



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

25th November 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 Plan 2024-25 – Half Year Progress Report

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**Is this a key decision?**

No – this is a monitoring report

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**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 September 2024, against the Internal Audit Plan for 2024-25.

**Recommendations:**

Audit and Procurement Committee is recommended to:

- 1) Note the performance as at quarter two against the Internal Audit Plan for 2024-25.
- 2) Consider the summary findings of the key audit reviews (attached at Appendix Two to the report).

**List of Appendices included:**

Appendix One - Audit Reviews Completed between April and September 2024

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:**

Internal Audit Plan 2024-25 – Half Year Progress Report

**1. Context (or background)**

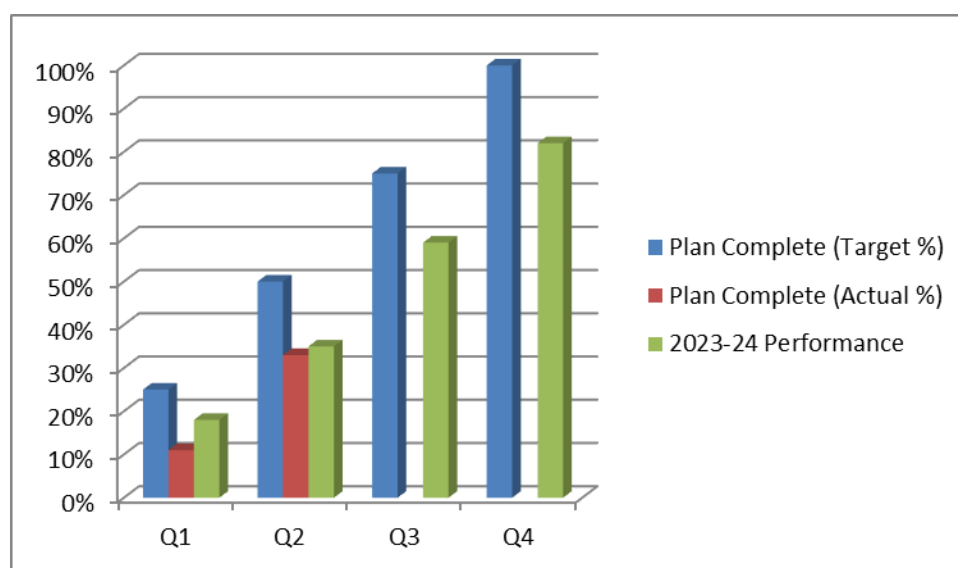
1.1 This report is the first monitoring report for 2024-25, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

**2. Options considered and recommended proposal**

**2.1 Delivering the Audit Plan**

The key target facing the Internal Audit Service is to complete 90% of its work plan by 31<sup>st</sup> March 2025. The chart below provides analysis of progress against planned work for the period April to September 2024.

**Chart One: Progress against delivery of Internal Audit Plan 2024-25**



As at the end of September 2024, the Service has completed 33% of the Audit Plan against a benchmark of 50% (which reflects delivery of 100% of the Plan). It is recognised that performance is below expectation, although the quarterly targets do not take account of the varying length of audits and as such performance will vary across the year. It is also apparent that performance has been impacted by vacancies within the Internal Audit structure. Whilst the Audit Plan for 2024-25 took account of this in terms of available audit days, draft reports are taking longer to turn round due to competing management demands. However, notwithstanding this, based on an assessment of performance as at early November 2024, it is predicted that the Service are on track to meet its target by the end of March 2025.

It should be noted that whilst the Annual Audit Plan is agreed at the start of the financial year, it may always be subject to change as a result of emerging risks,

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. Any significant changes to the Plan are reported to the Audit and Procurement Committee.

## 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 below shows a summary of the performance for 2024-25 to date against these five KPIs, with comparative figures for the financial year 2023-24. There are three areas where performance is below expectations, although in two areas the current position shows an improvement from 2023-24. Whilst there are a number of reasons which can impact on performance, for example the audit area was more complex than originally envisaged and has taken longer to complete than the original time estimated, 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 2024-25**

<b>Performance Measure</b>	<b>Target</b>	<b>Performance Q2 2024/25</b>	<b>Performance 2023/24</b>
<b>Planned Days Delivered</b>	100%	38%	88%
<b>% of work time spent on audit work</b>	90%	93%	92%
<b>Draft Report to Deadline</b> (Draft issued within two weeks of deadline)	80%	70%	64%
<b>Final Report to Deadline</b> (Final issued within two weeks of deadline)	80%	90%	92%
<b>Audit Delivered within Budget Days</b> (Where budget days have not been exceeded by more than 50%)	80%	67%	54%

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 for the UK public sector will come into force from 1<sup>st</sup> April 2025. As a result, the Internal Audit Service are developing a revised set of performance indicators which are aligned to the new standards. 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 September 2024, along with the level of assurance provided.

As at 30<sup>th</sup> September 2024, the following audits were in progress:

- **Audits at Draft Report Stage** – Payment Kiosks
- **Audits On-going** – Housing Benefit Subsidy, Group Governance Review, New Working Arrangements in Waste Services, CareDirector post upgrade assurance, Equality Impact Assessments, Emergency Planning / Business Continuity, Implementation of new IT systems, Henley Green Primary School, Howes Primary School, Sowe Valley Primary School, Willenhall Primary School, Disabled Facility Grant Service Review, Health Visitors Contract, Energy Billing, S17 Payments.

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

**Report author:**

**Name and job title:**

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**Service area:**

Finance and Resources

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<b>Contributor/approver name</b>	<b>Title</b>	<b>Service area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Law and Governance	6/11/2024	6/11/2024
Tina Pinks	Finance Manager Corporate Finance	Finance and Resources	6/11/2024	14/11/2024
<b>Names of approvers: (officers and members)</b>				
Phil Helm	Head of Finance	Finance and Resources	15/11/2024	15/11/2024
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	6/11/2024	14/11/2024
Councillor R Lakha	Chair of Audit and Procurement Committee	-	6/11/2024	6/11/2024

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



## Appendix One – Audit Reviews Completed between April and September 2024

<b>Audit Area</b>	<b>Audit Title</b>	<b>Assurance</b>
<b>2023-24 B/Fwd</b>	Care Director 23-24	Reasonable
	IT Asset Management – Leavers	Significant
	Cyber Security	Reasonable
	Business Rates 23-24	Limited
	Council Tax Arrears	Significant
	Register Office	Significant
<b>Regularity</b>	SHDF 2 grant	Verification
	Family Hubs and Start for Life grant	Verification
	Turnaround Programme grant	Verification
	Highways grants	Verification
	Homelessness grants	Verification
	Annual Governance Statement	Reasonable
	Teachers Pension Statements	Verification
	Disabled Facility Grant	Verification
	Broad Heath Primary School	Limited
	Earlsdon Primary School	Reasonable
	Bus Subsidy grant	Verification
	Longford Park Primary School	Reasonable
<b>Directorate issues</b>	EDT Pay Arrangements	Limited
<b>Follow ups</b>	Resourcelink self-service Delegated Authority	Limited (interim)
	IR35	Reasonable

## Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2024

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Business Rates</b></p> <p><b>October 2024</b></p> <p><b>Business Rates Manager</b></p>	<p><b>Overall Objective:</b> To ensure that the Council identifies, calculates, and collects all income due to the Council through business rates.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- An accurate register is maintained of all properties subject to business rates.</li> <li>- Liability for business rates is correctly calculated, including the application of any exemptions and reliefs.</li> <li>- Appropriate mechanisms are in place to collect monies due for business rates.</li> <li>- A risk-based quality assurance programme is in place to provide assurance in respect of accuracy of input and consistency of decisions made around liability.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p>The assurance level reflects both that a significant number of agreed actions from previous audits remain unimplemented and there have been a number of staffing changes / resource issues which have presented challenges in operating business as usual requirements and increases the risk that failures in the control environment will occur. Whilst we understand that time is required to fully resolve the resource issues, it is our view that this should be a focus for management in order to ensure that a robust control environment can be maintained in respect of the administration of Business Rates.</p> <p><b>Agreed Actions - risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Determine what the Service’s approach to undertaking visits should be, taking into account risks and available resources. Ensure that visits are undertaken in accordance with the agreed approach and reflected appropriately within the Team’s procedures. (H)</li> <li>• Ensure that requests to the VOA are effectively monitored with appropriate action taken to chase up responses and update records. (M)</li> <li>• Ensure that weekly schedules from the VOA are updated to the Academy system on a timely basis and the date of input is recorded. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> <li>• Ensure that procedures to underpin the award of mandatory charitable rate relief are complied with. (H)</li> <li>• Ensure that accounts for charitable organisations in receipt of mandatory rate relief are reviewed on an annual basis. (M)</li> <li>• Take action to (a) Develop an appropriate mechanism to enable effective monitoring of the progress of discretionary rate relief applications and to provide a process for assurance to be gained that they are actioned on a timely basis and (b) Ensure that appropriate evidence is retained to support decision making. (M)</li> <li>• Ensure that the approval of awards of Part Occupied Rate Reliefs are provided in writing and retained on file. (M)</li> <li>• Ensure that the testing for annual parameters includes a reconciliation to the reliefs listed on Gov.Uk. (M)</li> <li>• Establish a robust process to ensure that all changes in corporate property tenancies are promptly notified to Business Rates. (M)</li> <li>• Ensure that notifications of changes in liability from Corporate Property Management are processed in a timely manner. (M)</li> <li>• Ensure that the spreadsheet to evidence that refunds are checked in accordance with procedures prior to the refund being authorised is maintained. (M)</li> <li>• Update the Service's documented procedures relating to refunds to include details of how bank details should be established and verified prior to a refund being authorised. (M)</li> <li>• Ensure that write-offs are processed each month in accordance with procedures. (M)</li> <li>• Ensure that notes are added within Academy when holds are added to accounts and are removed on a timely basis. (M)</li> <li>• Ensure that the review of the quality assurance framework is completed, and arrangements are put in place for required checks to be undertaken in a timely manner. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Broad Heath Primary School</b></p> <p><b>July 2025</b></p> <p><b>Head Teacher / School Business Manager</b></p>	<p><b>Overall Objective:</b> To provide assurance that the School is meeting standards necessary to ensure regularity and propriety of spending and provide for good financial management.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Ensuring that there is adequate governance over the School’s financial management.</li> <li>- Ensuring that the School obtains value for money in relation to its spending.</li> <li>- Ensuring that the School protects public money and has appropriate internal controls in place which minimise the risk of fraud, error or loss.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p>The review highlighted weaknesses in arrangements across a number of key areas which underpin effective governance, including arrangements for whistleblowing and registering business interests. In addition, we were unable to establish that the School has followed procurement rules and obtained value for money in its purchasing decisions. As such, we do have concerns that the overall control environment is not sufficiently robust to protect the School from the risk of fraud and ensure effective financial management. In saying this, it is clear that these failings have existed for some time and are not reflective of the current Head Teacher and School Business Manager who have only been in post since Autumn of 2023. We acknowledge that the Head Teacher is committed to ensuring good practices are employed and a robust framework of controls is embedded.</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Complete the ESFA skills analysis matrix for the Governing Body and where required, develop an action plan to address any gaps. (M)</li> <li>• Ensure that Governors are presented with budget monitoring reports on a regular basis. (M)</li> <li>• Establish a register of business interests for all staff at the School. (H)</li> <li>• Ensure that the register of business interests for staff / governors is updated on an annual basis and staff / governors are reminded that any new interests which arise should be reported on a timely basis. (H)</li> <li>• Complete the ESFA skills analysis matrix for school staff with financial management responsibilities</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<p>and where required, develop an action plan to address any gaps. (M)</p> <ul style="list-style-type: none"> <li>• Ensure that in respect of all purchases of goods / services, the School complies with procurement rules / legislation, or where exceptions to this are required, approval is sought in advance from the Governing Body. (H)</li> <li>• Take action to produce a local procurement procedure. Whilst this should be consistent with the requirements of the Fair Funding Scheme of Delegation, it should set out the roles and responsibilities of staff and the Governing Body. (M)</li> <li>• Take action to further develop the register of suppliers to enable it to fully meet the requirements of a contract register and ensure it is shared regularly with the Governing Body to make them aware of upcoming milestones and provide them an opportunity to challenge procurement plans. (M)</li> <li>• Take action to develop a fraud / theft log so that all instances of fraud / theft can be recorded (including attempted fraud / theft). (M)</li> <li>• Review / update the School's Whistleblowing Policy. (H)</li> <li>• Ensure that the audit of the voluntary funds is brought up to date as soon as practicable and presented to the Governing Body. (M)</li> <li>• Take appropriate action to ensure that official purchase orders are raised / issued at the time the order is placed with the supplier. (H)</li> <li>• Ensure that in the event of future staff absences, alternative arrangements are put in place to maintain separation of duties within key financial processes. (H)</li> <li>• Ensure that the final BACS run listing is printed prior to the BACS run being processed and is approved by the Head Teacher. (M)</li> <li>• Improve controls over the School's purchasing cards. (M)</li> <li>• Ensure that bank reconciliations are subject to independent approval. (M)</li> <li>• Take action to develop a debtor's policy which is approved by the Governing Body. (M)</li> <li>• For the two cases highlighted in the review, ensure that a CEST check is completed and sent to Payroll for approval. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p data-bbox="129 316 479 384"><b>Emergency Duty Team Pay Arrangements</b></p> <p data-bbox="129 427 367 456"><b>December 2025</b></p> <p data-bbox="129 499 524 603"><b>Strategic Lead – Help and Protection in conjunction with HR</b></p>	<p data-bbox="562 316 2051 384"><b>Overall Objective:</b> To provide assurance that additional payments made to staff in the Emergency Duty Team are appropriately controlled and accurately paid.</p> <p data-bbox="562 427 920 456"><b>Key controls assessed:</b></p> <ul data-bbox="562 499 2051 719" style="list-style-type: none"> <li>- The scheme of additional payments in place within the Emergency Duty Team is consistent with the Green Book and other Council policies.</li> <li>- Eligibility for additional payments is clearly defined with arrangements in place to ensure the legitimacy and accuracy of payments.</li> <li>- Arrangements ensure that capacity within the Emergency Duty Team is managed appropriately to minimise the requirement for additional payments.</li> </ul> <p data-bbox="562 762 965 791"><b>Opinion:</b> Limited Assurance</p> <p data-bbox="562 799 2051 1126">The assurance level reflects that we have been unable to establish if there is any formal agreement in place in respect of the salary arrangements for staff and it does not appear that these arrangements have been reviewed for several years. In addition, it is clear that operational decisions have been made affecting pay which has increased the overall cost of the service without any senior management approval. As such, it is our view that there is a lack of proper governance over the Team. In addition, the review highlighted examples of where the controls to ensure payments are accurate and legitimate are insufficient or have not been properly exercised by management. Whilst we understand that action has already been taken to address some of the issues highlighted, from our perspective, a more fundamental approach is required to ensure that risks are appropriately managed.</p> <p data-bbox="562 1169 1339 1198"><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul data-bbox="562 1241 2051 1417" style="list-style-type: none"> <li>• A fundamental review of the Emergency Duty Team service is undertaken to provide for a more transparent scheme in respect of salary arrangements, which is based on the needs of the service and with appropriate controls in place to underpin the calculation of payments due to staff. (H)</li> <li>• Management arrangements for the Team are reviewed with clear expectations of the role defined and subject to appropriate oversight. (H)</li> </ul>