

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 22 June 2015

Present:

Committee Members: Councillor Skipper (Chair)
 Councillor Bains (Deputy Chair)
 Councillor Blundell
 Councillor Harvard
 Councillor Sawdon
 Councillor Singh

Employees (by Directorate):

Resources: C West (Executive Director), P Baggott,
 C Booth, P Jennings, L Knight, S Mangan

Apologies: Councillor Blundell
 Councillor Welsh

Public Business

1. Declarations of Interest

There were no declarations of disclosable pecuniary interests.

2. Minutes of Previous Meeting

The minutes of the meeting held on 18th May 2015 were agreed and signed as a true record.

There were no matters arising.

3. Work Programme 2015/16

The Committee considered a report of the Executive Director of Resources, which set out the work programme for the Committee for the coming year.

In considering the report the Committee indicated that they would also like to consider the issues of European Funding, in particular how much the Council receives and how it is managed and, following a recent member led review they would like to consider property review and disposal. It was agreed that these matters be included in the work programme for the meeting scheduled for 26th October 2015.

RESOLVED that the work programme for 2015/16 be approved following the inclusion of European Funding and Property Review and Disposal on the list of matters for consideration at the meeting scheduled for 26th October 2015.

4. Revenue and Capital Outturn 2014/15

The Committee considered a report of the Executive Director of Resources, which set out the final revenue and capital outturn position for 2014/15, reviewed the treasury management activity during the year and set out the final 2014/15 Prudential Indicators reported under the Prudential Code for Capital Finance.

The Committee noted that the report had been considered by the Cabinet at their meeting on 17th June and was also to be considered by Council on 23rd June and Finance and Corporate Services Scrutiny Board (1) on 1st July 2015.

The revenue outturn reported an overspend of £2.2m, which was offset by a planned contribution from the General Fund Balance. It was noted that at quarter 3, a projected underspend of £0.6m had been reported and that the underlying movements between quarter 3 and outturn were as a result of overspends in People Directorate (£2.9m) and Contingency and Central (£1.5m) and underspends within the Place and Resources Directorates (£0.4m and £1.2m respectively).

This resulted in an overall underlying adverse movement of £2.8 in the final quarter and an overall overspend of £2.2m. The Committee noted that the Contingency and Central Budget position incorporated additional contributions of £5.2m to fund redundancy and early retirement costs that were not in the original budget but had been the result of subsequent decisions made by Cabinet during the year when considering budgetary control reports.

The period 8 monitoring report to Cabinet on 10th February 2015 approved a revised capital budget of £124.2m for 2014/15. Since then there had been a net programme reduction of £0.355m giving a final budget for the year of £123.9m. Since February, a total of £21.8m net rescheduled spending had arisen on directorate capital programmes. A scheme by scheme analysis was included in Appendix 2 of the report submitted.

The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework required that authorities set and monitor against a number of prudential and treasury indicators relating to capital, treasury management and revenue issues. These indicators were designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators was to support decision making and financial management, rather than illustrate comparative performance.

Within Appendix 3 of the report, the Ratio of Financing costs to Net Revenue Stream highlighted the revenue impact of the capital programme. This showed that the revenue costs of financing capital expenditure as a proportion of income from government grant and Council Tax. The actual was 13.25%, against 14.24% as forecast in the Treasury Management Strategy. This reflected a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

RESOLVED that the Revenue and Capital Outturn 2014/15 be noted.

5. **Unaudited 2014/15 Statement of Accounts**

The Committee considered a report of the Executive Director of Resources, which set out the unaudited statement of accounts for 2014/15.

In addition to the report, the Committee received a presentation setting out the key elements of the statement of accounts and issues to be aware of. These included:

- End of year reporting requirements
- Different interpretation of year-end financial position when compared to the Outturn Report
- The roles of the Audit and Procurement Committee in relation to the Statement of Accounts
- Net assets at the start of the year, income and expenditure account, net assets at year end
- Usable and unusable reserves
- Income and Expenditure Statement
- Fixed assets
- Pensions Liability
- Officer Remuneration
- Main issues within the accounts

Having considered the report and presentation, the Committee expressed concern regarding the size of the Pension Deficit, particularly given the reported £120m deterioration from £466m deficit in 2013/14 to £586m in 2014/15. The Committee indicated that they would wish to have specific discussions around this issue with the External Auditor when considering the final Statement of Accounts at their meeting on 3rd August 2015.

RESOLVED that the Committee note the Unaudited Statement of Accounts and request that the External Auditors are advised that the Committee intend to have discussions with them in respect of the pensions liability when the final Statement of Accounts are considered on 3rd August 2015.

6. **Annual Governance Statement 2014-15**

The Committee considered a report of the Executive Director of Resources, which sought approval of the Annual Governance Statement, which formed part of the Statement of Accounts for 2014-15.

Coventry City Council had responsibility for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the City Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

To demonstrate such arrangements, the City Council had approved and adopted a Code of Corporate Governance, which was consistent with the principles of effective governance as reflected in the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government'.

The Annual Governance Statement ('AGS') explained how Coventry City Council had complied with the Code and in doing so, reflects the requirements of the Accounts and Audit (England) Regulations 2011, which required all relevant bodies to prepare an Annual Governance Statement. The AGS also detailed key governance / control issues identified through the assessment that the Council faced in the coming year.

The Annual Governance Statement, attached as Appendix 1 to the report, highlighted those areas that the Council considered required internal control / governance improvements. The Committee noted that the assessment had been co-ordinated by the Internal Audit and Risk Manager, but also incorporated the views and opinions of senior officers.

Key disclosures come from a review of progress against disclosures highlighted in the Annual Governance Statement 2014/15 and new disclosures identified as part of the assessment process. A review of the seven disclosures highlighted in the Annual Governance Statement 2013-14 found that the disclosures fell into two categories, namely 'carry forward to the 2014/15 Statement' and 'closed from 2013/14 Statement'. The report detailed the specific matters in each of the categories and provided an update on the current position. Two new disclosures were identified for the 2013/14 Statement and related to the robustness of the CareDirector System and a review of the Council's Code of Corporate Governance.

RESOLVED that the Committee approve the Annual Governance Statement attached as Appendix One to the report submitted, which accompanies the 2014-15 Statement of Accounts.

7. Internal Audit Annual Report 2014-15

The Committee considered a report of the Executive Director of Resources, which summarised the Council's Internal Audit activity for the period April 2014 to March 2015 against the agreed Audit Plan for 2014-15 and provided the Internal Audit and Risk Manager's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2014-15.

The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2014-15 at its meeting on the 18th August 2014. The report submitted detailed the performance of the Internal Audit and Risk Service against the Plan for 2014-15, which was presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference.

The key target for the Internal Audit and Risk Service is to complete 90% of its agreed work plan by the 31st March 2015. The Committee acknowledged that this performance was against a revised plan that was agreed by them in February 2015. The revisions stemmed from two members of the Internal Audit and Risk Service leaving the Council in November / December 2014 and the decision to manage the impact of this in the short term through amending the 2014-15 audit plan to take account of planned audits being postponed / delayed and where days allocated in the plan were not reflective of need. In addition the report set out performance against the service's key performance indicators.

Appendix one of the report submitted detailed the audit reviews that had been carried out in the financial year 2014-15 along with the level of assurance provided. Of the 85 audits carried out during the year, 6 had received limited or no assurance. A summary of the findings of key audits that had not already been reported to the Committee during municipal year 2014 were included at Appendix two. In all cases, the relevant managers had agreed to address the issues raised in line with the timescales stated. These reviews would be followed up in due course and the outcome reported to the Audit and Procurement Committee.

The Committee noted that the Public Sector Internal Audit Standards highlighted that a key responsibility of Internal Audit was to provide an objective evaluation of, and assurance on, the effectiveness of the organisations risk management, control and governance arrangements. It required that the annual internal audit opinion provided by the Internal Audit and Risk Manager should form part of the Annual Governance Statement as a key element of the framework of assurance.

The report indicated that, in producing the opinion, it was appropriate that the Council's approach to internal control was explicitly set out. In the view of the Internal Audit and Risk Manager, this had evolved over the last few years and was now based upon a more fluid, but risk based approach, which had moved from central oversight and placed emphasis on management, ensuring that activity within services and directorates they were responsible for, comply with Council policies and procedures.

In adopting this approach, it was acknowledged that a greater inherent risk existed in terms of the control environment. This risk had continued to increase in recent times due to the fact that the financial challenges faced over the last few years had resulted in significant management delayering across the Council. As a result, there was less management resource available to provide oversight of activity in directorates. For these reasons, the level of assurance that the Internal Audit and Risk Manager could provide were somewhat restricted.

In considering all the factors highlighted within the report, it was the Internal Audit and Risk Manager's view that the Council's internal control environment had not significantly changed over the last year. As a result, the Internal Audit and Risk Manager had concluded that moderate assurance could be provided that there was generally a sound system of internal control designed to meet the Council's objectives.

RESOLVED that the Committee note:

- 1. The performance of Internal Audit against the Audit Plan for 2014-15.**
 - 2. The summary findings of key audit reviews, attached at appendix two to the report submitted, that have not already been reported to Audit and Procurement Committee during municipal year 2014-15 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
 - 3. The opinion of the Internal Audit and Risk Manager on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 8. 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 public business.

(Meeting closed at 4.10 pm)