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:
Quarter Three Internal Audit Progress Report 2023-24

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 2023, against the Internal Audit Plan for 2023-24.

Recommendations:

Audit and Procurement Committee is recommended to:

1)   Note the performance as at quarter three against the Internal Audit Plan for 2023-24.

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 2023

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 2023-24

1.   Context (or background)

1.1   This report is the second monitoring report for 2023-24, 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 2023-24 was presented to the Audit and Procurement Committee at its meeting on 24th July 2023. 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 any exceptions. 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.   In the half year progress report which was presented to the Audit and Procurement Committee at its meeting on 27th November 2023, it was explained that the Plan would need to be adjusted as a result of long-term unplanned absence within the Service. Consequently, the Plan has been amended to 400 days (a reduction of 80 days.). This has been accommodated through:

- Re-programming a small number of audit reviews into the 2024-25 Audit Plan. The decision on which audits to re-schedule has been based on discussions with management where it has been highlighted that undertaking the audit at a later date would be more beneficial from an assurance perspective due to changes in the operational environment.
- Changes in the risk environment impacting the requirement for audit involvement.

2.1.2 The key target facing the Internal Audit Service is to complete 90% of its work plan by 31st March 2024. The chart overleaf provides analysis of progress against planned work for the period April to December 2023 based on the revised audit plan of 400 days.

Chart One: Progress against delivery of Internal Audit Plan 2023-24
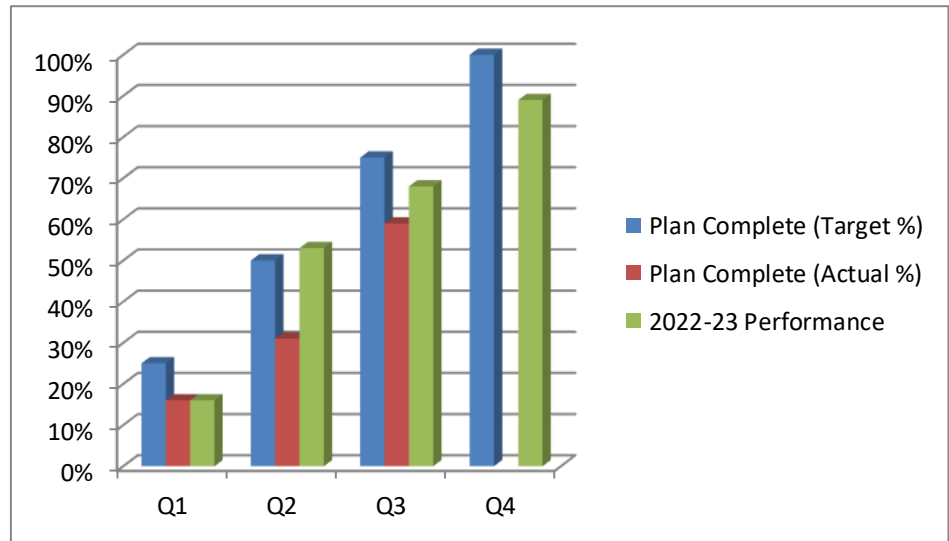
As at the end of December 2023, the Service had completed 59% of the Audit Plan against a benchmark of 75% (which reflects delivery of 100% of the plan). The main reason for the variation in performance relates to a small number of audits which have taken longer to complete than the original time estimated. This is expanded upon in 2.2 below. As such, it is clear that achieving 90% of the Plan by 31st March 2024 will be challenging. However, based on the work completed in quarter four to date, it is expected that performance will exceed 80%.

2.1.3 Taking into account the points at 2.1.1 and 2.1.2 above, it is the view of the Chief Internal Auditor that these changes will not, in any significant respects, impact on the ability to deliver the annual internal audit opinion.

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 overleaf shows a summary of the performance for 2023-24 to date against these five KPIs, with comparative figures for the financial year 2022-23. There is one target which is noticeably below expectations (audits delivered within budget days.) Whilst there are a number of reasons for this, for example, the audit area was more complex than originally envisaged, 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 2023-24

Performance Measure	Target	Performance Q3 2023-24	Performance 2022-23
Planned Days Delivered	100%	70%	96%
% of work time spent on audit work	90%	92%	91%
Draft Report to Deadline (Draft issued within two weeks of deadline)	80%	71%	60%
Final Report to Deadline (Final issued within two weeks of deadline)	80%	96%	92%
Audit Delivered within Budget Days (Where budget days have not been exceeded by more than 50%)	80%	63%	76%

2.2.1 The Public Sector Internal Audit Standards are based on the Global Internal Audit Standards. Following a review of the Global Standards by the Institute of Internal Auditors, a new set of standards will come into force in January 2025. As a result, the Internal Audit Service will be looking to develop a revised set of performance indicators for 2024-25 which are aligned to the new standards. Work is currently ongoing to assess what performance measures will be required and further updates on this will be provided to the Audit and Procurement Committee in due course.

2.3 Audits Completed to Date

Attached at Appendix One to the report is a list of the audits finalised between April and December 2023, along with the level of assurance provided.

As at 30th December 2023, the following audits were in progress:

- **Audits at Draft Report Stage** – Limbrick Wood Primary School Formal Follow-Up, Pothole Pro Health Check Stage Two.

- **Audits On-going** – Off-contract Agency Spend, End User Computing, Implementation of new IT systems / upgrades, IR35, Risk Management, IR35 in Schools, CareDirector Post Upgrade Assurance.

Details of a selection of key reviews completed in this period are provided at Appendix Two to the report. 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 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 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?**
(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 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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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	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

Audit Area	Audit Title	Assurance
2022-23 B/Fwd	Climate Change risk assessment	Fact finding
	Compliance with pre-employment checks	Limited
	Payroll 22-23	Significant
	Business Rates 22-23	Moderate
	Formal Follow up – Information Governance risk management	Moderate
Corporate Risk	Enabling Attendance	Limited
	Equality and Diversity in pay decisions	Significant
Council / Audit Priorities	Transparency Code	Limited
Financial Systems	Accounts Payable	Significant
Regularity	Growth Hub core grant	Verification
	Family Hubs and Start for Life grant	Verification
	Turnaround Programme grant	Verification
	Changing Places capital grant	Verification
	Homelessness grants	Verification
	Teachers Pension Statements	Verification
	Energy Bill Support Scheme – post payment assurance	Verification
	John Gulson Primary School	Reasonable[1]
	Holyfast Primary School	Reasonable
	Whitmore Park Primary School	Reasonable
	Stoke Park Primary School	Reasonable
	Disabled Facility grant	Verification
	Bus Subsidy grant	Verification
	Homes Upgrade grant	Verification
	Innovate UK MACAM grant	Verification
	Annual Governance Statement	Reasonable
	Local Authority Delivery phase 3 grant	Verification
Directorate Issues	Sports Assets maintenance programme	Reasonable
	ICT Storeroom physical security	Reasonable
Formal Follow-up	Resourcelink Self Service delegated authority	Limited
	Statutory compliance	Reasonable

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[1] From 2023-24 the term moderate assurance has been revised to reasonable assurance.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Enabling Attendance **March 2024** **Director of HR**	**Overall Objective:** To provide assurance that the Council's Enabling Attendance Policy / procedure is being complied with and effectively supports employees to maintain regular attendance. **Key controls assessed:** - Sickness absence is recorded on a timely basis, appropriately certified and return to work meetings are held. - Employees mental health is proactively supported in line with the Enabling Attendance Policy. - Arrangements are in place to ensure that where discussion thresholds are met, appropriate action is taken in accordance with the Enabling Attendance procedure. **Opinion**: Limited Assurance The control framework which underpins the Enabling Attendance Policy / procedures largely relies on the effectiveness of managers to ensure that requirements are met, with little oversight of activity from a HR / corporate perspective. As such, achieving 100% compliance is rare as there is always likely to be instances when procedures may not have been adhered to. However, the review has highlighted that the level of compliance with key requirements is, in our view, outside of what could be considered an acceptable level of tolerance. This creates the risk that the objectives of the Enabling Attendance Policy will not be met. Whilst there are actions that can be taken to assist in improving management compliance, it is our view that the Council also needs to consider strengthening its "second line of defence" in relation to ensuring the Policy / procedures are effectively used. **Agreed Actions - risk level high (H) or medium (M):** • Consider introducing annual mandatory training for all employees on the Enabling Attendance Policy / Procedure and sickness absence process and / or incorporate an assurance process into the appraisal process. (H) • Review and consolidate information on the Council's intranet in relation to the recording of sickness absence to ensure guidance is accurate, specific and can be accessed in one place. (M)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	• Provide quarterly reminders through "Managers Talk" on the sickness absence process. (M) • Consider introducing charges to service areas for all overpayments due to the late recording of sickness absence. (M) • Undertake periodic dip sampling of return-to-work forms to ensure that they are being completed and discussion thresholds are being accurately identified. (H) • Consider the Council's position in regards to the provision of fit notes and if required, determine appropriate controls to enforce the Policy requirements. (H) • Ensure that the long-term absence flowchart is accurately updated and published within the Toolkit. (M) • Ensure that HR consistently use threshold reports to identify absences which have met the specific discussion thresholds outlined in the Policy and contact managers accordingly. (H)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Transparency Code **October 2024** **Procurement Systems and Contracts Manager/ Employee Relations Lead / Parking Services Manager / Head of Governance / Deputy Head of Procurement / Corporate Governance Group**	**Overall Objective:** To provide assurance that data is being published by the Council in accordance with the Local Government Transparency Code. **Key controls assessed:** - All mandatory / recommended data included within the Transparency Code is published in accordance with the requirements of the Code. - Appropriate information management processes are in place to ensure the accuracy of data which is published. - Information is published in a helpful and accessible way. - Where publishing data creates the risk of payment fraud, appropriate internal control arrangements are in place to reduce risk. **Opinion**: Limited Assurance The assurance level provided reflects that the Council does not currently comply with all of the mandatory requirements of the Transparency Code. In particular, the review highlighted that several of the mandatory datasets are not published at all and where data is published this does not always include all of the required details. In addition, it is our view that there is an opportunity to improve the accessibility of the data to the public, which is a key principle which underpins the Code and supports the Council's Local Code of Governance. **Agreed Actions:** - Ensure that all mandatory datasets are published in accordance with the requirements of the Transparency Code. (H) - Establish corporate responsibility for the Transparency Code with arrangements in place to undertake an annual check to ensure it is being complied with. (H) - Ensure that all of the required information relating to the mandatory datasets is published. (H) - Establish a corporate position on whether the Council should publish recommended data and if so, ensure this is communicated to relevant service areas. (M) - Take action to publish all of the datasets on the Council's website in one place, in an accessible

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	format. (H)