



### **Audit and Procurement Committee**

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#### **Time and Date**

3.30 pm on Monday, 23rd March, 2015

#### **Place**

Committee Room 2, Council House

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1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of Previous Meeting** (Pages 3 - 6)

3(a) To confirm the minutes of the Committee meeting held on 16 February 2015

3(b) Matters arising

4. **Work Programme 2014/15** (Pages 7 - 10)

Report of the Executive Director for Resources

#### **External Audit**

5. **Certification work for Coventry City Council for year ended 31 March 2014** (Pages 11 - 12)

Report from the Council's External Auditors, Grant Thornton

6. **Update on action arising from the Audit 2013/14 Findings Report** (Pages 13 - 18)

Report of the Executive Director for Resources

7. **The Audit Plan for Coventry City Council for the financial year ended 31 March 2015** (Pages 19 - 36)

Report from the Council's External Auditors, Grant Thornton

#### **Any other business**

8. **Post of Director of Education, Libraries and Adult Education – Salary approval** (Pages 37 - 44)

Report of the Executive Director for Resources

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Chris West, Executive Director, Resources, Council House Coventry  
Friday, 13 March 2015

Note: The person to contact about the agenda and documents for this meeting is  
Hugh Peacocke Tel: 024 76833080

Membership: Councillors S Bains (Deputy Chair), D Galliers (Chair), L Harvard,  
R Sandy, T Sawdon and D Welsh

By Invitation: Councillor R Brown

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.

**Hugh Peacocke**  
**Telephone: (024) 7683 3080**  
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**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.30 pm**  
**on Monday, 16 February 2015**

Present:

Members:                   Councillor D Galliers (Chair)  
                                  Councillor S Bains  
                                  Councillor L Harvard  
                                  Councillor R Sandy  
                                  Councillor T Sawdon

Employees (by Directorate):

                                  M Chester, Resources  
                                  J Guy, Resources Directorate  
                                  P Jennings, Resources Directorate  
                                  S Mangan, Resources Directorate  
                                  H Peacocke, Resources Directorate  
                                  T Northcote, Resources Directorate

Apologies:                Councillor D Welsh

## **Public Business**

### **48.     Declarations of Interest**

None

### **49.     Minutes of Previous Meeting**

**The minutes of the meeting held on 1 December were approved by the meeting and signed as a true record.**

### **50.     Matters Arising on the Minutes**

- The meeting heard that the Council had invited external organisations to put forward proposals on contract management reviews on a risk and reward basis. Five responses were received but all involved initial outlay costs which were not acceptable. It had been agreed to refer the matter to the Council's transformation programme and review in 12 months' time.
- It was noted that there were still skills assessments outstanding and it was too late to address the matter for this Municipal year. It was agreed to suggest to group leaders that the skills assessment, which would inform training needs for the committee should be mandatory before any new Members serve on the Committee.
- The Council's Audit and Risk Manager reported that his letter to the governors of Stoke Heath Primary School had received an immediate response that the matters raised were in the process of being addressed and addressed. This area will be followed up again in April and the findings will then be included the next available Internal Audit report.

51. **Work Programme 2014/15**

The Committee considered a report of the Executive Director, Resources, and noted the Work Programme for the rest of the Municipal year.

The Committee noted that a Report on the determination of the salary for the new appointment of a Director of Education would be coming to the March meeting as it was likely to involve a salary package of £100,000 or over.

**Resolved that the Audit and Procurement Committee approves the Work Programme as presented.**

52. **Quarter Three Internal Audit Progress Report 2014-15**

The Committee considered a report of the Executive Director, Resources, on the internal audit activity for the period April to September 2014, against the agreed Internal Audit Plan for 2014-15.

The Committee heard that two members of the Internal Audit Service had left the Council recently and that this would impact on the ability of the Service to deliver the 2014-15 Plan. It had been decided that the impact of this could be managed in the short term through amending the 2014-15 plan as a result of planned audits being postponed / delayed and where days allocated to area in the plan were not reflective of need. The Committee raised concerns around the risk that staff losses in this area would create. The Audit and Risk Manager highlighted that a review of the Service was taking place and the Committee would be consulted on any changes proposed.

The meeting noted summary findings from key audit reports completed between October and December 2014 and agreed as follows:

- Agresso Post Implementation Review: satisfied that this went very well. The Committee agreed that this was a good news story and congratulated all involved.
- Safeguarding Adults: The Committee noted that some of the key issues identified (i.e. upgrade of the CareDirector System and the recording of training) were not directly within the control of the Service.
- CareDirector Income: Whilst the review found that the system was generally working well, improvements are required to ensure financial assessments are always undertaken prior to a service provision commencing.
- Talent link: The system had improved and was more automated but needed to be more robust to cope with the impact of employees leaving the Council.

**RESOLVED that the Audit and Procurement Committee approves the Internal Audit Progress Report for Quarter 3, 2014-15 and the actions recommended in relation to the summary findings of the key audit reviews.**

53. **Treasury Management Update**

The Committee received an update from the Executive Director, Resources on the Council's Treasury Management activity. The update highlighted a tightening of investment criteria and the reduction in net time invested with some organisations.

**Resolved that the Audit and Procurement Committee notes the Treasury Management Update.**

54. **Quarter Three Revenue and Corporate Capital Monitoring Report 2014-15**

The Committee considered a Report of the Executive Director of Resources which advised the Cabinet on the 10<sup>th</sup> of February of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of December 2014. The headline revenue forecast for 2014/15 was an underspend of £0.6m. This reflected an improved underlying position that enabled funding to be identified for the £2m expenditure commitment for the Customer Service Centre in line with the approach recommended at quarter 2.

The Committee heard that financial reporting was now more up to date thanks to Agresso. It was noted that there had been slippage in capital expenditure as approval from the Coventry Investment Fund had not been taken up and also arising from Friargate delays.

**Resolved that the Audit and Procurement Committee note the Quarter Three Revenue and Corporate Capital Monitoring Report 2014-15.**

55. **Update on risks assessments re IT system back-up, recovery and data centre**

The Committee received a report from the Executive Director, Resources, and noted the ongoing response to the Internal Audit review of this area. Whilst improvements in this area have been made, work is still required to ensure that the Council has effective disaster recovery arrangements across its key systems.

A follow up audit to review the revised disaster recovery arrangements will be undertaken in August 2015.

**Resolved that the Audit and Procurement Committee note the Update on risks assessments for the Council's IT system back-up, recovery and data centre.**

56. **Council Tax Discounts / Exemptions**

The Committee considered a report from the Executive Director, Resources on Council Tax Discounts and Exemptions. It was noted that in addition to existing processes, an on-going programme of proactive reviews will be undertaken in this area as part of a new approach to responding to the risk of fraud and error in the Council.

Updates on the impact of this approach, including income generated, would be included in routine Internal Audit reports to the Audit and Procurement Committee during 2015-16.

**Resolved that The Audit and Procurement Committee notes the update on Council Tax discounts and exemptions.**

57. **Exclusion of Press and Public**

58. **Procurement Monthly Progress Report**

The Committee considered the Procurement Monthly Progress Report from the Executive Director, Resources. It was noted that savings were on target and that the biggest savings were in People and Public Health areas.

It was felt that lessons had been learnt from the monthly progress reports and that further progress could be reviewed on a quarterly basis.

**Resolved that the Audit and Procurement Committee note the Procurement Monthly Progress Report.**

(Meeting closed at 5.05 pm)

Signed: \_\_\_\_\_  
Chairman

Date: \_\_\_\_\_



## Public Report

**Audit and Procurement Committee**

**23 March 2015**

**Director Approving Submission of the report:**  
Executive Director, Resources.

**Ward(s) affected:**  
None

**Title**  
The Audit and Procurement Committee Work Programme 2014/15

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**Is this a key decision?**  
No

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**Executive Summary:**

The Work Programme 2014/15 for the current Municipal Year, attached at Appendix 1, sets out the matters the Committee intends to address over the rest of the Municipal Year.

**Recommendations:**

That the Audit and Procurement Committee approves the Committee's Work Programme for 2014/15

**List of Appendices included**

1. The Audit and Procurement Committee Work Programme 2014/15

**Other useful background papers:**  
Audit Committee Minutes

**Has it or will it be considered by Scrutiny?**  
No

**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 author(s):** Hugh Peacocke

**Name and job title:** Governance Services Manager

**Directorate:** Resources

**Tel and email contact:** 024 7683 3080, [hugh.peacocke@coventry.gov.uk](mailto:hugh.peacocke@coventry.gov.uk)

Enquiries should be directed to the above person.

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## Audit and Procurement Committee

Work Programme 2014-15

18 February 2015

For Agenda	Actions from previous meetings
<b>23rd March 2015</b>	
<ul style="list-style-type: none"> <li>• Annual Audit Plan (Grant Thornton)</li> <li>• Grant Certification Report (Grant Thornton)</li> <li>• Update on action arising from the Audit 2013/14 Findings Report</li> <li>• To determine the salary for new appointment - Director of Education</li> </ul>	
<b>20th April 2015</b>	
<ul style="list-style-type: none"> <li>• Internal Audit Plan 2015-16</li> <li>• Internal Audit Update Report</li> <li>• Informing the Audit Risk Assessment (Grant Thornton)</li> </ul>	<ul style="list-style-type: none"> <li>• Update on discretionary payments under section 17 of The Children's Act</li> </ul>
<b>Dates to be confirmed</b>	
<ul style="list-style-type: none"> <li>• Corporate Risk Register Update</li> </ul>	<ul style="list-style-type: none"> <li>• Building risk – whether to rebuild or buy new</li> </ul>
<b>2015/16</b>	
<ul style="list-style-type: none"> <li>• To receive the Ombudsman Complaints Annual Report</li> <li>• Procurement Quarterly Progress Report (Private)</li> </ul>	<ul style="list-style-type: none"> <li>• Contract management review (Transformation Team) – Feb 2016</li> <li>•</li> </ul>

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Chris West  
Executive Director, Resources  
Council House  
Earl Street  
Coventry  
CV1 5RR

19 December 2014

Dear Chris

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DX 13174 Birmingham  
www.grant-thornton.co.uk

**Certification work for Coventry City Council for year ended 31 March 2014**

We are required to certify certain claims and returns submitted by Coventry City Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim for the financial year 2013/14 relating to expenditure of £134 million. Further details of the claim certified is set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2013/14 is £18,031 and we are not proposing to vary this as the amount of work required was similar to that in the base year. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for 2013/14**

<b>Claim or return</b>	<b>Value</b>	<b>Amended?</b>	<b>Amendment (£)</b>	<b>Qualified?</b>	<b>Comments</b>
Housing benefits subsidy claim	£134,101,933	Yes	£5,798	Yes	The housing and council tax benefit claim was qualified because of a range of errors found in the calculation of benefit and classification of benefit payments on the claim form. The Council has estimated that this should not have a significant impact on the total amount of subsidy due but this will not be confirmed until the Department for Work and Pensions considers the qualifications on the Council's claim and determines the total amount of subsidy to be paid for 2013/14.

**Appendix B: Fees for 2013/14 certification work**

<b>Claim or return</b>	<b>2012/13 fee (£)</b>	<b>2013/14 indicative fee (£)</b>	<b>2013/14 actual fee (£)</b>	<b>Variance between actual and indicative fee (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	23,780	18,031	18,031	0	n/a
National non-domestic rates return (NNDR3)	2,700	n/a	n/a	n/a	No requirement to certify this return in 2013/14
<b>Total</b>	<b>26,480</b>	<b>18,031</b>	<b>18,031</b>	<b>0</b>	<b>n/a</b>



## Public report

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Audit and Procurement Committee

23rd March 2015

**Name of Cabinet Member:**

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

**Director Approving Submission of the report:**

Executive Director Resources

**Ward(s) affected: All**

**Title:**

Report Back on the 2013/14 Audit Findings Report

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**Is this a key decision?**

No

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**Executive Summary:**

This report identifies the progress made and current position with regard to the issues raised in the 2012/13 Audit Findings Report considered by the Audit and Procurement Committee on 15<sup>th</sup> September 2014.

**Recommendations:**

Audit and Procurement Committee is recommended to:

- (1) Agree that the progress made and current position represent an appropriate response to the issues raised, and
- (2) Identify any further action that the Committee requires be undertaken by officers.

**List of Appendices included:** None

**Other useful background papers:** None

**Has it been or will it be considered by Scrutiny?** No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?** No

## Report Back on the 2013/14 Annual Findings Report

### 1. Context (or background)

- 1.1 This report identifies the progress made and current position with regard to the issues raised in the 2013/14 Audit Findings Report brought to the Audit and Procurement Committee by the Council's External Auditors Grant Thornton on 15<sup>th</sup> September 2014.

### 2. Options considered and recommended proposal

- 2.1 Audit and Procurement Committee is recommended to agree that the progress made and current position reflected in the table below.
- 2.2 An additional (or alternative) recommendation is for Committee to identify any further action that the Committee requires be undertaken by officers.

### 3. Action Plan Recommendations and Current Position

- 3.1 The Action Plan recommendations and current response to it are included in the table below.

Rec No.	Recommendation	Current Position
1	The Council should put arrangements in place to revalue classes of assets simultaneously and to make the required PPE disclosures in its accounts on a class by class basis.	Arrangements are in hand to as part of 2014/15 close-down to ensure that assets within the same class are valued simultaneously and that the required disclosures are made. This issue has been part of the on-going dialogue with Grant Thornton as part of preparation for the 2014/15 audit.
2	<p>The Council needs to maintain its sound financial position by continuing to :</p> <ul style="list-style-type: none"> <li>• keep tight financial control</li> <li>• keep the medium term financial plan up-to-date and plan for a range of scenarios</li> <li>• ensure that identified savings from the ABC programme are delivered</li> <li>• try to identify realistic ways of making savings in the medium term in respect of children's social care and early intervention services.</li> </ul>	<p>On-going maintenance of tight financial control continues to be a key focus for the Council through:</p> <ul style="list-style-type: none"> <li>• continued budgetary control monitoring</li> <li>• Rolling medium term financial planning forecasts reflecting a range of potential scenarios</li> <li>• Delivery of the abc Programme or adjustment for identified non-delivery through the Budget process.</li> <li>• Identification of new areas of saving programmes as part of the recent Budget Report incorporating Kickstart, the Customer Journey, City Centre First, Doing Things Differently and a wide ranging Workforce Strategy.</li> </ul>

		In response to the Ofsted Inspection report on its Children's Services the Council is focussing on ensuring that the service is resourced to meet the immediate demands of the service across Coventry. Over the medium term, it will be necessary to ensure that social care and early intervention services are delivered in a way that strikes an appropriate balance between service need and the achievement of value for money.
3	The Executive Director of Resources should continue to assess the adequacy of the General Fund reserve in the light of the financial risks facing the Council over the medium and long term.	The Executive Director of Resources made a statement on the adequacy of reserves within the recent Budget Report. This will be reviewed again as part of the 2014/15 outturn process.
4	The Council should consider the issues raised in this report (i.e. the 2013/14 Audit Findings Report) in respect of accounting for PFI contracts as part of the preparation of the 2014/15 financial statements	These issues are being considered as part of the preparation of the 2014/15 accounts. Detailed analysis has taken place incorporating financial models provided previously by the external auditor and in broad terms the Council is reflecting the recommended suggestions.
5	The Council should ensure that the 2014/15 financial statements disclose the effective date of revaluation of non-current assets	This disclosure will be included within the 2014/15 accounts.
6	The Council should ensure that prior year comparatives for Note 3.8 on property, plant and equipment, Note 3.10 on non-operational assets and Note 3.11 on property, plant & equipment are disclosed in the 2014/15 financial statements	The Council will ensure that the 2014/15 accounts include appropriate disclosures in this area.

### 3. Results of consultation undertaken

- 3.1 The Council's Corporate Finance team and Grant Thornton are working collaboratively on the matters relevant to the 2014/15 accounts. No further consultation is required.

### 4. Timetable for implementing this decision

- 4.1 Recommendations 2 and 3 relate to on-going strategic financial matters. All of the other recommendations relate to the 2014/15 financial close-down process.

## **5. Comments from Director of Finance and Legal Services**

### **5.1 Financial implications**

The report covers matters that are wholly related to financial issues.

### **5.2 Legal implications**

There are no specific legal implications in relation to the report.

## **6. Other implications**

None

### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

This report covers matters referred to within the Council Plan under the banner of Improving how we work as a Council and specifically using resources effectively.

### **6.2 How is risk being managed?**

Recommendations 2 and 3 relate to strategic financial matters and are aligned to the risk, "Inability to deliver a balanced budget in the short and medium term" on the Council's risk register, monitored through the Council's existing risk monitoring processes. The risk inherent within the remaining items relates to incurring an adverse audit opinion on the Council's accounts. The Council's final accounts process is subject to thorough project planning designed to minimise any such adverse outcomes.

### **6.3 What is the impact on the organisation?**

Failure to deal adequately with recommendations 2 and 3 could have significant risks, in particular financial risks for the Council.

### **6.4 Equalities / EIA**

No impact.

### **6.5 Implications for (or impact on) the environment**

No impact.

### **6.6 Implications for partner organisations?**

No impact.

## **Report author(s):**

### **Name and job title:**

**Paul Jennings, Finance Manager (Corporate Finance)**

### **Directorate:**

**Resources Directorate**

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Enquiries should be directed to the above person.



<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Hugh Peacocke	Governance Services Manager	Resources	11/3/15	11/3/15
<b>Names of approvers for submission:</b> (officers and members)				
Barry Hastie	Assistant Director Finance	Resources	11/3/15	11/3/15

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# The Audit Plan for Coventry City Council

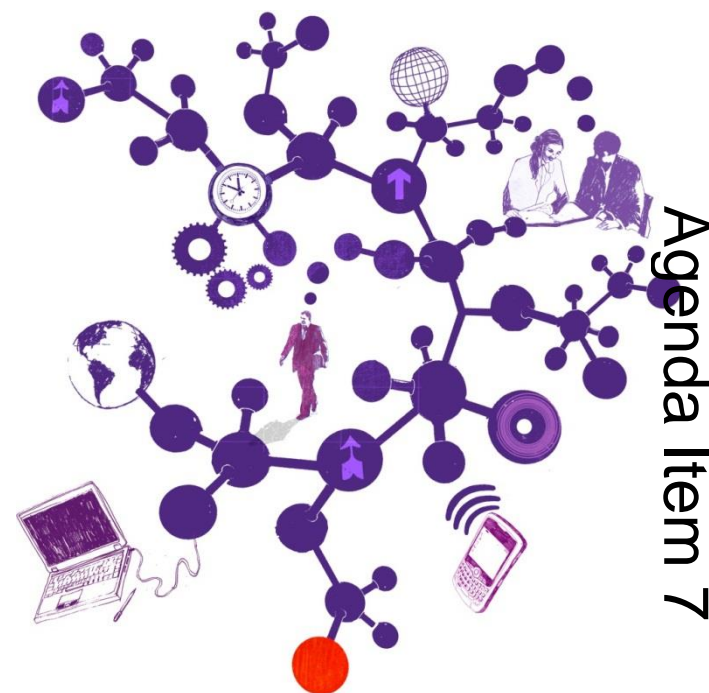
**Year ended 31 March 2015**

23 March 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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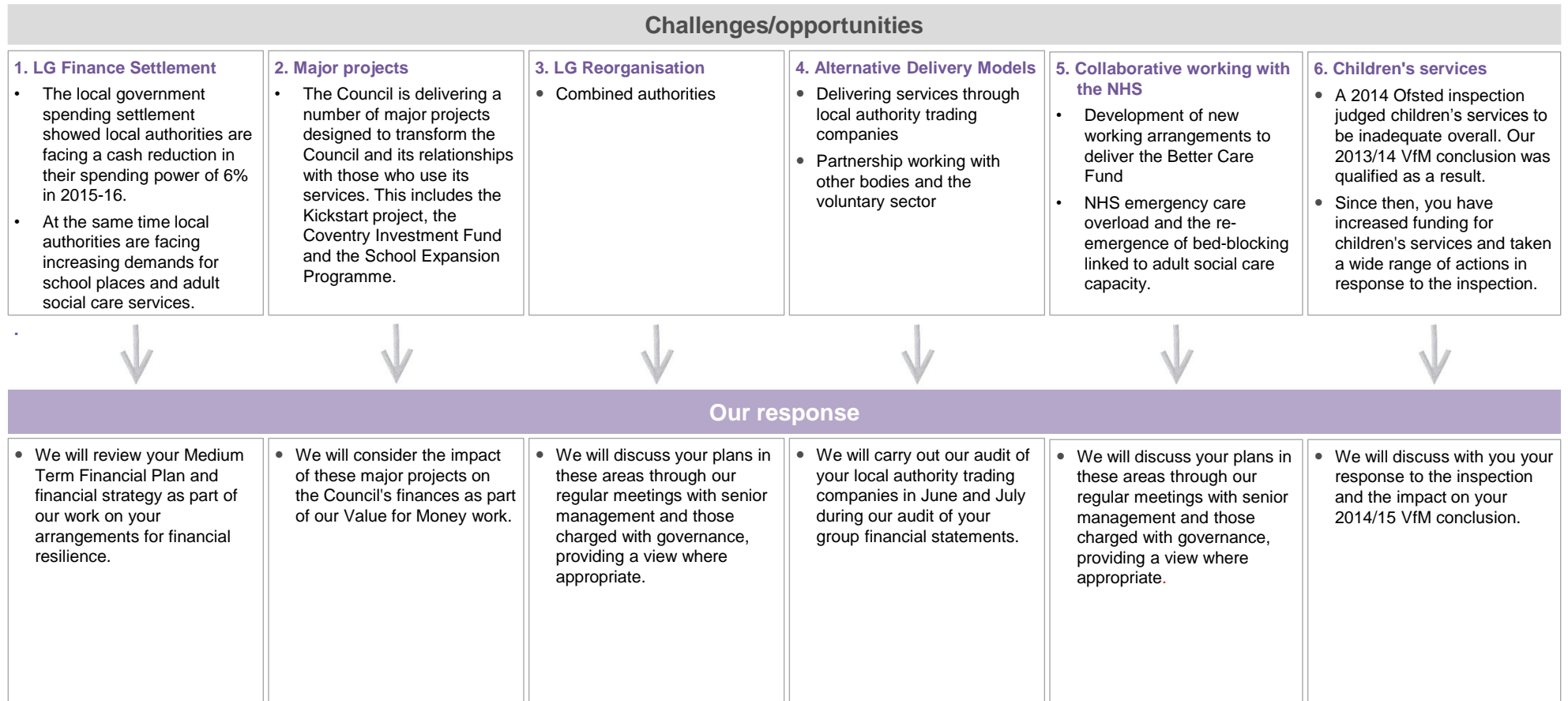
# Contents

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2. Developments relevant to your business and the audit
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4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Value for Money
9. Results of interim work
10. Key dates
11. Fees and independence
12. Communication of audit matters with those charged with governance

# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

## Developments and other requirements

<p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>• Changes to the CIPFA Code of Practice</li> <li>• Changes to the recognition of school land and buildings on local authority balance sheets</li> <li>• Adoption of new group accounting standards (IFRS 10,11 and 12)</li> </ul>	<p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>• Local Government Finance settlement</li> </ul>	<p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement (AGS)</li> <li>• Explanatory foreword</li> </ul>	<p><b>4. Better Care Fund</b></p> <ul style="list-style-type: none"> <li>• Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015</li> </ul>	<p><b>5. Financial Pressures</b></p> <ul style="list-style-type: none"> <li>• Managing service provision with less resource</li> <li>• Progress against savings plans</li> </ul>	<p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>• The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion</li> <li>• The Council completes grant claims and returns on which audit certification is required</li> </ul>
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## Our response

<p>We will ensure that</p> <ul style="list-style-type: none"> <li>• the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing</li> <li>• schools are accounted for correctly and in line with the latest guidance</li> <li>• the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly</li> </ul>	<ul style="list-style-type: none"> <li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the arrangements the Council has in place for the production of the AGS</li> <li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge</li> </ul>	<ul style="list-style-type: none"> <li>• We will consider whether the BCF is a risk in the context of our Value for Money work and will carry out further work if required</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan</li> <li>• We will undertake a review of Financial Resilience as part of our Value for Money work.</li> </ul>	<ul style="list-style-type: none"> <li>• We will carry out work on the WGA pack in accordance with requirements</li> <li>• We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.</li> </ul>
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# Our audit approach

Global audit technology

Ensures compliance with International Standards on Auditing (ISAs)

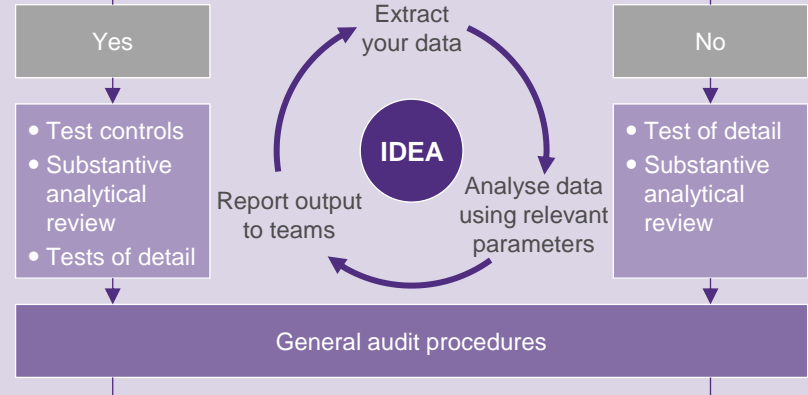
- \* Understanding the environment and the entity
- \* Understanding the business
- \* Understanding management's focus
- \* Evaluating the year's results

Inherent risks  
Significant risks  
Other risks  
Material balances

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material<sup>a</sup> respects with the CIPFA Code of Practice framework using our global methodology and audit software

Note:  
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Devise audit strategy (planned control reliance?)



General audit procedures

Financial statements

Conclude and report

Creates and tailors audit programs

Stores audit evidence

Documents processes and controls





# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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 Coventry City Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Coventry City Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions.</li> </ul>

# Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<ul style="list-style-type: none"> <li>• Walkthrough of the key controls for this system</li> <li>• Performance of substantive testing on material expenditure streams and creditors</li> <li>• Review of accounting estimates, judgments and decisions made by management</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<ul style="list-style-type: none"> <li>• Walkthrough of the key controls for this system</li> <li>• Performance of substantive testing on material expenditure streams</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> <li>• Walkthrough of the key controls for this system</li> <li>• Testing of the final Housing Benefit claim will be completed using the HB COUNT methodology, with assurance for the financial statements taken from the testing of the initial sample of 20 cases per benefit category and other modules of the HB COUNT approach.</li> </ul>

# Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Coventry and Solihull Waste Disposal Company Limited	Yes	Targeted	Investments carrying value	Review and testing of arrangements in place to produce group accounts.
Arena Coventry Limited*	Yes	Targeted	Investments carrying value	Review and testing of arrangements in place to produce group accounts.
Coventry North Regeneration Limited	No	Analytical	None	Analytical procedures at the Group level
North Coventry Holdings Limited	No	Analytical	None	Analytical procedures at the Group level

\* During 2014/15 the Council sold its shares in Arena Coventry Limited (held by the Council via North Coventry Holdings Limited). We will review the accounting treatment of this transaction as part of the audit.

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- assessment of the adequacy of the Council's reserves at 31 March 2015
- review of the adequacy of the Council's savings plans in the medium term
- review of the adequacy of the Council's plans to change how it delivers services over the medium and longer term
- review of the adequacy of medium term financial plan in respect of how it addresses on-going cuts to revenue funding
- consider your continuing actions in response to the inspection of children's services and the impact on your VfM conclusion for 2014/15.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

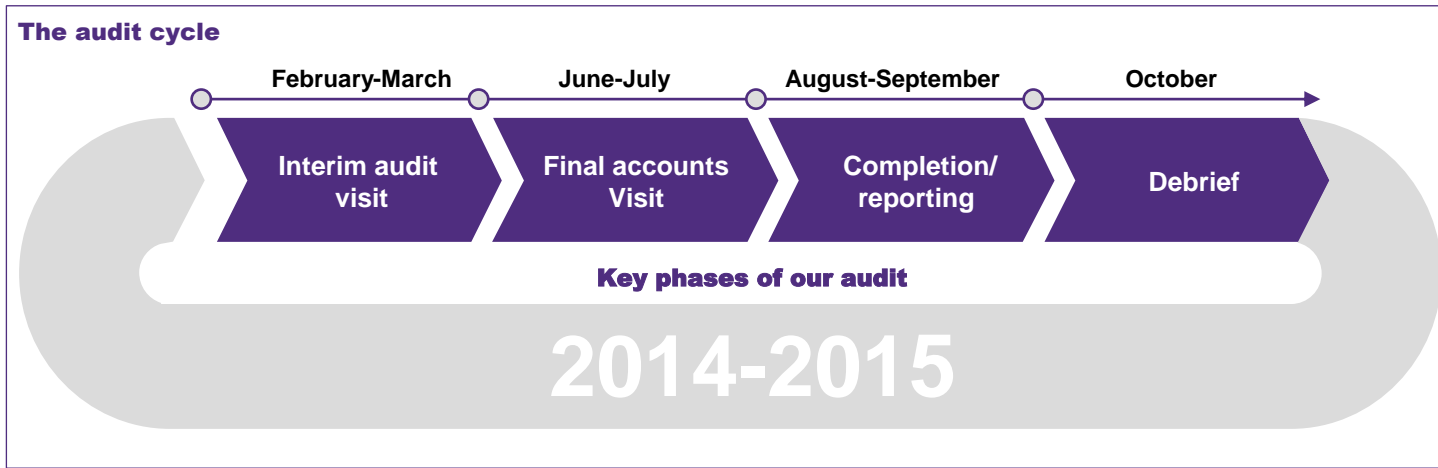
	<b>Work performed and findings</b>	<b>Conclusion</b>
<b>Internal audit</b>	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards.</p> <p>We continue to review internal audit's work on the Council's key financial systems.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council. Our review of internal audit work completed to date has not identified any weaknesses which impact on our audit approach</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements</p>

# Results of interim audit work cont'd

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	Work performed	Conclusion
<b>Review of information technology controls</b>	Our information systems specialist will be performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also perform a follow up of the issues that were raised last year.	We will report the results of this work in our Audit Findings report.
<b>Journal entry controls</b>	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	We will undertake detailed testing on journal transactions as part of our final accounts visit in June and July 2015.
<b>Early substantive testing</b>	We are currently undertaking a detailed programme of early substantive testing. This covers the following areas: <ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Other revenues</li> <li>• Employee remuneration</li> <li>• Revenue grants</li> <li>• Property, plant and equipment.</li> </ul>	Our testing is currently underway but we have not identified any errors or issues to date which would result in a material misstatement of the Council's financial statements.
<b>Follow-up of issues from 2013/14 audit</b>	Our Audit Findings report for 2013/14 raised a number of issues which officers agreed to consider further prior to the preparation of the 2014/15 financial statements. The most significant of these issues was in respect of accounting for PFI contracts. This work is currently underway and we are having regular discussions with officers about it.	We will report the results of this work in our Audit Findings report.
<b>Value for money</b>	We have performed our initial risk assessment and are currently performing the work detailed on page 10 of this plan.	We will report the results of this work in our Audit Findings report.

# Key dates



<b>Date</b>	<b>Activity</b>
<b>February 2015</b>	Planning
<b>March 2015</b>	Interim site visit
<b>March 2015</b>	Presentation of audit plan to Audit and Procurement Committee
<b>June-July 2015</b>	Year end fieldwork
<b>TBC</b>	Audit findings clearance meeting with Executive Director of Resources
<b>TBC</b>	Report audit findings to those charged with governance (Audit and Procurement Committee)
<b>TBC</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	231,280
Grant certification	20,930
<b>Total fees (excluding VAT)</b>	<b>252,210</b>

### Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

### Fees for other services

Service	Fees £
Certification of teachers pension return for 2013/14	4,200
Certification of teachers pension return for 2014/15	4,200
Tax advice on structuring for Coventry & Solihull Waste Disposal Company	4,796 to 33,572 (depending on scope of work performed)

### Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

### Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.



# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit plan	Audit findings
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Page 34 Communication of audit matters with those charged with governance (cont)

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Procurement Committee)

Area of consideration	Current understanding based on planning and interim work to date
<b>Awareness of fraud or suspected fraud</b>	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Procurement Committee on a regular basis.
<b>Views about the risks of fraud</b>	Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Council.
<b>Awareness of whistleblower tips or complaints</b>	The Council has a Confidential Reporting (whistleblowing) Policy in place which outlines the responsibilities and channels for raising concerns and issues, and also the approach to be taken. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
<b>How the Audit and Procurement Committee provide oversight of management's fraud risk assessment process</b>	<p>The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Procurement Committee on an annual basis.</p> <p>The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.</p>



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**Audit and Procurement Committee**

**23 March 2015**

**Name of Cabinet Member:**

Cabinet Member Education, Cllr Kershaw

**Director Approving Submission of the report:**

Executive Director, Resources

**Ward(s) affected:** N/A

**Title: Post of Director of Education, Libraries and Adult Education – salary approval**

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**Is this a key decision?**

NO

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**Executive Summary:**

Under the provision of Statutory Guidance under S40 of the Localism Act 2011 this report seeks approval for the creation of and appointment to the post of Director of Education, Libraries and Adult Education. The Statutory Guidance requires approval from an appropriate body of elected Members for posts at above £100,000 per annum.

**Recommendations:**

**To agree a salary range of £101,767 - £110,266** for the post of Director of Education, Libraries and Adult Education, which represents Director Grade 2 in the Council's existing grading structure.

**List of Appendices included:**

Appendix 1 – Business Case

**Other useful background papers:**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

**1. Context (or background)**

The post of Director of Education, Libraries and Adult Education is a new appointment. The Business Case at Appendix One identifies that this post should be graded at £101,767 – £110,266, which represents Director Grade 2 in the Council’s existing grading structure.

Statutory Guidance under S40 of the Localism Act 2011 requires that appointment to any post over £100,000 per annum requires formal approval by Elected Members. In Coventry, this responsibility has been allocated to the Audit and Procurement Committee under its terms of reference.

**2. Options considered and recommended proposal**

- 2.1 Appendix 1 describes the process undertaken to establish the appropriate grade for this post.
- 2.2 Following a full recruitment exercise, a shortlist of candidates was interviewed by a full member selection panel on the 6 March 2015. A decision was made to appoint. The decision was made to appoint the successful candidate within the established grade range for the post at a salary of £110,266

**3. Results of consultation undertaken**

None

**4. Timetable for implementing this decision**

- 4.1 The successful candidate is required to provide 3 months notice to their existing employer and therefore the salary will be payable from their start date with Coventry which is to be finalised.

**5. Comments from Executive Director, Resources**

**5.1 Financial implications**

The salary fits within the established D2 grade range for this post. This new post is funded from existing resources which funded the previous role of Director of Education and Inclusion which was graded at AD1, a salary range of £92,271-£101,983. The difference between AD1 and D2 will be funded from the savings that will be delivered from the fundamental review of senior management posts within the People Directorate.

**5.2 Legal implications**

Salary forms part of the contract of employment.

## **6. Other implications**

None

### **6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?**

The Director of Education, Libraries and Adult Education has a key role in driving educational standards and promoting lifelong learning across the City, higher educational standards have a direct impact on the employment prospects of Coventry citizens.

The role will be central to the achievement of the Council's City Centre First strategy.

This post will also make a significant contribution to ensuring that children and young people are safe, they reach high levels of attainment and make a positive contribution to the city.

### **6.2 How is risk being managed?**

None

### **6.3 What is the impact on the organisation?**

This appointment will help strengthen the management structure to develop and deliver Education, Libraries and Adult Education in the City. The post will also have a key role in supporting and strengthening the leadership capacity particularly in relation to Children's Social Care.

### **6.4 Equalities / EIA**

This appointment will help strengthen the management structure to develop Education, Libraries and Adult Education in the City.

### **6.5 Implications for (or impact on) the environment**

None

### **6.6 Implications for partner organisations?**

The appointment to this post will have a positive impact on all communities and related partner organisations within the City in that it will have responsibilities in relation to Schools and educational standards and will also have direct responsibility for Libraries and Adult Education.



**Report author(s):**

**Name and job title:** Chris West, Executive Director Resources

**Directorate:** Resources Directorate

**Tel and email contact:** [Chris.West@coventry.gov.uk](mailto:Chris.West@coventry.gov.uk) Telephone 02476833700

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Hugh Peacocke	Governance Services Officer	Resources	11/03/2015	11/03/2015
Jane Crawley	HR Business Partner	Resources	09/03/15	09/03/15
Marion O'Brien	HR Business Partner	Resources	11/03/15	11/03/15
<b>Names of approvers for submission:</b> (officers and members)				
Finance: Ewan Dewar	Finance Manager	Resources	11/03/15	11/03/15
Legal: Julie Newman	Children and Adults Legal Services Manager	Resources	11/03/2015	11/03/2015
Director: Brian Walsh	Executive Director	People	10/03/2015	10/03/2015
Members: Councillor D Kershaw	Cabinet Member for Education		11/03/2015	12/03/2015

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[www.coventry.gov.uk/councilmeetings](http://www.coventry.gov.uk/councilmeetings)

**Director of Education, Libraries and Adult Education**  
**Appointment on salary above £100k - Business case**

**1. The role**

The realignment of responsibilities within the people Directorate means this new role will be responsible for Education and Inclusion, Libraries and Adult Education. This is the first time in recent years that these services have been grouped together into a single portfolio.

The Director of Education, Libraries and Adult Education has a key role in driving educational standards and promoting lifelong learning across the City, and thereby the employment prospects of Coventry citizens.

The role will be central to the achievement of the Council's City Centre First strategy and supporting the development of communities.

This post will make a significant contribution to ensuring that children and young People are safe, reach high levels of attainment and make a positive contribution to the City.

**2. Grade and salary**

The post was subject to the normal HAY job evaluation scheme and job evaluation process for Chief Officer roles; the evaluation took place in October 2014.

The job evaluation process examined the level of responsibility along with the scale, breadth and impact of the role and resulted in the job being evaluated at Director 2 Grade. In accordance with the Council's current pay scales, the salary attached to Director Grade 2 is £101,767 - £110,266

The Director Grade 2 level has existed within the Council's HAY grading structure for a number of years.

The previous Director of Education and Libraries (which existed prior to the formation of the CLYP Directorate in 2007) was graded at Director Grade 2.

**3. Additional Research**

In October 2014 additional research was undertaken to ascertain the salary levels for similar roles elsewhere.

The research consisted of

- A study of local authority regionally comparable pay data (June 2014) through E. Pay check. This is a regional database of salaries maintained by the Local Government Association (LGA)
- A survey of similar jobs being advertised at the time

At the time, the research showed that although the content of portfolios varied, the mid-range salary levels for a Director with a portfolio including Education were between £100k – £107k

#### **4. Rationale**

The outcome of the job evaluation process has illustrated the significance of the role within the context of the Council's hierarchy, staffing and grading structure by setting it at Director Grade 2 level.

The mid-range Director salaries identified from the benchmarking coincide with the City Council's grade range at Director Grade 2 level.

The Council has high ambitions for children young people and communities within the City and in order to realise these ambitions experienced and effective leaders are required.

There is a highly competitive market and significant demand for people with the skills to undertake these highly visible and impactful roles.

A salary range of £101,767 - £110,266 is deemed therefore to be at the correct level. In order to secure the most appropriately experienced and skilled candidate for this role the salary offered to the individual concerned is £110,266.

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