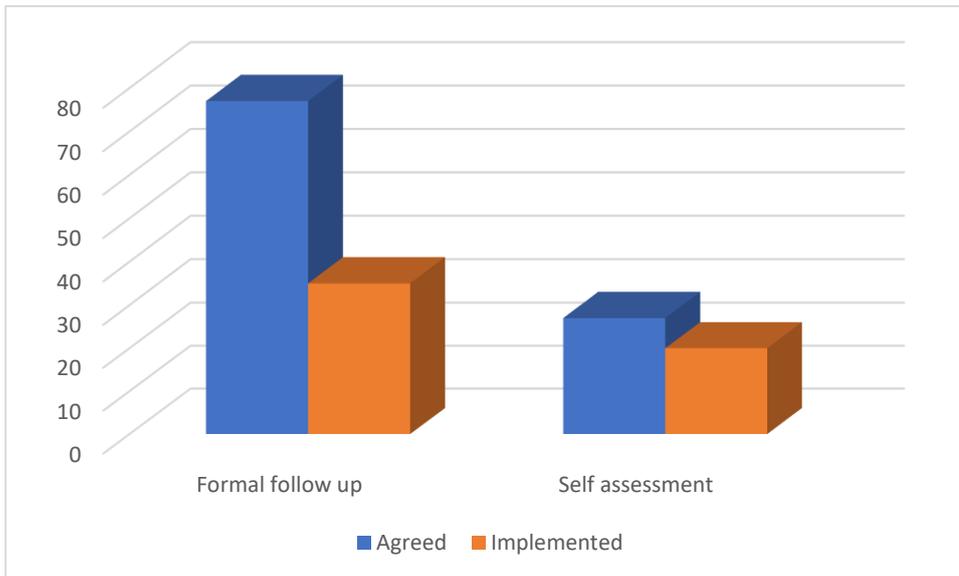
- **Annual Audits:** These audits are generally included in the Audit Plan on an annual basis because of the nature of the systems, and the fact they are corporate wide and have been identified as key in delivering the Council's objectives (e.g. financial systems, risk management).
- **Level of Assurance:** Any audit which receives '*no*' or '*limited*' assurance is subject to a follow up review to assess improvements based on a timing agreed between Internal Audit and relevant management. In either of these circumstances, a formal follow up review will take place which involves Internal Audit assessing progress through audit

testing to ensure that agreed actions have been implemented and are working effectively.

- **Self-Assessment Process:** For all other audits, a process exists which is based on a self-assessment by relevant managers. This involves Internal Audit asking managers for an update on the action taken to implement audit recommendations.

2.3 Overall, it is believed that the procedure achieves the right balance between ensuring action is taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks.

2.4 **Results** – The results of the latest follow up exercise are attached at Appendix One and Two and are summarised in the graph below.



Of the 104 actions followed up, 53% have been implemented based on both the formal and self-assessment follow up method. When this is analysed by follow up method the results are:

- Formal follow up method – 45% implementation rate.
- Self-assessment follow up method – 74% implementation rate.

Given the lower number of actions which have been followed up during the period, it is difficult to make meaningful comparisons with the previous exercise (when the overall implementation rate was 62%.) However, specifically in relation to the formal follow up method, it does appear that implementation rates have reduced. In saying this, it is viewed that the reasons behind this are reasonable taking into account the specific circumstances where progress has been limited, and do not reflect any systematic failings on the part of management. Where appropriate, the Service have underlined the importance of implementing agreed actions and further action will be considered if progress is not made as expected, in accordance with 2.6 below.

2.6 **Proposed Way Forward for Dealing with Outstanding Actions** - After the follow up has been completed, the results are collated within Internal Audit. If progress is not consistent with expectations, audit management will determine the next course of action.

Based on the reasons for the lack of progress, the following courses of action are available:

- Revised implementation dates are agreed for outstanding actions.
- Concerns raised through the management structure to ensure senior managers are aware of both the lack of progress made and the risks still facing a service.
- As a last resort, to ask the Audit and Procurement Committee to intervene and seek prompt action from the relevant manager.

Our proposed actions for the audits where recommendations remain outstanding are highlighted within Appendices One and Two.

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 implementing audit recommendations ensures that the Council meets its statutory obligations in respect of maintaining an effective 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 Service 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.
- 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

Directorate:

Place

Tel and email contact:

024 76972186 – Karen.tyler@coventry.gov.uk
Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Law and Governance	12/1/2023	17/1/2023
Paul Jennings	Finance Manager Corporate Finance	Finance	12/1/2023	20/1/2023

Names of approvers: (officers and members)				
Barry Hastie	Chief Operating Officer (Section 151 Officer)		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 – Results of Formal Follow Up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Accounts Payable			3	1	
Accounts Receivable			3	2	
Payroll			1	1	
Council Tax			5	3	
Business Rates	3	0	4	1	Progress has been delayed due to the Service's continued need to re-purpose its activities in order to administer Covid-19 grants to businesses. Revised implementation dates have been agreed.
Housing Benefits			3	1	
CareDirector	1	1	12	2	Progress has been delayed due to issues arising from the upgrade of CareDirector and a number of staffing changes / resource issues. Revised implementation dates have been agreed.
St Osburgs Primary School	1	1	5	2	
Sports and Arts grants process	3	2	1	1	
Access to Council Buildings	3	3			
Health and Safety Audit Programme	6	5	4	1	
IT Disaster Recovery and Business Continuity	2	0	7	1	The follow up review acknowledged that progress has made across the majority of the agreed actions, but further work is required to complete. Revised implementation dates have been agreed.
Asset Management, Patching and Secure Configuration	1	1	9	6	

Revised implementation dates have been agreed for all outstanding actions and these will be followed through the self-assessment process / next annual review

Appendix Two – Results of Self-Assessment Follow up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
St Osburgs Primary School			3	3	
Purchasing cards			4	4	
Storage Area Network			4	3	
Potters Green Primary School	4	3	3	2	
Wyken Croft Primary School	3	3	2	2	
Compliance with Working Together Standards	2	0	2	0	Progress has been made across all of the agreed actions, but further work required to complete. All actions to be addressed by June 2023.

Revised implementation dates have been agreed for all outstanding actions and these will be followed through a further self-assessment.