



Audit and Procurement Committee

Time and Date

1.30 pm on Monday, 12th November, 2018

Place

Diamond Room 2 - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 8)
To agree the minutes of the meeting held on 10th September 2018
4. **Exclusion of Press and Public**
To consider whether to exclude the press and public for the item(s) of business for the reasons shown in the report.
5. **Outstanding Issues** (Pages 9 - 16)
Report of the Deputy Chief Executive (Place)
6. **Work Programme 2018/19** (Pages 17 - 18)
Report of the Deputy Chief Executive (Place)
7. **The 2017-18 Annual Audit Letter for Coventry City Council (Grant Thornton)** (Pages 19 - 34)
Report of the External Auditor, Grant Thornton
8. **Internal Audit Plan 2018-19 - Half Year Progress Report** (Pages 35 - 46)
Report of the Deputy Chief Executive (Place)
9. **City Council Treasury Management Investment Activity** (Pages 47 - 50)
Report of the Deputy Chief Executive (Place)
10. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Private business

11. **Procurement and Commissioning Progress Report** (Pages 51 - 62)

Report of the Deputy Chief Executive (People)

(Listing Officer: M Burn, tel: 024 7683 3757)

12. **Finance and Governance Arrangements - Coombe Abbey**

Presentation by the Deputy Chief Executive (Place)

13. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Martin Yardley, Deputy Chief Executive (Place), Council House, Coventry

Friday, 2 November 2018

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon, Governance Services, Governance Services, Tel: 024 7683 3237 / 3065, Email: lara.knight@coventry.gov.uk / michelle.salmon@coventry.gov.uk

Membership: Councillors P Akhtar, S Bains (Deputy Chair), R Brown (Chair), T Sawdon, R Singh, H Sweet and K Taylor

Please note: a hearing loop is available in the committee rooms

If you require a British Sign Language interpreter for this meeting
OR if you would like this information in another format or
language please contact us.

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Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.00 pm
on Monday, 10 September 2018

Present:

Members: Councillor R Brown (Chair)
Councillor T Sawdon
Councillor R Singh
Councillor T Skipper
Councillor K Taylor

Employees (by Directorate):

Place: S Harriott, P Jennings, U Patel, K Tyler

Apologies: Councillor P Akhtar, S Bains and H Sweet

Public Business

24. Declarations of Interest

There were no disclosable pecuniary interests.

25. Minutes of Previous Meeting

The minutes of the meeting held on 16th July 2018 were agreed and signed as a true record.

26. Outstanding Issues

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) that identified issues on which further report/information had been requested or was outstanding so that Members were aware of them and could manage their progress.

Appendix 1 to the report provided details of an issue where a report back had been requested to a meeting, along with the anticipated date for consideration of the matter. Appendix 2 provided details of items where information had been requested outside formal meetings, along with the date when this had been completed.

RESOLVED that the Audit and Procurement Committee notes the outstanding issues report and agrees that those issues that are complete can be discharged from the report.

27. Work Programme 2018/19

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme of scheduled issues for consideration by the Committee for the year 2018/2019.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2018/19.

28. 2018/2019 First Quarter Financial Monitoring Report (to June 2018)

The Committee considered a report of the Deputy Chief Executive (Place) which advised of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2018. The report was considered by Cabinet on 28th August 2018, their Minute 31 refers.

The headline revenue forecast for 2018/19 was an over spend of £2.0m. At the same point in 2017/18 there was a projected overspend of £4.6m.

This position continued to reflect overspends in several service areas that had been subject to budgetary pressure in recent years, notwithstanding that 2018/19 Budget proposals increased budgets in these areas. Although the quarter 1 overspend position was not as large as this time last year, the Senior Management Board was aware of the need to address the range of budgetary issues facing the Council including continued challenges in relation to looked after children and housing and homelessness related costs.

The Council's capital spending was projected to be £249.4m for the year, a net decrease of £13.1m on the programme planned at the start of the year. However, there was the possibility of significant capital slippage later in the budgetary cycle.

The Committee discussed the use of agency workers and noted that the first quarter agency workers and interim manager's performance management report would be considered by the Cabinet Member for Strategic Finance and Resources in September and that relevant Directors would be invited to attend the meeting to discuss the use of agency workers in their service area. The Committee acknowledged that some use of agency staff was understandable and justified, however, the long term use of agency staff remains questionable.

RESOLVED that the Audit and Procurement Committee notes the current position and had no comments for Cabinet at this time.

29. Annual Fraud Report 2017-2018

The Committee considered a report of the Deputy Chief Executive (Place) which provided a summary of anti-fraud activity for the financial year 2017-18.

The report documented the Council's response to fraud during 2017-18 and was presented to the Committee in order to discharge its responsibility, as reflected in its terms of reference '*to monitor Council policies on whistle blowing and the fraud and corruption strategy*'.

Fraud in the public sector has a national focus through the publication of "Fighting Fraud and Corruption Locally - The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy stated that the level of fraud in the public sector was significant, the current trends in fraud activity included areas which Coventry City Council does not have responsibility for, such as social

housing; and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.

The Committee considered the information contained in the report and enquired whether welfare checks were undertaken in respect of any whistle blowers. In addition, the Committee requested information in relation to the number exemptions/discounts awarded by the Council in 2017/18 and that the next Committee report in relation to fraud to provide clearer details on “fraud” and “error” including distinguishing those action take to prevent fraud.

RESOLVED that the Audit and Procurement Committee considered and notes the anti-fraud activity undertaken in the financial year 2017-18.

30. **School Audit Recommendations**

The Committee considered a report of the Deputy Chief Executive (Place) which provided details of the high risk school audit recommendations made in last three years and the action taken to assist schools to ensure that financial controls were complied with.

At the meeting of the Audit and Procurement Committee on 26th March 2018, further information was requested whether other actions could be taken to assist schools to ensure they had effective financial controls in place.

The scope of internal audit work in relation to schools included providing an opinion as to whether systems were being effectively managed. The report provided details of the school audits carried out in the last three financial years, along with the audit opinion provided.

Where the findings of an audit resulted in limited or moderate assurance being provided, Internal Audit would make appropriate recommendations for improvement, which would be agreed with the school’s management, including a timescale for implementation. The audit findings which lead to recommendations would be given a risk rating, to assist schools in understanding the implications of the issue and prioritise the remedial action required. The risk level (high or medium) was determined by the Auditor, based on their professional judgement and in the context of the school environment, including the extent to which controls had not been complied with. The report provided a summary of high risk issues raised in the last three years.

From Internal Audit’s perspective, it was not surprising that similar issues arose in schools given that they used resources for the same purposes and often have similar working practises, procedures and processes in place.

Where audit recommendations are made, follow up processes were in place to ensure that the agreed actions had been implemented as planned. This included follow up audits, where a further audit opinion would be provided as to the effectiveness of the systems in place.

In addition to the work already undertaken by Internal Audit and the Council’s Financial Management Service, Internal Audit, in conjunction with the School Finance Team, produce a Finance and Audit newsletter which is issued to all local

authority maintained schools on a termly basis. There was also more scope for feedback and dialogue with finance and human resources to ensure issues were dealt with. Human resources had also introduced the provision of school business professional training, which if it proved to be popular, would be rolled out.

The Committee enquired what the criteria was for selecting schools to be audited and whether detailed reports would be forthcoming in respect of those schools that had been rated "limited", noting two schools in particular. It was reported that schools were audited on a risk based approach and results would be summarised within the 6 monthly and annual audit reports.

RESOLVED that the Audit and Procurement Committee considered and notes the summary of school audit recommendations and confirms its satisfaction with the action taken to assist schools to ensure that financial controls are complied with.

31. **Updated Procedural Guidance: Regulation of Investigatory Powers (RIPA) Covert Surveillance and Covert Human Intelligence Sources (RIPA Procedural Guidance)**

The Committee considered a report of the Deputy Chief Executive (Place) which updated procedural Guidance on Regulation of Investigatory Powers (RIPA) Covert Surveillance and Covert Human Intelligence Sources (RIPA Procedural Guidance).

The Regulation of Investigatory Powers Act 2000 (RIPA) governs the acquisition and disclosure of communications data and the use of covert surveillance by local authorities.

The Council uses powers under RIPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more, or are related to the underage sale of alcohol and tobacco. The three powers available to local authorities under RIPA: the acquisition and disclosure of communications data; directed surveillance; and covert human intelligence sources (CHIS)

The Act sets out the procedures that Coventry City Council must follow if it wishes to use directed surveillance techniques or acquire communications data in order to support core function activities (e.g. typically those undertaken by Trading Standards and Environmental Health). The information obtained as a result of such operations can later be relied upon in court proceedings providing RIPA is complied with.

The Council's compliance with RIPA is monitored by the Investigatory Powers Commissioner's Office (formerly by the Office of Surveillance Commissioners, which was abolished in 2017) who conduct inspections on roughly a bi-annual basis. The last inspection at Coventry City Council was December 2016.

The Home Office Code for Covert Surveillance and Property Interference recommends that elected members, whilst not involved in making decisions or specific authorisations for the local authority to use its powers under Part II of the Act, should review the Council's use of the legislation and provide approval to its

policies. The Council adopted this approach for oversight of the authority's use of Parts I and II of the Act.

The report outlined the updates and amendments made to the Council's RIPA Procedural Guidance following the Inspection by the Office of Surveillance Commissioners in December 2016 and their subsequent inspection report, dated December 2016; and the introduction of the General Data Protection Regulation (GDPR) on 25 May 2018.

In addition, separate guidance on the use of Social Media (also known as Social Networking Sites or SNS) has been produced and was attached at Appendix 2 to the report. Reference to the Use of Social Media in Investigations Guidance (the Social Media Guidance) has also been made in the RIPA Procedural Guidance at paragraph 7. The Social Media Guidance states that repeated viewing of Social Media could be classed as "surveillance" and as a consequence a RIPA authorisation should be sought to carry this out where the RIPA criteria are met (please see paragraph 1.1 and 1.2 of this report) or further advice should be sought from the Information Governance Team in the event that the activity falls outside of the RIPA criteria.

The Committee noted that the guidance on the use of social media was just guidance, as it was a developing area and as such there was no case law. However, it was acknowledged that the use of social media for intelligence gathering was on the increase and it was important to ensure that officers worked within the stipulated guidelines and did not stray into what could be classed as direct surveillance which required authority under RIPA.

RESOLVED that the Audit and Procurement Committee having considered the updated and amended RIPA Procedural Guidance requested that the Cabinet Member for Policing and Equalities ensures that appropriate publicity is undertaken in relation to the use of social media.

32. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of business.

(Meeting closed at 3.45 pm)

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Audit and Procurement Committee

12th November 2018

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

N/A

Title:

Outstanding Issues

Is this a key decision?

No

Executive summary:

This report is to identify those issues on which further reports / information has been requested or are outstanding so that Members are aware of them and can monitor their progress.

Recommendations:

The Committee is recommended to:-

1. Consider the list of outstanding items as set out in the Appendices, and to ask the Deputy Chief Executive concerned to explain the current position on those items which should have been discharged.
2. Agree that those items identified as completed within the Appendices be confirmed as discharged and removed from the outstanding issues list.

List of Appendices included:

Appendix 1 - Further Report Requested to Future Meeting
Appendix 2 - Information Requested Outside Meeting

Other useful background papers:

None

Has it or will it be considered by scrutiny?

N/A

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:
Outstanding Issues**

1. Context (or background)

- 1.1 In May 2004, the City Council adopted an Outstanding Minutes system, linked to the Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.
- 1.2 At their meeting on 25th January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, that a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside of the formal meeting.
- 1.3 Appendix 1 to the report outlines items where a report back has been requested to a future Committee meeting, along with the anticipated date for further consideration of the issue.
- 1.4 In addition, Appendix 2 sets out items where additional information was requested outside of the formal meeting along with the date when this was completed.
- 1.5 Where a request has been made to delay the consideration of the report back, the proposed revised date is identified, along with the reason for the request.

2. Options considered and recommended proposal

- 2.1 N/A

3. Results of consultation undertaken

- 3.1 N/A

4. Timetable for implementing this decision

- 4.1 N/A

5. Comments from the Director Finance and Corporate Resources

- 5.1 Financial implications

N/A

- 5.2 Legal implications

N/A

6. Other implications

- 6.1 How will this contribute to achievement of the Council's Plan?**

N/A

- 6.2 How is risk being managed?**

This report will be considered and monitored at each meeting of the Cabinet

6.3 What is the impact on the organisation?

N/A

6.4 Equalities / EIA

N/A

6.5 Implications for (or impact on) the environment

N/A

6.6 Implications for partner organisations?

N/A

Report author(s):

Name and job title:

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Governance Services Co-ordinator

Directorate:

Place

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Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Names of approvers: (officers and Members)				

This report is published on the council's website: www.coventry.gov.uk/moderngov

Appendix 1

Further Report Requested to Future Meeting

	Subject	Minute Reference and Date Originally Considered	Date For Further Consideration	Responsible Officer	Proposed Amendment To Date For Consideration	Reason For Request To Delay Submission Of Report
1.	Information Commissioner's Office – Data Protection Audit November 2017 – Update on Progress	19 th February 2018 (Minute 82/17)	October 2018	Adrian West		
2.	Information Governance Half-Yearly Progress Report 2018/19	16 th July 2018 (Min 20/18)	21 st January 2019	Adrian West / Sharon Lock		

* identifies items where a report is on the agenda for your meeting.

Appendix 2

Information/Action Requested Outside Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Half Yearly Fraud Update 2017 – 2018	Minute 69/17 22 nd January 2018	A press release be prepared highlighting the work undertaken, particularly data matching through NFI, to identify attempts to commit fraud.	Karen Tyler / Nigel Hart	
2.	Certification Work for Coventry City Council for Year Ended 31 st March 2017	Minute 79/17 19 th February 2018	The Committee requested information on how sampling for the certification work is undertaken.	Joan Barnett (External Auditor)	
3.	Internal Audit Annual Report 2017/2018	Minute 5/18 18 th June 2018 and Minute 13/18 16 th July 2018	The Committee requested that a timeline be prepared in respect of the Audit Team restructure.	Adrian West / Karen Tyler	
4.	Internal Audit Plan 2018/2019	Minute 7/18 18 th June 2018 and Minute 13/18 16 th July 2018	The Committee requested that a timeline be prepared in respect of the telephony system and customer service review.	David Ashmore	
5.	Information Governance Annual Report 2017/2018	Minute 20/18 16 th July 2018	A letter from the Chair of the Committee relating to data protection training for Elected Members, be prepared and circulated to Members	Adrian West/ Sharon Lock	

			In addition to the completion of Data Protection Training, workshops be arranged for Elected Members to support them on the requirements of the GDPR		
6.	Procurement and Commissioning Progress Report – Future Reporting Arrangements	16 th July 2018 (Min 22/18)	Further discussion be held with the Chair of the Committee to determine the most appropriate forum for the future consideration of the reports	Karen Tyler/Mick Burns	

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Audit and Procurement Committee

Work Programme 2018-2019

18th June 2018

Internal Audit Annual Report 2017-2018
Annual Governance Statement 2017-2018
Internal Audit Plan 2018-2019
Fraud and Corruption Strategy
Revenue and Capital Out-turn 2017-2018
Draft Statement of Accounts 2017-2018

16th July 2018

Audit Findings Report 2017-2018 (Grant Thornton)
Statement of Accounts 2017-2018
Audit Committee Annual Report 2017-2018
Information Governance Annual Report 2017-2018
Procurement Progress Report (Private)

10th September 2018

Quarter One Revenue and Corporate Capital Monitoring Report 2018-2019
Fraud Annual Report 2017-2018
School Audit Recommendations
Updated Procedural Guidance: Regulation of Investigatory Powers (RIPA) Covert Surveillance and Covert Human Intelligence Sources (RIPA Procedural Guidance)

12th November 2018

Annual Audit Letter 2017-2018 (Grant Thornton)
Half Year Internal Audit Progress Report 2018-2019
Treasury Management Update
Procurement Progress Report (Private)

21st January 2019

Quarter Two Revenue and Corporate Capital Monitoring Report 2018-2019
Corporate Risk Register Update
Half Yearly Fraud Update 2018-2019
Ombudsman Complaints Annual Report 2017-2018
Whistleblowing Policy Annual Report 2017-2018
ICO Update on Progress
Information Governance Half-Yearly Progress Report 2018/2019

25th February 2019

Grant Certification Report (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2018-2019
Quarter Three Internal Audit Progress Report 2018-2019
RIPA (Regulation of Investigatory Powers Act) Annual Report 2018-2019
Procurement Progress Report (Private)

25th March 2019

Annual Audit Plan (Grant Thornton)
Internal Audit Recommendation Tracking Report
Internal Audit Plan 2019-2020
Code of Corporate Governance (Adrian West)

Date to be agreed

Outside Body - Governance and Financial Arrangements for Coventry City of Culture Trust
Outside Body - Governance and Financial Arrangements for Culture Coventry
Outside Body - Governance and Financial Arrangements for Coombe Abbey Park Limited

Annual Audit Letter

Year ending 31 March 2018

Coventry City Council

August 2018



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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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Appendices

- A Reports issued and fees
- B Audit Adjustments
- C Recommendations

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Coventry City Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Procurement Committee as those charged with governance in our Audit Findings Report on 16 July 2018.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £12,642,000, which is 1.8% of the group's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 20 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO. No issues were identified from this work.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 20 July 2018.

Certification of Grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018. We will report the results of this work to the Audit and Procurement Committee in our Annual Certification Letter.

Certificate

We certify that we have completed the audit of the accounts of Coventry City Council in accordance with the requirements of the Code of Audit Practice.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Supporting development – we provided workshops for the finance team on accounts closedown
- Support outside of the audit – officers attended our Opportunity West Midlands Training Programme; and used our CFO Insights tool to facilitate benchmarking of the Council's expenditure.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group accounts to be 12,642,000, which is 1.8% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's accounts to be £12,610,000, which is 1.8% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We also set a lower level of specific materiality of £100,000 for senior officer remuneration due to the sensitivity of the disclosure to the reader of the financial statements

We set a lower threshold of £630,500, above which we reported errors to the Audit and Procurement Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts and the narrative report, and annual governance statement alongside the Statement of Accounts to check they are consistent with our understanding of the group and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the group's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Coventry City Council, mean that all forms of fraud are seen as unacceptable 	<p>We concluded we do not consider this to be a significant risk for Coventry City Council.</p>
<p>Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.</p>	<p>We:</p> <ul style="list-style-type: none"> • gained an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness; • obtained a full listing of journal entries to identify and test unusual journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>

Continued over....

Audit of the Accounts

Significant Audit Risks (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>We:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; considered the competence, expertise and objectivity of any management experts used; held discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions; reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; tested revaluations made during the year to ensure they are input correctly into the Council's asset register; and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>We concluded that the valuation basis was appropriate and that the resulting revaluation was appropriately accounted for.</p> <p>Our audit work did not identify any issues in respect of the valuation of property plant and equipment.</p>
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>We:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out undertook procedures to confirm the reasonableness of the actuarial assumptions made. checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Accounts

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Audit opinion

We gave an unqualified opinion on the group's financial statements on 20 July 2018, in advance of the national deadline.

Preparation of the accounts

The group presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit. We will be meeting with officers during September to discuss ways the audit process can be further smoothed.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit and Procurement Committee on 16 July 2018.

In addition to the key audit risks reported above, we reported one misclassification adjustment (identified by management in response to an audit query); and a small number of disclosure changes to the accounts. We also reported that management were not regularly reconciling the payroll system with the General Ledger; along with three non-critical findings from our review of the Group's IT general controls. Management made all recommended amendments to the accounts and provided appropriate responses to our recommendations. Further detail is provided in Appendices B (Audit Adjustments) and C (Action Plan)

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which did not identify any issues for the group auditor to consider on 30 August 2018.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Coventry City Council in accordance with the requirements of the Code of Audit Practice.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risk we identified and the work we performed is set out below.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Significant risk

Medium Term Financial Sustainability

The Council is currently forecasting a balanced budget for the two-year period to 2019/20. The Council faces difficulties in balancing its finances from 2020/21 onwards. It has identified a funding gap of £20.7m for that financial year, and acknowledges that the uncertainty with Local Government funding from 2020/21 onwards poses further difficulties in its work to deliver a balanced position

Findings

We found that the Council has:

- set a balanced budget for 2018/19 and 2019/20
- Is taking action to address the identified funding gap, including the planned use of investment and development programmes intended to boost Coventry's economic and social wellbeing
- Is putting actions in place to manage spend on looked after children and homeless accommodation whilst ensuring the quality of services provided is maintained

Conclusion

Auditor view

On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for:

- planning finances effectively to support its strategic functions
- making informed decisions.

Page 8 Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	26 March 2018
Audit Findings Report	16 July 2018
Annual Audit Letter	29 August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory group audit	173,460	176,394	173,460
Housing Benefit Grant Certification	14,020	TBC	15,698
Total fees	187,480	TBC	189,158

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA) of 173,460. The Actual fees to be billed are £176,394 which included the cost for Enhanced Audit Reporting

Coventry City Council holds publically listed debt and as such is a Public Interest Entity (PIE). The categorisation as a PIE necessitates additional audit work to comply with the International Standards on Auditing requirements in relation to PIEs. This follows a change in International Standards of Auditing (UKI) which requires Enhanced Audit Reporting for PIE. In particular, additional work was necessary at the risk assessment, reporting and communications stages of the audit, and additional quality control arrangements were necessary.

The additional Audit Manager input included:

- liaison with the Council in relation to listed debt held, review of documentation held by the Council and stock exchange listings, documentation of the Council's holdings on our audit file and compliance system
- additional compliance checks and ISA documentation requirements in relation to integrity, objectivity and independence
- communications with senior management and 'those charged with governance' at the planning stage, including enhanced disclosures and content within the Audit Plan
- drafting of an 'enhanced audit report' reflecting the significant assessed risks of material misstatement and audit responses
- preparing enhanced disclosures for inclusion in our Audit Findings Report (ISA260) to those charged with governance.

The additional Partner level input included:

- additional supervision
- review of the additional risk assessment, planning and compliance documentation
- additional time to review the enhanced audit report
- additional time to review enhanced Audit Plan and Audit Findings Report
- additional input from engagement review partner to reflect designation as a PIE audit.

The additional fee (£2934) has been discussed and agreed with the Council's Director of Finance.

A. Reports issued and fees

Fees for non-audit services

Service	Fees £
Audit related services	4,200 (indicative)
- Certification of 2017/18 Teachers Pension Return	
Non-audit services	
• CFO Insights (Full cost for 3-year subscription is £30,000. Annual charge is £10,000)	10,000
• Opportunity West Midlands Training Programme	5,500

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Group. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the treatment of non-audit work to your auditor.

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Detail	Auditor recommendations	Adjusted?
Misclassification	Our request for a copy of the payroll system to general ledger reconciliation resulted in management identifying a misclassification in note 3.6 between employee benefits (£7m understated in 2017/18 and £9m understated in 2016/17) and other service expenses (overstated by the same amounts). This is because some employee spend such as that on agency staff had incorrectly been classified as other services expenses.	<p>We agreed with management's assertion that the note should be corrected.</p> <p>Management response</p> <ul style="list-style-type: none"> We amended the accounts. 	✓
Disclosure	We identified during our testing of accruals that the related accounting policy did not reflect what happens in practice at the year end. Management updated the accounting policy to reflect year-end accruals practice.	<p>Auditor recommendations</p> <p>We recommended management update the accounting policy</p> <p>Management response</p> <ul style="list-style-type: none"> We updated the accounting policy. 	✓
Disclosure	We discussed with management the relevance of the inclusion of consideration of the going concern assumption in note 5.3 critical judgements given this is not an issue for the Council	<p>Auditor recommendations</p> <p>Management agreed with our view and agreed to update the note</p> <p>Management response</p> <ul style="list-style-type: none"> The Critical Judgement note has been amended. 	✓
Disclosure	A small number of disclosure changes were made – either to reflect information received after the accounts were drafted or to enhance presentation or agree to underlying records. These are all insignificant in terms of our materiality levels. Some of these changes were identified to us by management.	<p>Auditor recommendations</p> <p>The notes should be updated as discussed with management.</p> <p>Management response</p> <ul style="list-style-type: none"> We updated the financial statements. 	✓

Action plan

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue	Recommendations
1	●	Lack of regular reconciliation between the payroll system and the general ledger	<p>The payroll and general ledger should be reconciled on at least a quarterly basis to mitigate the risk that the financial statements do not capture all payroll expenditure.</p> <p>Management response</p> <ul style="list-style-type: none"> We have commenced work to perform monthly reconciliations
2	●	Lack of formal reviews of information security policies and procedures	<p>Information security policies and procedures should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy, and effectiveness.</p> <p>Management response</p> <p>The 'Acceptable Usage of ICT Facilities' policy has been re-written over the last few months and is currently going through the relevant internal review processes. It is expected that this will be launched within the next 2 months. This policy will then be used as the vehicle for 'ICT & Digital' to issue further standards, policies and procedures to the organisation. ICT & Digital are forming an ICT Governance working group to co-ordinate the delivery, development and implementation of these policies, procedures and standards across the organisation.</p> <p>'Acceptable Usage of ICT Facilities' policy published – 2 Months (Due to be completed by 31/07/18) Responsible Officer: Paul Jackson, IT Security Team Lead) ICT Governance group – Policy Review and Rewrites – 6 months (due to be completed by 30/11/18) Responsible Officer: Paul Jackson, IT Security Team Lead</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan

Page 32
3

Assessment

Issue

Recommendations



Weak logical access controls within Active Directory and ResourceLink

Password complexity should be consistently enforced within ResourceLink and Active Directory. Where / if possible, management should enable account lockout controls within Active Directory to address the risk of password cracking. Where / if an account lockout restriction cannot be enforced due to system limitation or other reasons, management should explore other controls designed to address the risk of password cracking within Active Directory. Alternative controls could include increased monitoring of login activity or more stringent enforcement of password length and complexity requirements.


Management response

- a) We have set our current Active Directory password policies in accordance with guidance issued by the National Cyber Security Centre (NCSC). Specifically they recommend against enforcing password complexity.
 - b) - Active Directory accounts are locked out after 10 failed attempts (as recommended by NCSC). However rather than require manual intervention to unlock they unlock automatically after 30 minutes. We agree that having the accounts locked out until manual intervention would be more secure. Our current policy gives some protection against brute forcing of account passwords whilst also providing a positive user experience.
- We utilise a range of technologies that assist in protective monitoring of Active Directory accounts including Microsoft Advanced Threat Analytics (ATA), Microsoft Office 365 Security, Logpoint (SIEM)




Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Action plan

	Assessment	Issue	Recommendations
4		Proactive reviews of logical access within Agresso and Active Directory	<p>It is our experience that access privileges tend to accumulate over time. As such, there is a need for management to perform periodic, formal reviews of the user accounts and permissions within Agresso and Active Directory. These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties).</p> <p>Management response</p> <p>We regularly review the access to the Agresso Desktop Client however this is done informally. We will look to formalise this process in the next 3 months</p> <p>We are currently removing access from all people who have not accessed the system in more than 6 months.</p> <p>We have also developed a tool to review all system access by cost centre which will be sent out to budget holders in July alongside a newly developed budget holder contract and will be repeated on an annual basis.</p> <p>Formalise desktop client access (support functions) review – by 31/07/18 Responsible Officer: Claire Maddocks, Finance Systems Accountant</p> <p>System access review – by 31/07/18 Responsible Officer: Claire Maddocks, Finance Systems Accountant</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice



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Coventry City Council

Public report

Report to

Audit and Procurement Committee

12th November 2018

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Internal Audit Plan 2018-19 – Half Year Progress Report

Is this a key decision?

No

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 2018, against the Internal Audit Plan for 2018-19.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter two against the Internal Audit Plan for 2018-19.
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 September 2018

Appendix Two - Summary Findings from Key Audit Reports

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 Plan 2018-19 – Half Year Progress Report

1. Context (or background)

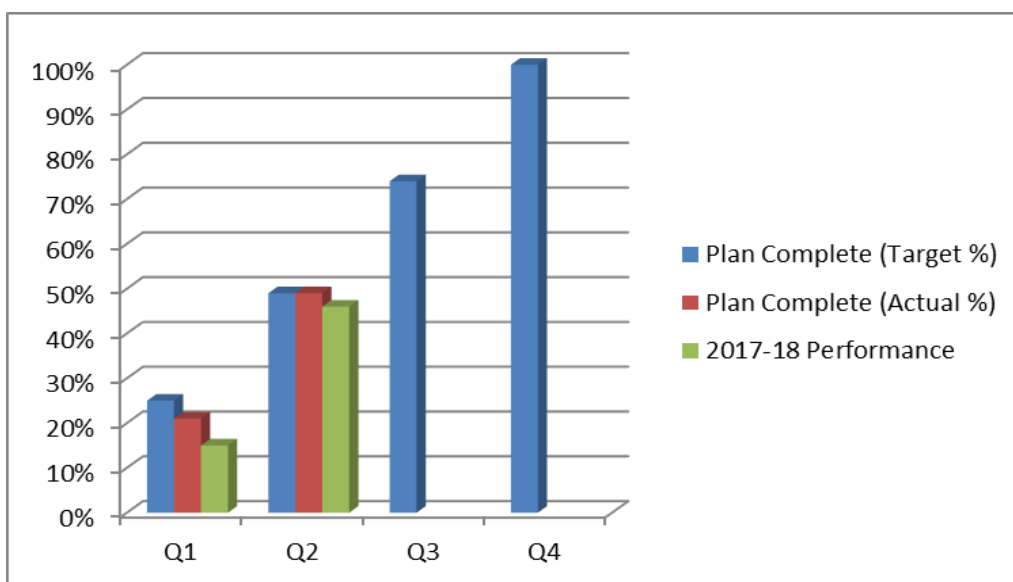
1.1 This report is the first monitoring report for 2018-19, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance 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 the 31st March 2019. The chart below provides analysis of progress against planned work for the period April to September 2018.

Chart One: Progress against delivery of Internal Audit Plan 2018-19



As at the end of September 2018, the Service has completed 49% of the Audit Plan against a planned target of 49% (which is based on delivering 100% of the plan) and is on track to meet its key target by the end of 2018-19. This also represents an improvement in performance from 2017-18.

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 2018-19 to date against these five KPIs, with comparative figures for the financial year 2017-18. There is one indicator (i.e. final report to deadline) where the Service's current performance is below expectations. This reflects the fact that in 2018-19, performance targets in completing grant verification work to an internal deadline (prior to the grant providers deadline) are now being set and measured. This has highlighted that more priority needs to be given to ensuring that issues arising from the Internal Audit quality assurance process are acted upon in a timely manner and action is being taken by

management to address this. In saying this, all grant verification work has been completed by the deadline set by the grant provider.

Table One: Internal Audit Key Performance Indicators 2018-19

Performance Measure	Target	Performance Q2 2018-19	Performance 2017-18
Planned Days Delivered (Pro rota against agreed plan)	100%	48%	93%
% of work time spent on audit work	90%	91%	91%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	88%	82%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	74%	100%
Audit Delivered within Budget Days	80%	80%	75%

2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between April and September 2018, along with the level of assurance provided.

The following audits are currently in progress:

- **Audits at Draft Report Stage** – Controls over accessing system data, Children’s Services financial culture (Section 17), Sowe Valley Primary School.
- **Audits On-going** – Learning Disabilities contract management, Frederick Bird Primary School, Risk management, Bribery and corruption, Permanence payments.

Details of a selection of key reviews completed in this period are provided at Appendix Two. 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 Corporate Services

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 council's 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) the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Karen Tyler – Acting Chief Internal Auditor

Directorate:

Place

Tel and email contact:

024 7683 4035– Karen.tyler@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Place	24/10/18	25/10/18
Paul Jennings	Finance Manager Corporate Finance	Place	24/10/18	25/10/18
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Corporate Services	Place	24/10/18	24/10/18
Adrian West	Members & Elections Team Manager	Place	24/10/18	31/10/18

This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix One – Audit Reviews Completed between April and September 2018

Audit Area	Audit Title	Assurance
2017-18 B/Fwd	User accounts	Moderate
	Housing benefits	Significant
Council / Audit Priorities	Changes to invoice processing	n/a systems advice
	Mandatory training	Moderate
	Resourcelink – delegated authority	Limited
	Tax evasion	n/a risk assessment
	Controls over cash administration	Moderate
	Purchasing cards	n/a systems advice
Regularity	S256 Health grant	Verification
	Troubled Families programme 1	Verification
	Troubled Families programme 2	Verification
	Disabled facilities grant	Verification
	Disabled facilities additional grant	Verification
	Teachers pension statements	Verification
	Post 16 Schools funding	Verification
	Highways maintenance / incentive / pothole grant	Verification
	Bus subsidy grant	Verification
	Integrated transport block grant	Verification
	Highways maintenance challenge fund grant	Verification
	Swanswell viaduct grant	Verification
	Catch grant	Verification
	Annual governance statement	Verification
	CNR	Significant
	NCH	Significant
	Directorate issues	Castlewood School
Foxford School		Moderate
	Agency workers contract	n/a advice
	Administration of Corporate Identity Cards	Limited
	Community support grant	Significant
Follow Up	GDPR readiness	Moderate
	Hillfields School	Significant
	Edgewick School	Significant
	HB overpayments	Moderate
	Energy billing	Significant
	Management of plant and equipment	Limited

Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2018

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Administration of Corporate Identity Cards</p> <p>December 2018</p> <p>Operations Manager in conjunction with the Head of Facilities Management</p>	<p>Overall Objective: To ensure that the Council has effective and efficient processes in place to control the issue and use of Corporate Identity Cards which provide access to Council buildings.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - The Council has an appropriate policy to support the issue and use of Corporate Identity Cards to employees and temporary staff to Council buildings to ensure access is effectively controlled. - Robust systems are in place to support the issue of Corporate Identity Cards. - Effective arrangements are in place to ensure access rights for leavers are revoked on a timely basis and Corporate Identity Cards retained by the Council. - A register of all Corporate Identity Cards holders is maintained which is subject to review on a periodic basis to ensure that cards no longer in use are cancelled. <p>Opinion: Limited Assurance</p> <p>Actions Agreed - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Production of a documented procedure to outline the processes which should be followed in administering the system and ensuring that there is adequate management oversight of this. (H) • Investigating the capabilities of the IT system and provide training to relevant officers to ensure the software is fully understood and effectively used. (H) • Putting in place cover arrangements so that the system can be effectively operated in the absence of the Facilities Officer. (H) • Requiring temporary cards to be requested through MyServiceDesk and entering an appropriate end date on all temporary cards issued.(H) • Requiring Council House reception staff to notify the Facilities Officer on a timely basis where a visitors pass is not returned to enable it to be cancelled. (H) • Produce quarterly reports from the system to identify users who have not used their card in the past three months and take action to delete the user / cancel any cards issued to them. (H) • Stop the current approach to the data cleanse exercise and agree arrangements to enable this to be done as far as possible as a bulk exercise. (H)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Mandatory training</p> <p>January 2020</p> <p>Organisational Development Manager / Head of Workforce Transformation / Digital Transformation Manager / Head of Payroll</p>	<p>Overall Objective: To ensure the Council has effective systems in place to ensure that the corporate mandatory training programme includes appropriate content and is completed by all Council employees on a timely basis.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - Processes exist to ensure the content of the mandatory training programme is appropriate and meets the needs of the Council. - Appropriate delivery methods are utilised to ensure that all employees across the Council can access mandatory training on a timely basis. - Effective monitoring arrangements are in place to ensure that all employees complete their mandatory training on a timely basis. <p>Opinion: Moderate Assurance</p> <p>Actions Agreed - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Introduce a structured approach for updating the content of classroom briefings for non-networked staff. (M) • In-conjunction with senior management, undertake a periodic review of the overall mandatory training programme to ensure it continues to meet the needs of the Council. (M) • Ensure that work to introduce a process to issue reminders to staff that their mandatory training is due is commenced as a matter of priority. (H) • Continue to work towards developing management information reporting for all mandatory training courses to provide specific details of who has / has not completed the training. (H) • Once reporting is in place develop guidance which provides details to managers on how they should use the management information to monitor the completion of mandatory training and take appropriate action.(H)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>GDPR Readiness Follow up review</p> <p>September 2018</p> <p>Head of Information Governance / Elections & Members Team Manager</p> <p>A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="129 810 530 1121"> <tbody> <tr> <td>Number of Actions</td> <td>7</td> </tr> <tr> <td>Implemented</td> <td>4</td> </tr> <tr> <td>No Progress</td> <td>0</td> </tr> <tr> <td>On-going</td> <td>3</td> </tr> </tbody> </table>	Number of Actions	7	Implemented	4	No Progress	0	On-going	3	<p>Overall Objective: To provide assurance that agreed actions have been implemented as planned and the Council has made sufficient progress to comply with GDPR.</p> <p>Recommendations followed up:</p> <ul style="list-style-type: none"> - Develop a separate action plan for GDPR, which is owned and managed by the Information Governance Team and used to monitor progress through the GDPR steering group / Information Management Strategy Group (IMSG). (H) - Establish appropriate target dates for completion of Record of Processing Activity (ROPA's) which ensures adequate priority is given to completing this work. (H) - As part of the development of the action plan, review the current approach of relying on the ROPA's and ensure that the actions required to deliver the key activities are appropriate and fit for purpose. (H) - Review the current approach / timescales to producing service area action plans and put in place appropriate arrangements to manage this activity. (H) - Review the governance round the GDPR steering group and put in place arrangements to ensure it is fit for purpose and includes robust monitoring of the action plan. (M) - Ensure that the risks around Children's Services data in relation to GDPR are assessed and a clear position statement produced for consideration by senior management (M) - Consider the implications if mandatory training is not completed by the 30th April 2018 and whether other action will be required in the event that this happens. (M) <p>Opinion: Moderate Assurance</p> <p>Agreed Actions - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Review / update the GDPR action plan and the tracker to ensure that they are both aligned and provide an accurate report of progress made. Arrangements should also be agreed to ensure that they are accurately updated on an on-going basis. (H) • Ensure that the target dates for outstanding ROPA's are communicated to service managers. (H) • Seek approval from IMSG to disband the GDPR steering group with responsibility for monitoring of the GDPR action plan becoming part of the Information Governance Team's business as usual processes (with oversight by IMSG). (M)
Number of Actions	7								
Implemented	4								
No Progress	0								
On-going	3								

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Resourcelink Self Service – Delegated Authority</p> <p>August 2019</p> <p>Payroll Support Manager</p>	<p>Overall Objective: To provide assurance that appropriate delegations are in place in relation to the self-service function within Resourcelink and to consider what gaps exist in the governance of these arrangements.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - There is appropriate governance over the system of delegated authority for Resourcelink self-service. - Delegated authority for self-service is used appropriately across the Council, including separation of duties. - Irregular claims are made in accordance with the Council’s policies and procedures. <p>Opinion: Limited Assurance</p> <p>Actions Agreed - risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Develop and implement a clear set of protocols to provide governance over the use of delegated authority within Resourcelink. (H) • Develop arrangements to gain assurance that delegations are used in accordance with protocols.(H) • Take action to enable accurate and meaningful management information to be produced from Resourcelink on the use of delegated authority. (H) • Use management information to monitor the use of delegated authority in accordance with established protocols, e.g. through exception reports. (H) • As part of the development of protocols to underpin use of delegated authority, ensure that they include appropriate rules regarding separation of duties and levels at which delegations should operate. (H)

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Coventry City Council

Briefing Note

To **Audit and Procurement Committee**

Date **12th November 2018**

Subject **City Council Treasury Management Investment Activity**

1 Background and Purpose of the Note

This note provides an update on the Council's Treasury Management activity.

2 Treasury Management Activity

2.1 Appendix 1 in this report shows the Council's Lending List – a list of those banking and government institutions that the Council's Investment Strategy allows us to invest cash balances with. Appendix 2 shows the most recent list of investments that the Council holds.

2.2 The current lending list is maintained in line with advice provided by the Council's Treasury Management advisors (Arlingclose) which bases its judgement on information from credit rating agencies.

2.3 Since the last report in November 2017 there has been a major change in the UK banking system whereby the largest UK banks have been "ring-fenced". This means that the largest UK banks must separate core retail banking from investment banking in order to help manage any banking failures & to make the impact of such failures less severe than they have been in the past. The Council can invest in both of these ring fenced banks in some cases, which is why it looks like we have certain banks on the lending list twice. Those banks that we can invest in both ring fenced banks at the same time are HSBC and Barclays.

Another significant change to the counterparty list is the reduction in the counterparty limits. The counterparty limits are based on the expected cash levels for the coming year. As a result of repaying some long term borrowing and a large capital program it was anticipated that the Council's cash balances would be lower than previous years. Therefore counterparty limits have been reduced from £8m to £6m for investments with banks.

Also, two UK banks (Royal Bank of Scotland and Ulster bank), three German banks (Bayerische Landesbank, DZ Bank and Landesbank Baden Wuerttemberg) and one unrated Building Society (Harpenden) have been added to the approved lending lists based on advice from Arlingclose as a result of improved financial performance.

Full details can be seen in the lending list in Appendix 1.

2.4 The total level of investment balances held by the Council stood at £100.1m as at 12th October 2018 compared with £99.6m as at 13th October 2017. The breakdown of these balances is shown below.

	13/10/2017 £m	12/10/2018 £m
Bank Deposits	24.4	7.0
Local Authority Deposits	0.0	6.0
Money Market Funds	16.0	37.2
Collective Investment Funds	39.8	38.9
Corporate Bonds	11.4	5.0
Housing Associations	8.0	6.0
Total	99.6	100.1


2.5 Since the last report there has been a change in emphasis with regards to Collective Investment Funds. Collective Investment Funds are funds operated by financial institutions who pool money from several investors and use that money to invest in products that the Council would otherwise be unable to invest in due to the complexities of the products involved.

The Council previously had investments with a small number of institutions which were very low risk but also had a relatively small return. In a search for greater returns whilst maintaining high levels of security, the Council now invests in a wider range of funds which offer a higher return, but are potentially more volatile than previous investments. High levels of security have been maintained whilst increasing returns and volatility by investing smaller amounts in each institution thus diversifying the investment portfolio and choosing products that will react differently to market events, meaning that any losses that an individual product makes will be offset by gains made by other products.

2.6 Since the last report, £5m of PWLB borrowing has matured and as such been repaid. Also, £20m of the Council's LOBO borrowing has been repaid early due to beneficial early repayment terms being offered by the lender. The savings from this were incorporated in the 2018/19 Budget Report.

2.7 As a result of the significant payments required to repay the above borrowing, some short term borrowing has been undertaken since the last report. This totalled £45m, with the highest amount outstanding at any one time being £32.5m. Whilst the Council held this borrowing, investment balances were still at approximately £60m and any interest costs associated with borrowing were more than covered by these investment balances. The Council still has £10m of this borrowing outstanding at the time of this report.

Appendix 1

 COVENTRY CITY COUNCIL LENDING LIST							03/09/2018		Position number in 'Investment Grade'		
<small>USING MINIMUM ACCEPTABLE CREDIT QUALITY</small>											
Institution	Country	Long Term Rating			Limit £m	Term Limit	Position number in 'Investment Grade'				
		Fitch	Moody's	S & P			Fitch	Moody's	S&P		
Debt Management Office	UK	AA+	Aa1	AAA		50 years	2	2	1		
Local Authorities	UK	AA+	Aa1	AAA		50 years	2	2	1		
HSBC Bank plc (* See note below)	UK	AA-	Aa3	AA-	£5.8m	6 Months	4	4	4		
HSBC UK Bank plc (* See note below)	UK	AA-		AA-	£5.8m	6 Months	4		4		
Lloyds Bank Group											
Bank of Scotland plc (** See note below)	UK	A+	Aa3	A+	£1.4m	6 Months	5	4	5		
Barclays Bank Group											
Barclays Bank plc	UK	A	*+	A2	£6m	100 Days	6	6	6		
Barclays Bank Group											
Barclays Bank UK plc	UK	A	*+	A1	£6m	100 Days	6	5	6		
Coventry BS	UK	A		A2	£6m	6 Months	6	6			
Close Brothers Ltd	UK	A		Aa3	£6m	6 Months	6	4			
Lloyds Bank Group											
Lloyds Bank plc (** See note below)	UK	A+	Aa3	A+	£1.4m	6 Months	5	4	5		
Nationwide BS	UK	A+	Aa3	A	£6m	6 Months	5	4	6		
Santander UK Plc (Abbey)	UK	A	*+	Aa3	£6m	6 Months	6	4	6		
Standard Chartered Bank	UK	A+	A1	A	£6m	6 Months	5	5	6		
Goldman Sachs International Bank	UK	A	A1	A+	£6m	100 Days	6	5	5		
Leeds Building Society	UK	A-	A3		£6m	100 Days	7	7			
RBS Bank Group											
National Westminster Bank (***) See note below)	UK	A-	A1	A-	£5.5m	100 Days	7	5	7		
RBS Group											
Royal Bank of Scotland PLC **** - (See note below)	UK	A-	A1	A-	£5.5m	100 Days	7	5	7		
RBS Group											
Ulster Bank Limited **** - (See note below)	UK	A-	A1	A-	£5.5m	100 Days	7	5	7		
DARLINGTON BUILDING SOCIETY	UK				£1m	100 Days					
FURNESS BUILDING SOCIETY	UK				£1m	100 Days					
HARPENDEN BUILDING SOCIETY	UK				£1m	100 Days					
HINCKLEY & RUGBY BUILDING SOCIETY	UK				£1m	100 Days					
LEEK UNITED BUILDING SOCIETY	UK				£1m	100 Days					
MANSFIELD BUILDING SOCIETY	UK				£1m	100 Days					
MARSDEN BUILDING SOCIETY	UK				£1m	100 Days					
MELTON MOWBRAY BUILDING SOCIETY	UK				£1m	100 Days					
NATIONAL COUNTIES BUILDING SOCIETY	UK				£1m	100 Days					
NEWBURY BUILDING SOCIETY	UK				£1m	100 Days					
SCOTTISH BUILDING SOCIETY	UK				£1m	100 Days					
TIPTON & COSELEY BUILDING SOCIETY	UK				£1m	100 Days					
Australia and New Zealand Banking Group Ltd	AU	AA-	Aa3	AA-	£6m	6 Months	4	4	4		
Commonwealth Bank of Australia	AU	AA-	Aa3	AA-	£6m	6 Months	4	4	4		
Westpac Banking Corporation	AU	AA-	Aa3	AA-	£6m	6 Months	4	4	4		
Bank of Montreal	CA	AA-	Aa2	A+	£6m	6 Months	4	3	5		
Bank of Nova Scotia	CA	AA-	Aa2	A+	£6m	6 Months	4	3	5		
Canadian Imperial Bank of Commerce	CA	AA-	Aa2	A+	£6m	6 Months	4	3	5		
Royal Bank of Canada	CA	AA	Aa2	AA-	£6m	6 Months	3	3	4		
Toronto Dominion Bank	CA	AA-	Aa1	AA-	£6m	6 Months	4	2	4		
Danske Bank A/S	DK	A+	A1	A	£6m	100 Days	5	5	6		
OP Corporate Bank	FI		Aa3	AA-	£6m	6 Months		4	4		
Bayerische Landesbank	GE	A-	Aa3		£6m	6 months	7	4			
DZ Bank	GE	AA-	Aa1	AA-	£6m	6 months	4	2	4		
LANDESBANK HESSEN-THURINGEN	GE	AA-	Aa3	A	£6m	6 Months	4	4	6		
Landesbank Baden Wuerttember	GE	A-	Aa3		£6m	6 Months	7	4			
Cooperative Centrale Raiffe (Rabobank)	NE	AA-	Aa3	A+	£6m	13 Months	4	4	5		
ING Bank NV	NE	A+	Aa3	A+	£6m	100 Days	5	4	5		
DBS Bank Ltd	SI	AA-	Aa1	AA-	£6m	13 Months	4	2	4		
Oversea-Chinese Banking Corp	SI	AA-	Aa1	AA-	£6m	13 Months	4	2	4		
United Overseas Bank Ltd	SI	AA-	Aa1	AA-	£6m	13 Months	4	2	4		
Nordea Bank AB	SW	AA-	Aa3	AA-	£6m	13 Months	4	4	4		
Svenska Handelsbanken AB	SW	AA	Aa2	AA-	£6m	13 Months	3	3	4		
Credit Suisse	SZ	A	A1	A	£6m	100 Days	6	5	6		
MONEY MARKET FUNDS (MMFs)											
Deutsche Bank Advisors	Ireland		Aaa	AAA	£12m			1	1		
Federated Investors	UK	AAA	Aaa	AAA	£12m		1		1		
HSBC Asset Management	Ireland		Aaa	AAA	£12m			1	1		
Morgan Stanley Investment Management	Luxembourg	AAA	Aaa	AAA	£12m						
Standard Life Investments	Ireland	AAA		AAA	£12m		1		1		
HSBC Bank plc * - (Reduced limit)	UK	£0.2m School balances at HSBC						7 = Borderline rating			
Lloyds Banking Group											
Bank of Scotland plc ** - (Reduced limit)	UK	£4.6m School balances at Lloyds									
Lloyds Banking Group											
Lloyds Bank plc ** - (Reduced limit)	UK	£4.6m School balances at Lloyds									
RBS Group											
National Westminster Bank *** - (Reduced limit)	UK	£0.5m School balances at Nat West									
RBS Group											
Royal Bank of Scotland PLC **** - (Reduced limit)	UK	£0.5m School balances at Nat West									
RBS Group											
Ulster Bank Limited *** - (Reduced limit)	UK	£0.5m School balances at Nat West									

Appendix 2

TEMPORARY LOANS BOOK

Balances as at the 12/10/18

<u>LOAN REF.</u>	<u>LENDER NAME</u>	<u>BROKER</u>	<u>PRINCIPAL</u>	<u>START DATE</u>	<u>MATURITY DATE</u>	<u>INITIAL INT RATE</u>	<u>DAYS</u>	<u>INT DUE</u>
TEMPORARY LOAN IN(BORROWING)								
100001889	LON BORO OF TOWER HAMLETS	KS	10,000,000.00	26/02/18	26/02/19	1.000000	365	100,000.00
			10,000,000.00					100,000.00
TEMPORARY LOAN OUT (DEPOSIT)								
200004159	NATIONAL COUNTIES B SOCIETY	FP	1,000,000.00	31/08/18	07/12/18	0.820000	98	2,201.64
200004158	METROPOLITAN HOUSING TRUST	SB	6,000,000.00	16/08/18	17/12/18	0.930000	123	18,803.84
200004161	BIRMINGHAM CITY COUNCIL	FP	6,000,000.00	26/09/18	24/12/18	0.820000	89	11,996.71
200004160	DEV BANK OF SINGAPORE LTD	MARB	6,000,000.00	18/09/18	18/02/19	0.930000	153	23,390.14
			19,000,000.00					56,392.33
FIXED BONDS								
1700000045	BP CAPITAL MARKETS PLC	KS	3,429,375.80	03/07/18	10/12/18	0.888000	160	13,349.20
1700000046	BP CAPITAL MARKETS PLC	KS	1,558,690.80	20/07/18	10/12/18	1.012699	143	6,184.20
			4,988,066.60					19,533.40
MMF DEPOSITS								
2400000002	ABERDEEN LIQUIDITY FUND	N/A	2,600,000.00	04/09/12		0.678973		
2400000003	HSBC STERLING LIQUIDITY	N/A	0.00	04/09/12		0.644986		
2400000004	FEDERATED PRIME RATE	N/A	12,000,000.00	17/09/12		0.701019		
2400000005	DEUTSCHE MANAGED STERLING	N/A	11,550,000.00	19/07/13		0.709012		
2400000006	MORGAN STANLEY	N/A	11,000,000.00	10/06/16		0.688274		
			37,150,000.00					
COLLECTIVE INVESTMENT FUNDS								
2600000006	CCLA INVESTMENT MGT LTD	N/A	12,000,000.00	28/11/13				
2600000008	ROYAL LONDON ASSET MGT	N/A	4,873,193.40	27/09/16				
2600000009	ROYAL LONDON ASSET MGT	N/A	3,036,601.06	27/09/16				
2600000010	DB SHORT DURATION FUND	N/A	1,010,218.57	01/02/17				
2600000011	SCHRODERS UNIT TRUST LTD	N/A	4,500,000.00	01/08/18	Equity			
2600000012	INVESTEC INCOME FUND	N/A	4,500,000.00	10/08/18	Multi			
2600000013	COLUMBIA TREADNEEDLE	N/A	1,500,000.00	16/08/18	Bond			
2600000014	M&G INVESTMENTS - OPTIMAL	N/A	1,500,000.00	20/08/18	Bond			
2600000015	M&G INVESTMENTS – STRAT	N/A	3,000,000.00	20/08/18	Bond			
2600000016	M&G INVESTMENTS – UK	N/A	3,000,000.00	20/08/18	Equity			
			38,920,013.03					
GRAND TOTAL			100,058,079.63					

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
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