



Coventry City Council

Public report

Report to

Audit and Procurement Committee

20th March 2023

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Acting Chief Executive / Chief Operating Officer (S151 Officer)

Ward(s) affected:

City Wide

Title:

Quarter Three Internal Audit Progress Report 2022-23

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

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three 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 December 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:

Quarter Three Internal Audit Progress Report 2022-23

1. Context (or background)

1.1 This report is the second 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'.

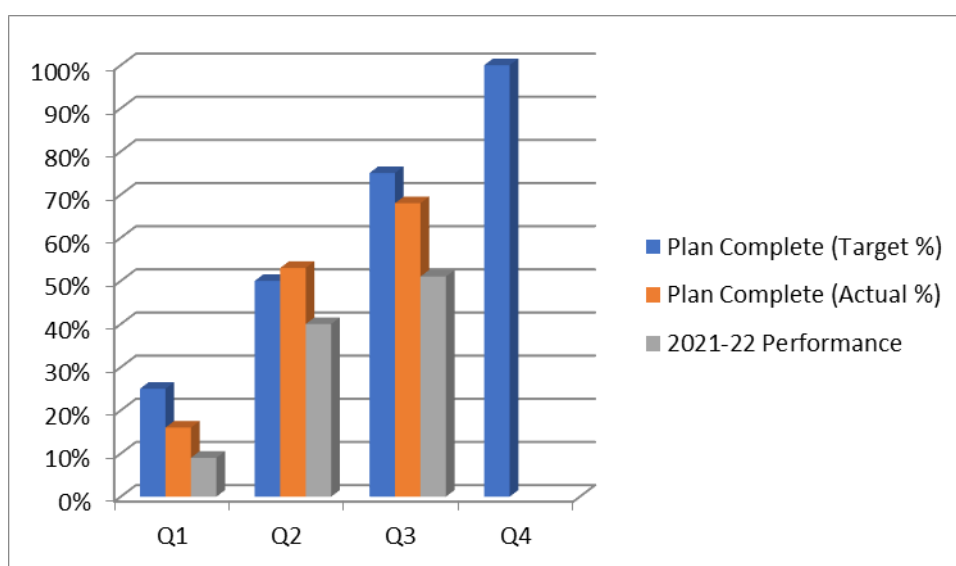
2. Options considered and recommended proposal

2.1 Delivering the Audit Plan

2.1.1 The Internal Audit Plan for 2022-23 was presented to the Audit and Procurement Committee at its meeting on the 27th June 2022. The Plan provided for 560 days of internal audit work in 2022-23. However, as a result of unplanned absence in the Service from quarter three onwards, it has been necessary to make changes to the Audit Plan given the reduction in available resources. As such, the Plan is now based on the provision of 430 days of internal audit work in 2022-23. As the Plan is agreed at the start of the financial year, it is always likely to be subject to some amendments due to changes in the risk environment, requests from service areas to reschedule work, and other exceptions, with any significant changes reported to the Audit and Procurement Committee. The Service have accommodated the change in the 2022-23 Audit Plan through reprogramming some internal audit work into the first quarter of 2023-24, at which time priority will be given to the completion of those reviews which are important to the delivery of the annual internal audit opinion.

2.2.2 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 December 2022 based on the revised audit plan of 430 days.

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



As at the end of December 2022, the Service has completed 68% of the Audit Plan against a benchmark of 75% (which reflects delivery of 100% of the plan) and is on track to complete 90% of the audits within the revised audit plan by the end of 2022-23.

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. 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 data is based on a smaller number of audits where draft reports have been issued. 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 Q3 2022-23	Performance 2021-22
Planned Days Delivered	100%	71%	93%
% of work time spent on audit work	90%	90%	91%
Draft Report to Deadline (Draft issued within two weeks of deadline)	80%	54%	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%	83%	64%

2.3 Audits Completed to Date

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

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

- **Audits at Draft Report Stage** – Limbrick Wood Primary School, Annual Governance Statement
- **Audits On-going** – Climate Change risk assessment, Formal Follow up – Mobile Devices, Formal Follow up – Cyber Resilience, Pre-employment checks, Formal Follow Up Information Governance Risk Management, Pot Hole Pro Health Check, Accounts Payable, Statutory Compliance, Formal Follow up – Parking Enforcement

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 Acting Chief Executive / 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

Report author(s):

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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:				
Lara Knight	Governance Services Co-ordinator	Law and Governance	17/2/2023	1/3/2023
Paul Jennings	Finance Manager Corporate Finance	Finance	17/2/2023	21/2/2023
Names of approvers: (officers and members)				
Barry Hastie	Acting Chief Executive / Operating Officer (S151 Officer)	-	17/2/2023	24/2/2023
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	17/2/2023	28/2/2023

This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix One – Audit Reviews Completed between April and December 2022

Audit Area	Audit Title	Assurance
2021-22 B/Fwd	Budgetary Control	Significant
	ICT Monitoring, Logging and Event Management	Moderate
	Plas Dol-y-Moch Recruitment	Fact Finding
Corporate Risk	Formal Follow Up – IT Disaster Recovery and Business Continuity	Moderate
	EDI in Recruitment	Moderate
	CWRT Loanbook Health Check	Fact Finding
	Software Asset Management	Moderate
Council / Audit Priorities	Motion Service Desk	Significant
	IR35 Compliance	Moderate
Financial Systems	Payroll 21-22	Significant
	Business Rates 21-22	Limited
	CareDirector 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
	Templars Primary School	Significant
Post Payment Assurance Business Grants	Verification	
Green Homes Grant	Verification	
Directorate issues	Transfer of Coventry Communications Centre to Whitley Depot	Significant
	Cash controls Homes for Ukraine	Fact Finding
	ICT Storeroom Physical Security	Fact Finding
Formal Follow ups	Health and Safety Audit Programme	Moderate
	Asset Management, Patching & Secure Configuration	Moderate

Appendix Three – Summary Findings from Key Audit Reports Completed between April and December 2022

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>CareDirector 21-22</p> <p>November 2023</p> <p>Business Systems Manager / Community Purchasing Working Group / Head of Commissioning and Quality / Acting Service Manager Operational Development / Financial Operations Manager / Operational Manager Financial Assessments / Head of Localities and Social Care Operations</p>	<p>Overall Objective: To ensure that the Council has effective systems in place to administer both payments made through CareDirector and income due from client contributions in respect of adult social care.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - All source input to the CareDirector system is accurate, complete and carried out on a timely basis. - All relevant clients in receipt of care provision are subject to a financial assessment, which determines accurate charges to be applied against the relevant client account on CareDirector. - Payments to individuals and suppliers are accurate, authorised prior to payment and are made on a timely basis. - Changes in circumstances that affect both services provided and client charges raised in CareDirector are dealt with accurately and on a timely basis. - Processes exist to ensure that services are ended on a timely basis when they are no longer required and the associated payments stopped. - Controls exist to ensure that the interface between CareDirector and Business World is processed accurately and completely. - Appropriate action is taken to pursue outstanding monies owed to the Council and provide accurate budgetary control information for management. <p>Opinion: Limited Assurance</p> <p>The assurance level reflects both that a significant number of agreed actions from previous audits remain unimplemented and there has been a deterioration in the control environment which has undermined the effectiveness of arrangements. In saying, we acknowledge that there have been a number of unforeseen issues arising from the upgrade of CareDirector to V6 and a number of staffing changes / resource issues which have required priorities to be re-focused and have presented challenges in operating business as usual requirements. Notwithstanding this, it is our view that moving forward, appropriate focus needs to be given to ensuring that effective controls are in place and are being consistently complied with.</p> <p>Agreed Actions - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Ensure that all outstanding agreed actions from previous audits are implemented. (H) • Ensure that for all users, appropriate separation of duties is enforced by CareDirector. (M)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> • Ensure that the approvers details are clearly recorded on the Service Request Form prior to input to CareDirector and forms are retained for all service provisions input. (M) • Ensure that all supporting documentation relating to annual inflationary increases are held in a single central repository. (M) • Ensure that arrangements for the electronic filing of invoices are fit for purpose and complied with. (H) • Take appropriate action to improve the timeliness of ending service provisions on CareDirector. (M) • Take action to improve arrangements for the monitoring of deferred charges. (M) • Take action to raise awareness of the timely referrals for a financial assessment and ensure that wherever possible, financial assessments are undertaken on a timely basis. (M) • Develop a comprehensive documented procedure for officers to follow in undertaking financial assessments which includes specific details of what should be captured in OneNote. (M) • Ensure that financial assessments are input on a timely basis. (M) • Take action to ensure that officers are aware of inputting requirements when clients move from short-term to long-term packages. (M) • Following additional checks / amendments to the accounts receivable extract, ensure that it is independently checked prior to processing to provide assurance that control totals have not been amended. (H)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Software Asset Management</p> <p>December 2023</p> <p>Cyber Security Lead / ICT Operations Lead / Data Centre Services Lead</p>	<p>Overall Objective: To ensure that the Council has robust and effective systems to adequately safeguard all software assets.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - Ensure complete and accurate inventory records of all software assets, including automated discovery of software assets - Confirm user restrictions on the ability to install application software - Evaluate change management processes to review and validate all new software acquisitions - Ensure regular audit of software assets with validation against license agreements - Verify that all unsupported or obsolete software is promptly removed. <p>Opinion: Moderate Assurance</p> <p>Agreed Actions:</p> <ul style="list-style-type: none"> • Establish a process to periodically review users who have been assigned Local Admin rights to ensure that such rights are restricted to valid and authorised ICT technical support personnel. (M) • An annual audit should be scheduled to validate software inventory records against software licence agreements. (M) • All unsupported SQL service 2012 databases should be promptly decommissioned or migrated to a vendor supported database environment. (M) • All unsupported Windows 2003 and Windows 2008 servers should be promptly decommissioned or migrated to a vendor supported environment. (M)