



Coventry City Council

Public report

Report to

Audit and Procurement Committee

24th June 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 External Quality Assessment

Is this a key decision?

No

Executive summary:

The purpose of this report is to share the results of the External Quality Assessment of the Internal Audit Service and the updated Internal Audit Charter with the Audit and Procurement Committee.

Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the results of the External Quality Assessment, including the improvement action plan.
- 2) Approve the updated Internal Audit Charter.

List of Appendices included:

Appendix One – External Quality Assessment Final Report
Appendix Two – Internal Audit Charter

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 External Quality Assessment

1. Context (or background)

- 1.1 The Public Sector Internal Audit Standards require that a Quality Assurance and Improvement Programme (QAIP) must be developed and maintained. The Programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The Programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 1.2 The QAIP must include both internal and external assessments. External Assessments must be completed at least once every five years and an assessment for the Internal Audit Service at Coventry City Council has now been undertaken, with the final report issued in May 2024. The Standards require that the results of the assessment are discussed with the Audit and Procurement Committee.

2. Options considered and recommended proposal

- 2.1 There are two options available for conducting external assessments; a full external assessment; or a self-assessment with independent external validation. The preferred option to use a self-assessment approach was approved by the Audit and Procurement Committee at its meeting on 26th June 2023 and consequently, a tri-party arrangement was entered into with Solihull MBC and Sandwell MBC with each Council acting as the assessor for another. The assessment for Coventry CC was undertaken by the Head of Audit at Sandwell MBC who has over 30 years internal audit experience.
- 2.2 The independent external validation was based on the review a self-assessment checklist completed by the Internal Audit Service, along with interviews and a review of a number of key documents. The overall conclusion reached by the assessor was that "from the evidence reviewed as part of the independent validation of the self-assessment **Coventry City Council's Internal Audit Service conforms to the requirements of the Public Sector Internal Audit Standards and the requirements of the Local Government Application Note, with no key areas of non-compliance with the standards identified.**"
- 2.3 Notwithstanding the overall conclusion of the assessment, a number of improvement actions to further build on conformance were identified, both by the Chief Internal Auditor in completing the self-assessment and by the assessor. These are detailed in the full report attached as Appendix One to the report. The assessor has recommended that these are included in an action plan, with completion monitored by the Audit and Procurement Committee. This action plan has been included in the Internal Audit Annual Report and is also detailed overleaf:

	Improvement Action	Responsible Officer	Timetable
1	Identify Internal Audit's contribution to the review of effectiveness of the control environment within the Internal Audit Charter	Chief Internal Auditor	June 2024
2	Confirm that the Internal Audit activity is organisationally independent within the Annual Internal Audit report	Chief Internal Auditor	June 2024
3	Require the Audit and Procurement Committee to approve the annual Internal Audit Plan.	Chief Internal Auditor	July 2024
4	Development and application of a data-analytics strategy	Chief Internal Auditor	March 2025
5	Review and update of the Internal Audit Manual	Chief Internal Auditor in-conjunction with the Internal Audit Service	March 2025
6	Development of an audit universe to support the audit planning process	Chief Internal Auditor	2025-26
7	Undertake a formal assurance mapping exercise	Chief Internal Auditor	2025-26
8	Complete a review of the structure of the Internal Audit Service	Chief Internal Auditor / Director of Finance and Resources	July 2024
9	As part of the audit planning process confirm that there are sufficient resources to deliver grant certification work in the context of the wider Audit Plan	Chief Internal Auditor	July 2024
10	Undertake a housekeeping exercise on retention of engagement records	Chief Internal Auditor in-conjunction with the Internal Audit Service	August 2024

Progress in completing the action plan will be included in future reports to the Audit and Procurement Committee.

- 2.4 One of the improvement actions highlighted in the table above (action plan reference 1) is to "Identify Internal Audit's contribution to the review of effectiveness of the control environment within the Internal Audit Charter." As such, the Charter has been updated to reflect this (Section 7) and is included in Appendix Two to the report. The Public Sector Internal Audit Standards require that the Charter is approved by the Audit and Procurement Committee and this report provides an opportunity to do this.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

4.1 Timescales for implementing improvement actions have been identified and are included in the action plan.

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

The Public Sector Internal Audit Standards adopted from 1st April 2013 state that external assessments must be conducted once every five years by a qualified, independent assessor or assessment team from outside the organisation.

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?

The risk that the external validation of the assessment is not sufficiently robust is managed through (a) a tri-party arrangement which mitigates the risk of a conflict of interest occurring and (b) the competence of the assessor who has undertaken assessments for other local authorities and has specific experience of internal audit within local government.

The risk that the action plan is not implemented is managed through oversight by the Audit and Procurement Committee.

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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Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Resources	-	5/6/2024	6/6/2024
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	5/6/2024	10/6/2024
Councillor R Lakha	Chair of Audit and Procurement Committee	-	5/6/2024	5/6/2024

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