



Coventry City Council

Public report

Report to

Audit and Procurement Committee

18th March 2024

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance and Resources

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 January 2023.

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 January 2023 to January 2024.

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 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.

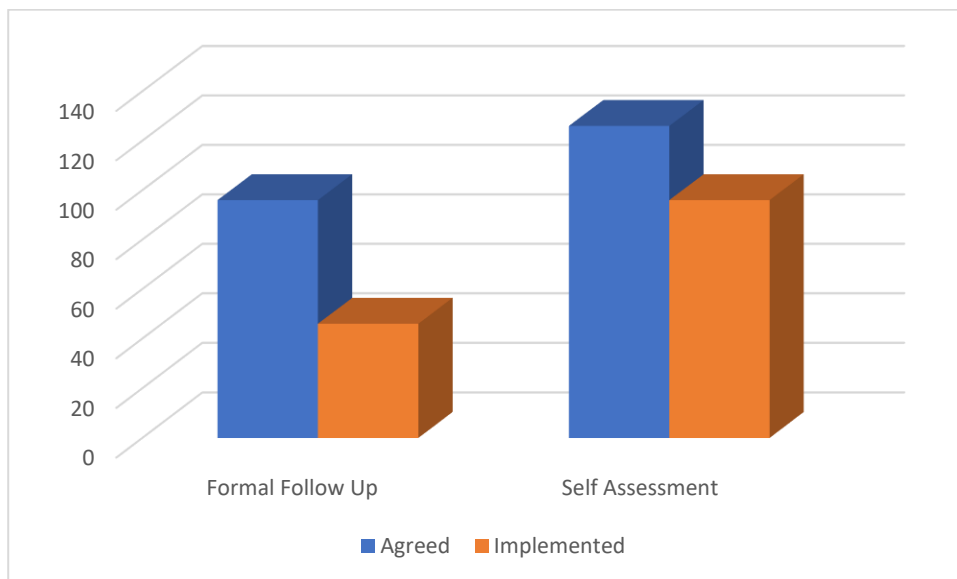
- 2.2 These considerations are expanded upon below:

- **Annual Audits:** Where audits are undertaken on an annual basis, a formal follow up review is undertaken as part of the next audit. This involves Internal Audit assessing progress through audit testing to ensure that agreed actions have been implemented and are working effectively.
- **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 222 actions followed up, 64% 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 – 48% implementation rate.
- Self-assessment follow up method – 76% implementation rate.

In terms of the specific results, the following points should be considered:

- Formal follow up – The implementation rate of 48% is slightly higher when compared with the results achieved last year, where the implementation rate was 45%. However, when compared to the results achieved prior to the Covid-19 pandemic, it is clear that implementation rates have reduced over time.
- Self- assessment – As the rate of implementation is considerably higher than the formal follow up method, it does suggest that action needs to be taken to ensure the current process can be relied upon.

As such, it is intended that the Chief Internal Auditor will attend Leadership Board in the near future to raise the issues highlighted above with a view to (a) underlining the importance of implementing agreed audit recommendations (b) consider how the self-assessment process can be improved to ensure its veracity can be relied upon.

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 Director of Finance and Resources 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 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? (<https://www.coventry.gov.uk/strategies-plans-policies/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

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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: | | | | |
| Michelle Salmon | Governance Services Officer | Law and Governance | 28/2/2024 | 29/2/2024 |
| Tina Pinks | Finance Manager Corporate Finance | Finance and Resources | 28/2/2024 | 8/3/2024 |
| Names of approvers for submission: (officers and members) | | | | |
| Barry Hastie | Director of Finance and Resources | - | 28/2/2024 | 7/3/2024 |
| Councillor G Duggins | Cabinet Member for Policy and Leadership | - | 28/2/2024 | 7/3/2024 |
| Councillor R Lakha | Chair of Audit and Procurement Committee | - | 28/2/2024 | 28/2/2024 |

This report is published on the council's website: www.coventry.gov.uk/council-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 | Additional Comments |
|---|---------------------------------|--------------------------------------|-----------------------------------|--|--|
| Resourcelink Self Service Delegated Authority | 4 | 0 | | | All actions are due to be implemented by March 2024. The Service have been informed that in the event of further delay, the matter will be escalated to the Audit and Procurement Committee. |
| Limbrick Wood Primary School | 4 | 0 | 6 | 1 | The School have converted to Academy Status. However, it has been agreed that assurance will be obtained through the self-assessment process that the actions have been addressed. |
| Statutory Compliance | 6 | 2 | 3 | 0 | |
| Information Governance Risk Management | 6 | 4 | 2 | 1 | |
| Cyber Resilience and Readiness | 2 | 2 | 13 | 6 | |
| Mobile Devices | 2 | 2 | 12 | 8 | |
| Parking Enforcement | 9 | 4 | 8 | 7 | |
| Accounts Payable 22-23 | | | 2 | 0 | |
| Accounts Receivable | | | 2 | 2 | |
| Payroll | | | 1 | 1 | |
| Council Tax | | | 2 | 0 | |
| Business Rates | 5 | 2 | 1 | 0 | |
| Accounts Payable 23-24 | | | 6 | 4 | |

Revised implementation dates have been agreed for all outstanding actions and these will be followed up through a further formal follow up / the self-assessment process

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 | Additional Comments |
|--|---------------------------------|--------------------------------------|-----------------------------------|--|----------------------------|
| Monitoring of key IT platforms | | | 4 | 3 | |
| Sports and Arts grants process | 1 | 1 | | | |
| EDI in recruitment | | | 6 | 2 | |
| Motion service desk | | | 2 | 2 | |
| Templars Primary School | | | 2 | 2 | |
| Asset management patching and configuration | | | 3 | 2 | |
| Compliance with working together standards | 2 | 0 | 2 | 1 | |
| Parking Enforcement | 5 | 5 | 1 | 1 | |
| Data Centre Security | | | 1 | 1 | |
| Baginton Fields School | 2 | 2 | | | |
| File Storage | 1 | 1 | 4 | 4 | |
| Storage Area Network | | | 1 | 0 | |
| Climate change risk assessment | | | 2 | 2 | |
| Allesley Primary School related party transactions | | | 7 | 7 | |
| Accounts Receivable | | | 2 | 1 | |
| Repairs and Maintenance | 4 | 1 | 6 | 6 | |
| Potters Green Primary School | 4 | 4 | 3 | 3 | |
| Wyken Croft Primary School | 3 | 3 | 2 | 2 | |
| Allesley Hall Primary School | 2 | 2 | 6 | 6 | |
| Deprivation of Liberty Safeguards | 3 | 2 | 4 | 2 | |
| Budgetary control | | | 3 | 0 | |
| Dol-y-moch HR issues | | | 10 | 6 | |
| Allesley Primary School | 6 | 5 | 6 | 2 | |
| IR35 compliance | 1 | 1 | 4 | 3 | |

| Audit Review | High Risk Actions Agreed | High Risk Actions Implemented | Medium Risk Actions Agreed | Medium Risk Actions Implemented | Additional Comments |
|---------------------------------|---------------------------------|--------------------------------------|-----------------------------------|--|----------------------------|
| John Shelton Primary School | 3 | 3 | 4 | 4 | |
| Health & Safety Audit Programme | 1 | 1 | 3 | 3 | |

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