



Coventry City Council

Public report

Report to:

Audit and Procurement Committee

17th March 2025

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance and Resources (Section 151 Officer)

Ward(s) affected:

City-wide

Title:

Quarter Three Internal Audit Progress Report 2024-25

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

Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the performance as at quarter three 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 December 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: Quarter Three Internal Audit Progress Report 2024-25

1. Context (or background)

1.1 This report is the second 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'.

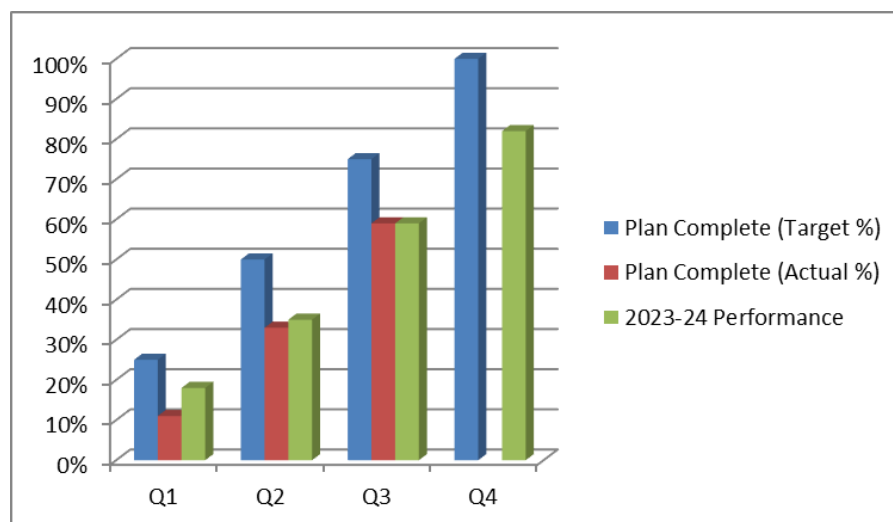
2. Options considered and recommended proposal

2.1 Delivering the Audit Plan

2.1.1 The Internal Audit Plan for 2024-25 was presented to the Audit and Procurement Committee at its meeting on 22nd July 2024. As the 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. In 2024-25, the agreed Audit Plan originally included 25 days in respect of ICT and Digital Services. Further discussions on the two specific planned audits with Digital Services have resulted in agreement for this work to be undertaken in 2025-26. This reflects the timing of planned activity within Digital Services which needs to be included in the scope of the work to maximise the value of the audit process. As a result, the Audit Plan has been amended to 625 days (from 650 days), although this does not directly impact on resources within the Internal Audit Service as this work is undertaken by specialist IT Auditors.

2.1.2 The key target facing the Internal Audit Service is to complete 90% of its work plan by 31st March 2025. The chart below provides analysis of progress against planned work for the period April to December 2024 based on the revised audit plan of 625 days.

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



As at the end of December 2024, the Service has completed 59% of the Audit Plan against a benchmark of 75% (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 February 2025, it is predicted that the Service will be close to meeting the target by the end of March 2025.

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 issues 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 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

Performance Measure	Target	Performance Q3 2024/25	Performance 2023/24
Planned Days Delivered	100%	64%	88%
% of work time spent on audit work	90%	93%	92%
Draft Report to Deadline (Draft issued within two weeks of deadline)	80%	76%	64%

Final Report to Deadline (Final issued within two weeks of deadline)	80%	94%	92%
Audit Delivered within Budget Days (Where budget days have not been exceeded by more than 50%)	80%	75%	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 1st 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 December 2024, along with the level of assurance provided.

As at 31st December 2024, the following audits were in progress:

- **Audits at Draft Report Stage** – Group Governance Review, S17 Payments
- **Audits On-going** – Equality Impact Assessments, Implementation of new IT systems, Homelessness, Housing Benefits / Council Tax Support, Health Visitors Contract, Energy Billing, Management of Plant and Equipment, SEN Transport Entitlement, Formal Follow Up Pre-employment checks, Formal Follow Up Enabling Attendance, Formal Follow Up Transparency Code

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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Name and job title:

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service area	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Law and Governance	26/2/2025	27/2/2025
Tina Pinks	Finance Manager Corporate Finance	Finance and Resources	26/2/2025	28/2/2025
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Resources (Section 151 Officer)	-	26/2/2025	27/2/2025
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	26/2/2025	4/3/2025
Councillor R Lakha	Chair of Audit and Procurement Committee	-	26/2/2025	26/2/2025

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Appendix One – Audit Reviews Completed between April and December 2024

Audit Area	Audit Title	Assurance	Previous Assurance level (if applicable)
2023-24 B/Fwd	Care Director 23-24 Formal Follow Up	Reasonable	Limited
	IT Asset Management – Leavers	Significant	n/a
	Cyber Security	Reasonable	Limited
	Business Rates 23-24	Limited	Reasonable
	Council Tax Arrears	Significant	n/a
	Register Office	Significant	n/a
	Care Director post upgrade assurance	Verification	n/a
	Housing Benefits Subsidy	Reasonable	n/a
Corporate Risk	New working arrangements in Waste Services	Reasonable	n/a
Council / Audit Priorities	Broadgate House Payment Kiosks	Reasonable	n/a
	Emergency Planning / Business Continuity	Reasonable	n/a
Regularity	SHDF 2 grant	Verification	n/a
	Family Hubs and Start for Life grant	Verification	n/a
	Turnaround Programme grant	Verification	n/a
	Highways grants	Verification	n/a
	Homelessness grants	Verification	n/a
	Annual Governance Statement	Reasonable	Reasonable
	Teachers Pension Statements	Verification	n/a
	Disabled Facility Grant	Verification	n/a
	Green Traffic Grant	Verification	n/a
	COMF Grant	Verification	n/a
	Broad Heath Primary School	Limited	Reasonable
	Earlsdon Primary School	Reasonable	Reasonable
	Bus Subsidy grant	Verification	n/a
	Longford Park Primary School	Reasonable	Reasonable
	Ernesford Grange Primary School	Reasonable	Reasonable
	Henley Green Primary School	Reasonable	Reasonable
	Howes Primary School	Reasonable	Reasonable
	Sowe Valley Primary School	Reasonable	Reasonable
	Stivichall Primary School	Reasonable	Reasonable
	Willenhall Primary School	Significant	Reasonable
Directorate issues	EDT Pay Arrangements	Limited	n/a
	Disabled Facility Grant	Fact Finding	Reasonable
Follow ups	Resourcelink self-service Delegated Authority	Significant	Limited
	IR35	Reasonable	Limited
	IR35 in Schools	Limited	None

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

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>Formal Follow Up – IR35 in Schools</p> <p>February 2025</p> <p>Payroll Operations Manager</p> <p>A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="129 865 533 1056"> <tr> <td>Number of Actions</td> <td align="center">5</td> </tr> <tr> <td>Implemented</td> <td align="center">3</td> </tr> <tr> <td>No Progress</td> <td align="center">0</td> </tr> <tr> <td>On-going</td> <td align="center">2</td> </tr> </table>	Number of Actions	5	Implemented	3	No Progress	0	On-going	2	<p>Overall Objective: To provide assurance that agreed actions have been implemented as planned and local authority-maintained schools are now complying with IR35 rules.</p> <p>Recommendations followed up:</p> <ul style="list-style-type: none"> - Re-write the guidance for Schools on off-payroll working / IR35 to provide more basic, simple and relatable instructions which include School specific examples. - Republish and relaunch the guidance to Schools. This should include an appropriate training offer. - Take further action to raise awareness with Schools around off-payroll working / IR35 on a periodic basis. - Ensure that appropriate action is taken in relation to the case highlighted where deductions should have been made. - Develop a central log of CEST checks which are received from Schools which is used to ensure that appropriate action is taken on a timely basis. <p>Opinion: Limited Assurance</p> <p>We recognise the efforts that Payroll have made to date to address the issues highlighted in the previous review. However, our opinion reflects that the testing undertaken has highlighted that arrangements need to become more fully embedded before greater assurance can be provided that Schools are consistently complying with IR35 rules.</p> <p>Agreed Actions - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Take action to re-phrase the Payroll Questionnaire for Schools so that it is clearer what they are being asked to respond to. (M) • Ensure that the training session for Schools is delivered as planned. This should include recording the session and making it available to Schools to access and re-view. (M)
Number of Actions	5								
Implemented	3								
No Progress	0								
On-going	2								

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> • Ensure the central log of CEST checks is further developed. (H) • Ensure that in cases of Personal Service Companies, a Status Determination Statement is sent to the School to issue. (H)