

Coventry City Council

Internal Audit: External Quality Assessment -  
Independent Validation

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Produced by:

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## 1 Introduction

- 1.1 As part of the Public Sector Internal Audit Standards there is a requirement for an external assessment of the internal audit service to be carried out at least once every five years and that this may be satisfied by either arranging for a full external assessment or by undertaking a self-assessment with independent validation.
- 1.2 The Council chose the option to undertake a self-assessment with independent validation as the preferred choice, and that the independent validation would be undertaken by Peter Farrow, the Head of Audit at Sandwell Council as part of a tri-reciprocal arrangement between Coventry, Solihull and Sandwell Council.
- 1.3 The Chartered Institute of Public Finance and Accountancy's (CIPFA) have produced a local government application note for the Public Sector Internal Audit Standards. The application note states that if an externally validated self-assessment is chosen, then the checklist included in the application note is recommended. Therefore, this checklist was completed by the internal audit team and formed the basis of the external validation.

As part of the external validation 1-1 interviews were also held with the following:

- Chief Operating Officer (Section 151 Officer)
  - Chair of the Audit and Procurement Committee
  - Chief Internal Auditor
- 1.4 A focus group meeting with members of the internal audit service was also held.
  - 1.5 Finally a number of key documents produced by Audit Services were also reviewed alongside the self-assessment including the latest Internal Audit Plan and Internal Audit Annual Report and examples of Terms of Reference and Internal Audit Reports for individual reviews.

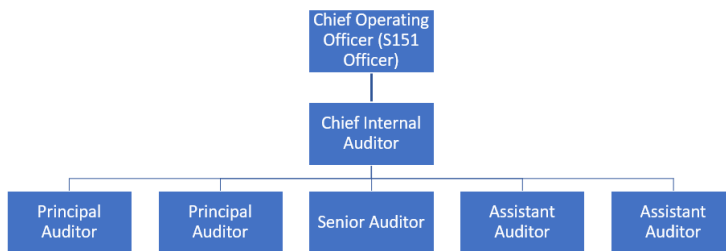
## 2 Conclusion

- 2.1 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.
- 2.2 As part of the comprehensive self-assessment exercise undertaken, the service area had already identified a number of actions that would help build on their conformance with the standards, and as part of the external validation a limited number of other areas were identified which will assist in this process. These are included in section 3 of this report.

### 3 Observations, Findings and Suggested Actions

#### Background

3.1 The Council has an in-house internal audit team managed by the Chief Internal Auditor who in turn reports to the Chief Operating Officer (Section 151 Officer). The Chief Internal Auditor is an experienced and qualified individual. Many of the team also hold professional audit qualifications. They operate in accordance with an Internal Audit Charter approved by the Council’s Audit and Procurement Committee.



3.2 In their 1-1 interviews both the Chief Operating Officer and the Chair of the Audit and Procurement Committee explained that they hold the internal audit team, and the Chief Internal Auditor in high-regard for the support provided to them in their roles and across the wider Council, and they were very appreciative of the work the internal audit function at the Council undertakes.

3.3 In the focus group the members of the internal audit team demonstrated their knowledge of the Public Sector Internal Audit Standards and were actively engaged in working to ensure they continue to provide a modern and effective internal audit service to the Council.

3.4 Internal Audit is an essential part of the Council’s corporate governance. In considering the Public Sector Internal Standards, 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”.

3.5 The priorities of the internal audit activity are determined through the development of an annual risk-based Internal Audit Plan clearly setting out the planned programme of work for the year ahead. The Plan is also shared with the Audit and Procurement Committee.

3.6 A score is allocated to the outcome of each review in order to reflect the level of assurance that can be obtained from that review. This also helps inform the annual Chief Internal Auditor opinion given at the end of the year. The scores used are as follows:

Assurance Level	Assurance Criteria
Significant	There is an appropriate level of control for managing all the significant inherent risks within the system. Testing shows that the controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically.
Reasonable	There are generally appropriate levels of control for managing the majority of the significant inherent risks within the system. Some control failings have been identified from the systems evaluation and testing that need to

	be corrected. The control failings do not put at risk achievement of the system's objectives.
Limited	There are weaknesses in the level of control for managing the significant inherent risks within the system. A number of control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
No	There are major, fundamental weaknesses in the level of control for managing the significant inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

- 3.7 The Internal Audit team provide regular monitoring reports to the Audit and Procurement Committee, which helps ensure they remain well informed on the outcome of individual reviews. Within this, there is a particular focus on reviews given Limited or No assurance.

### Internal Audit Self-Assessment

- 3.8 As indicated above, as part of the self-assessment exercise undertaken using the model provided by CIPFA in their local government application note for the Public Sector Internal Audit Standards, the Internal Audit Service had already identified a number of actions detailed in the table below that would help further develop their compliance with the standards. These were reviewed as part of this external validation process and it was felt that the actions, provided a fair and accurate reflection of the service area. These actions are noted in the table below.
- 3.9 The completion of the self-assessment tool was a significant piece of work undertaken by the Internal Audit team, in which each of the many standards are listed, and how conformance to each standard was evidenced was recorded alongside them. This was a very useful exercise in order to help facilitate this independent assessment.

### Required actions from the self-assessment exercise

Action Point	Required Action
1	Within the Internal Audit Charter identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2015 - the charter will be updated and presented to Audit and Procurement Committee as part of the 23/24 Annual Internal Audit Report.
2	Confirm to the board, at least annually, that the internal audit activity is organisationally independent - this will be included in the Annual Internal Audit Report for 23/24 presented to Audit and Procurement Committee.
3	Internal auditors to have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques. In exercising due professional care internal auditors consider the use of technology based audit and other data analysis techniques – a data analytics strategy and training plan will be developed.

4	Internal audit activity's plan of engagements to be based on a documented risk assessment - work is ongoing to consider how this can be documented in a more meaningful way and be underpinned by an Audit Universe.
5	Policies and procedures are regularly reviewed and updated to reflect changes in working practices and standards - work is ongoing to update the Audit Manual.
6	An assurance mapping exercise to be carried out as part of identifying and determining the approach to using other sources of assurance - whilst other sources of assurance are considered informally, the Service will look to complete a formal assurance mapping exercise.
7	The Head of Audit to develop and implement retention requirements for all types of engagement records - a housekeeping exercise will be undertaken.

### Additional observations

3.10 In addition to the above actions arising from the self-assessment exercise, the independent validation has made the following further observations for consideration:

### Suggested actions from the independent validation

Action Point	Suggested action
8	<p>The internal audit team has five audit posts reporting to the Chief Internal Auditor. At the time of this review there had been a vacancy at Principal Auditor level, with the second Principal Auditor also indicating that they had accepted a role at another local authority. In order to deliver the Internal Audit Plan, it is important that the team are supported in order to enable them to recruit back to their full establishment.</p> <p>Management response – accepted. Following an unsuccessful recruitment exercise, the structure of the establishment is currently being reviewed to ensure it is fit for purpose and enable the Service to be adequately resourced.</p>
9	<p>The 2023/24 Internal Audit Plan was presented to the Audit and Procurement Committee on 24 July 2023. The recommendation to the report was for the committee to consider the Plan and provide any comments on the content and scope of the proposed Plan. Ideally the recommendation put to the Audit and Procurement Committee should be for them to also approve the Plan as referenced in the Internal Audit Charter.</p> <p>Management response – accepted</p>
10	<p>As part of their regularity work, during 2022/23 the Internal Audit team were required to undertake a considerable number of grant certification work. This to some extent was increased by the need to certify grants relating to the Covid-19 pandemic. Whilst grant related work has since reduced, the Service should continue to consider the impact of such work in the context of the wider Internal Audit Plan and the use of resources.</p>

	Management response – accepted.
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#### *4 Recommendation*

It is recommended that the results of the actions identified by the Internal Audit Service through the completed self-assessment using CIPFA's local government application note, and the suggested actions arising from the external validation process are used to populate an Action Plan identifying the responsible officer and timetable for implementation. The successful completion of the actions in the Action Plan should then be monitored by the Chief Internal Auditor and the Audit and Procurement Committee.

#### *5 Acknowledgements*

I would like to pass on my thanks for their valuable time and contribution to this independent validation exercise, to Karen Tyler – Chief Internal Auditor, Barry Hastie – Chief Operating Officer (Section 151 Officer), Councillor Ram Lakha OBE – Chair of the Audit and Procurement Committee, and to the officers within the Internal Audit team.