



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

24<sup>th</sup> July 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 Plan 2023-24

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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 2023-24 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 2023-24 (Appendix One 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 2023-24

**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:**

Draft Internal Audit Plan 2023-24

**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 2023-24. 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 2023-24.

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 2023-24** – 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. For 2023-24, it has been assessed that the resources available are 480 days for audit and corporate fraud work. However, due to unplanned absence within the Service at the current time (which has been factored in as far as possible), this assessment may be subject to some adjustment during the course of the year. In the event that there are significant changes to the level of resources available for 2023-24 which impact on the delivery of the Audit Plan, this will be reported to the Audit and Procurement Committee.
- In addition to the 480 available audit days, The Service also has two trainee posts as part of the longer-term strategic plan for the Service. Given the nature of these posts, it is not viewed as appropriate to formally include them within the assessment of resources for 2023-24, although they will provide support to the Team in delivery of audit work.
- In focusing the available resources to develop a plan which meets the needs of the Council and adds value, the following approach has been taken:
  - An initial risk assessment has been undertaken, which considers the Council's corporate risk register and any priorities 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.
  - The approach to undertaking annual audits of the Council's key financial systems has been reviewed and where appropriate to do so (e.g. where there is history of the system being well controlled) it has been determined that full audits will be undertaken on a bi-annual basis. However, where it has been agreed that there are areas of identifiable risk within these systems, these have been included as specific engagements within the draft audit plan for 2023-24, e.g Housing Benefit (HB) subsidy.
  - 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.
- Areas of planned work include:
  - Corporate Risks – the focus of audit coverage in 2023-24 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 compliance with the enabling attendance

policy, near miss reporting and assurance over the governance of Coventry Municipal Holdings.

- ICT – The programme of IT audit work is established through an IT audit needs assessment which identifies areas of focus. In 2023-24, the areas which have been agreed are, cyber security, asset management and end user computing.
- Council / Audit priorities – this incorporates audit work linked to specific priorities which have a corporate impact such as equality impact assessments, compliance with the Transparency Code and implementation of new IT systems / upgrades.
- 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 2023-24 identified areas include sports asset maintenance, adult education and the Public Health visitors' contract.

As a result, it is believed that the draft Audit Plan for 2023-24 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 2024. 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 2024 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 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**

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 One Coventry Plan?**

[\(www.coventry.gov.uk/councilplan/\)](http://www.coventry.gov.uk/councilplan/)

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:**

**Name and job title:**

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**Service:**

Finance

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Suzanne Bennett	Governance Services Co-ordinator	Law and Governance	5/7/2023	7/7/2023
Paul Jennings	Finance Manager Corporate Finance	Finance	5/7/2023	11/7/2023
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	5/7/2023	
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	5/7/2023	5/7/2023
Councillor R Lakha	Chair of Audit and Procurement Committee	-	5/7/2023	13/7/2023

This report is published on the council's website: [www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

**Appendix One – Internal Audit Plan 2023-24**

<b>KEY DRIVER</b>	<b>RISK LEVEL</b>	<b>AUDIT AREA</b>	<b>PLANNED DAYS</b>
<b>Corporate Risk</b>			
	High	ICT and Digital*	<b>30</b>
	High	CWRT loan book health check	<b>5</b>
	High	Coventry Municipal Holdings	<b>15</b>
	High	Near miss reporting	<b>15</b>
	High	Enabling Attendance	<b>15</b>
<b>Council / Audit Priorities</b>			
	Medium	Payment Audit*	<b>3</b>
	High	Implementation of new systems / upgrades	<b>15</b>
	Medium	IR35	<b>12</b>
	Medium	Equality Impact Assessments	<b>15</b>
	Medium	Transparency code	<b>5</b>
<b>Financial Systems</b>			
	High	Care Director	<b>20</b>
	Medium	Business Rates	<b>15</b>
	Medium	Accounts Payable	<b>8</b>
	Medium	Council Tax arrears	<b>7</b>
	Medium	Payroll	<b>10</b>
	Medium	HB subsidy	<b>15</b>
<b>Regularity</b>			
		Grants	<b>60</b>
		Corporate Governance	<b>10</b>
		Risk Management	<b>7</b>
		Schools	<b>36</b>
<b>Other</b>			
		Contingency / Directorate Risks	<b>100</b>
		Fraud	<b>15</b>
		Follow up	<b>14</b>
		2022/23 B/Fwd	<b>33</b>
		<b>Total Days Available</b>	<b>480</b>