



# **Audit and Procurement Committee Annual Report to Council 2017-18**

To be considered at the City Council meeting  
on the 4th September 2018

## **Audit and Procurement Committee Annual Report 2017-18**

### **Foreword by Chair of Audit and Procurement Committee 2017-18**



**Councillor Sucha Bains  
Chair, Audit and Procurement  
Committee 2017-18**

I am pleased to present this report, which outlines the Committee's work over the municipal year 2017-18.

Over the last year, the Committee has discharged its key responsibility effectively to support good governance and strong public financial management whilst at the same time considering other matters which contribute to ensuring effective assurance arrangements are in place. This includes continued oversight of the actions arising from the Information Commissioners Office audit to ensure that the Council complies with data protection legislation.

I hope this Annual Report helps to demonstrate to Coventry residents and the Council's other stakeholders the vital role that is carried out by the Audit and Procurement Committee and the contribution that it makes to the Council's overall governance arrangements.

### **Introduction by Chair of Audit and Procurement Committee 2018-19**

In May 2018, the Council appointed me as the new Chair of the Audit and Procurement Committee. I am looking forward to building on the good work done in 2017-18 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of my priorities for 2018-19 these include ensuring that:

- The Committee's work provides assurance on risk, control and governance issues that are relevant to what is happening in the city at the current time.
- Any issues raised by External and Internal Audit and other assurance providers are addressed on a timely basis.
- The Committee continues to develop its skills and knowledge to effectively influence and add value to the Council.



**Councillor Richard Brown  
Chair, Audit and Procurement  
Committee 2018-19**

## 1 Activity of the Council's Audit and Procurement Committee

During 2017-18, the Council's Audit and Procurement Committee met on eight occasions. Meetings were held in June, July, September, November and December 2017 as well as in January, February and March 2018.

The Committee receives a range of:

- Routine reports based on the clearly defined expectations of services / functions that report to the Audit and Procurement Committee, e.g. internal / external audit and financial management.
- Ad-hoc reports which focus on either a specific concern or developments that impact directly on the Committee.

The details of the reports considered in 2017-18 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2016-17, the Acting Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in June 2017 and then in September 2017, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. The statement highlighted the following significant governance issues which required the Council's focus in 2017-18; securing sustainable improvement in Children's Services, delivery of the Council's vision and corporate objectives in line with the Medium Term Financial Strategy, on-going implementation of the Kickstart programme, continuing to raise educational standards, implementing the information management strategy, ensuring long term sustainability of adult social care in the context of financial and demand issues and delivery of the workforce strategy. The statement also highlighted the need to embed the arrangements for a number of the key procedures that underpin the governance framework, namely the Code of Corporate Governance, the Counter Fraud Framework and the Risk Management Strategy.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts was considered by the Committee in June 2017 and then in July and September 2017, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2016-17 was considered in June 2017. The report showed the Council's financial position in relation to management accounts used to monitor performance through the year.
- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2017-18 were considered in September 2017, December 2017 and February 2018.
- A treasury management activity update was considered in November 2017. The report highlighted investment activity carried out by the Council and

provided assurance that the Council was managing investments in accordance with its Investment Strategy.

1.3 **External Audit** - The following reports were received from the Council's external auditors, Grant Thornton in 2017-18:

- The Audit Findings for Coventry City Council - This report was considered in July and September 2017, and its purpose was to highlight the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2017. The report conclusions were that, pending satisfactory clearance of outstanding matters:
  - An unqualified audit opinion would be provided on the Council's financial statements.
  - The Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report did identify issues which the external auditors thought required focus by the Council in the next year including annual revaluation of the Council's investment priorities, enhancing security controls within Agresso, ResourceLink and Active Directory and updating the Council's risk register to document accepted risks in relation to the granting of security administration rights and separation of duties of IT staff within Agresso.

- Annual Audit Letter - This was considered at the November 2017 meeting. The main focus of this report being to summarise the findings from the 2016-17 audit and to formally document their conclusions in respect of the audit of the accounts and the Council's arrangements for securing value for money. The conclusions reached for both these areas were consistent with those indicated in the Audit Findings for Coventry City Council report considered in July and September 2017.
- Certification of Claims work - This was considered in February 2018 and summarised the findings from the certification of the 2016-17 Housing Benefit subsidy claim. The report highlighted that the claim had been qualified due to errors identified, and recommended that the Council, as part of its internal quality assurance process, increase its focus or level of testing in respect of the areas where errors were identified.
- 2017-18 Audit Plan - This was considered in March 2018 and set out the planned scope and timing of the work that Grant Thornton would undertake in respect of the audit of the Council's financial statements for the year ended 31 March 2018. It also documented the expected outputs that the Committee would receive from the external auditors and includes an assurance statement that Grant Thornton are independent and are able to express an objective opinion on the financial statements.

1.4 **Internal Audit** - During the year, the Audit and Procurement Committee received the following reports at the June and November 2017 meetings as well as in February and March 2018.

- Internal Audit Annual Report - This report had two main purposes:

- To summarise the Council's Internal Audit activity for the period April 2016 to March 2017, against the agreed Internal Audit Plan for the same period. This highlighted that the Internal Audit Service had met its' target to deliver 90% of the agreed work plan by the 31<sup>st</sup> March 2017.
  - To provide the Committee with the Acting Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment. Based on the work of Internal Audit in 2016-17, the Acting Chief Internal Auditor concluded that 'moderate' assurance could be provided that there was generally a sound system of internal control in place to help the organisation meet its objectives.
- Internal Audit Plan for 2017-18 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit Service, the opportunity to comment on scope and coverage outlined in the plan.

Other Internal Audit reports considered during the year include:

- Progress reports on Internal Audit work - Monitoring reports were received in November 2017 and February 2018. These reports provided updates on the performance of the Service, along with a summary of the key audits from a sample of high profile audit reviews carried out in the relevant periods. In considering these reports, the Committee agreed with the focus of improvements identified and the timescales agreed for implementation.
- Recommendation Tracking Report - In March 2018, a report on action taken by Council officers in implementing agreed audit recommendations was presented. This highlighted the levels of compliance with the implementation of agreed actions and the approach undertaken by Internal Audit to follow up recommendations.

#### 1.5 **Fraud** - The following fraud reports were considered in 2017-18:

- Annual Fraud Report - This report was considered by the Committee in September 2017 and summarised the Council's response to anti-fraud activity for the financial year 2016-17. This included:
  - A rolling programme of reviews linked to Council Tax exemptions / discounts. It was highlighted that 136 exemptions / discounts had been removed from customers' accounts in 2016-17, which resulted in revised bills being issued amounting to around £157k.
  - A summary of the work undertaken in relation to the National Fraud Initiative and other corporate fraud work including investigations and proactive exercises.
- Half Yearly Fraud Update - A report was received in January 2018, which provided an up-date on anti-fraud activity in 2017-18.

#### 1.6 **Procurement** – Procurement was a standard agenda item at every meeting of the Committee during 2017-18. This area is considered under the private part of the agenda and is a progress report summarising procurement activity considered by the Procurement Board and Panels in the relevant period, as well as providing an update on progress made in delivering agreed procurement saving targets. The Committee in considering these reports noted the content of reports and sought assurance around specific activity highlighted.

- 1.7 **Salaries** – Within its terms of reference, the Committee is responsible for determining any salary or severance package for an employee of the Council (except the Chief Executive) of £100k or over. The Committee received a report in November 2017 linked to the discharge of this function.
- 1.8 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas linked to risk management, internal control and governance and in 2017-18, this included the following:
- Information Commissioner's Office: Data Protection Audit – The Committee has received regular reports on progress since the initial data protection audit carried out by the Information Commissioner's Office in October 2015. In November 2017, they carried out a re-audit and a report detailing the outcomes of this was considered by the Committee in February 2018. Following the re-audit, the Information Commissioners Office raised their overall opinion level to limited assurance, with the lead Auditor commenting that clear improvement had been made. The Committee requested that they receive further updates on progress in 2018-19 against the audit's recommendations.
  - 2016-17 Information Governance Annual Report - This report considered the Council's performance in relation to handling requests for information, managing data protection security incidents and completing data protection training, as well as highlighting the outcome of internal reviews carried out by the Council and complaints considered by the Information Commissioners Office. The Council completed 68% of FOI requests on time and 68% of DPA requests. Six Information Commissioner's Office complaints were received during the course of the year, which were appropriately dealt with. Two security incidents were reported to the Information Commissioner's Office, both of which were concluded with no enforcement action due.
  - Accounts Payable Recovery Audit 2016-17 – This report provided the Audit and Procurement Committee with an overview of the results of the Accounts Payable Recovery Audit. In total, the audit identified and recovered a sum of £218k, which represented 0.01% of the total spend reviewed. The Committee approved the option to undertake future annual audit exercises.
  - Regulation of Investigatory Powers Act 2000 Annual Report – This report focused on providing oversight of the Council's compliance with this Act. Three directed surveillance applications were granted during the year. There were no reported instances of the Council having misused its powers under the Act.
  - Complaints to the Local Government and Social Care Ombudsman 2016-17 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2016-17, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 105 complaints, only 25 were pursued and 15 upheld. The Ombudsman did not issue formal reports of maladministration for any of the complaints upheld.
  - Corporate Risk Register – This report set out the current Corporate Risk Register with an overview of the Council's corporate risk profile and the

controls in place to address these risks. The Committee noted the Risk Register having satisfied themselves that the corporate risks are being identified and managed.

- Contract Management Progress Report – This report set out the contract management framework which has been developed to help deliver future procurement savings and was considered by the Committee as part of their role to maintain an overview of the procurement decision making process.
- Customer Services Update – This provided an update to the Committee on Customer Services, including performance and customer satisfaction and future plans to develop the service. The Committee recommended to the Finance and Corporate Services Scrutiny Board that they continue to monitor the work of the Customer Service Centre.
- Code of Corporate Governance – This report detailed the outcomes of the review of the Council's governance arrangements against the Code of Corporate Governance. The review identified a number of actions that will help to strengthen the Council's corporate governance arrangements over the coming year and will be considered in the preparation of the Annual Governance Statement which the Committee approves.