

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.30 pm
on Monday, 3 August 2015

Present:

Members: Councillor T Skipper (Chair)
 Councillor S Bains
 Councillor J Blundell
 Councillor L Harvard

Employees (by Directorate):

P Baggott, Resources Directorate
C Booth, Resources Directorate
M Burn, Resources Directorate
P Jennings, Resources Directorate
L Knight, Resources Directorate
S Mangan, Resources Directorate
C West, Executive Director, Resources

Apologies: Councillor T Sawdon and B Singh

Public Business

9. Declarations of Interest

There were no disclosable pecuniary interests.

10. Minutes of Previous Meeting

The minute of the meeting held on 22nd June 2015 were agreed and signed as a true record.

Further to Minute 5 headed 'Unauthorised 2014/15 Statement of Accounts', the Committee noted that an update on pension liability was to be provided under Minute 14 below headed 'Audited 2014/15 Statement of Accounts'.

11. Exclusion of Press and Public

RESOLVED to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 21 headed 'Procurement and Commissioning Progress Report', on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

12. **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.

RESOLVED that the work programme for 2015/16 be approved.

13. **The Audit Findings for Coventry City Council**

The Committee considered a report of the External Auditor, Grant Thornton, on the Audit Findings for the City Council for the year ending 31st March, 2015. John Gregory and Paul Harvey, Grant Thornton attended the meeting to present their report.

The report highlighted the significant findings from their audit of the Council's group and financial statements. The auditors were required to report whether, in their opinion, the group and financial statements presented a true and fair view of the financial position and expenditure and income for the year and whether they had been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. They were also required to reach a formal conclusion on whether the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Committee were informed that the audit was substantially complete. The main outstanding area was the final consideration of evidence in relation to improvements in Children's Services.

It was anticipated that an unqualified opinion would be provided in respect of the financial statements. Reference was made to the fact that the audit had progressed smoothly, with audit queries being responded to in a prompt and constructive manner. Draft accounts were of a good standard with an overall high level of compliance with disclosure requirements. Identified errors and omissions, which did not impact on the Council's overall financial position, had subsequently been corrected.

Apart from the outstanding issue relating to Children's Services, the auditors were satisfied with all other aspects of the Council's arrangements for securing value for money. There was a small overspend of £2.2m on the revenue budget due to rising cost pressures in adult social care and services for looked after children, however the Council had continued to make significant savings. Attention was drawn to control issues in relation to the raising of accruals and timely issuing of credit notes. It was clarified that this had arisen following the significant number of employees leaving the Resources Directorate.

A number of recommendations were set out in an action plan attached at an appendix to the report and these had been agreed by the Executive Director of Resources.

RESOLVED that the Audit and Procurement Committee note the audit findings, as presented by the Council's External Auditors.

14. **Audited 2014/15 Statement of Accounts**

Further to Minute 5/15, the Committee considered a report of the Executive Director of Resources, which sought approval of the audited 2014/15 Statement of Accounts and Annual Governance Statement, on behalf of the Council.

The Committee noted that the Council had delegated authority for approval of the Statement of Accounts, including the Annual Governance Statement to the Audit and Procurement Committee.

The report was considered alongside the External Auditor's Audit Findings report (Minute 13 above refers) which detailed the key changes to the draft Statement of Accounts considered by the Committee in June. The changes had been agreed between Grant Thornton and the Executive Director of Resources.

The Director of Resources provided an update on the current position of the pension fund which was a growing liability in light of the previous pension agreements. He indicated that discussions were taking place at national level about how to tackle the pension fund deficit. The Committee discussed potential liabilities for the fund such as School Academies.

RESOLVED that the Audit and Procurement Committee approve the 2014/15 Statement of Accounts and the Annual Governance Statement.

15. **Letter of Representation**

The Committee considered the Letter of Representation from the Executive Director of Resources to the External Auditors, Grant Thornton.

The representation letter was provided in connection with the audit of the group financial statements of Coventry City Council and its subsidiary undertakings, as detailed in Appendix 1 to the letter, for the year ended 31st March 2015 for the purpose of expressing an opinion as to whether the group and parent Council financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

The letter confirmed that, to the best of the Council's knowledge and belief, it had made such inquiries considered necessary for the purpose of appropriately informing itself in respect of Group Financial Statements, Information provided and the Annual Governance Statement.

RESOLVED that the Audit and Procurement Committee approve the Letter of Representation.

16. **City Council Investment Activity**

The Committee considered a briefing note from the Executive Director of Resources which detailed the latest information in respect of the Council's treasury management activity.

The Committee noted the sums of money that the Council currently had invested with various lenders and that the current lending list was maintained in line with advice provided by the Council's Treasury Management advisors (Arlingclose), which based its judgements on information from credit rating agencies.

RESOLVED that the Audit and Procurement Committee note the latest position in relation to the Council's treasury management activity.

17. **Review of the Effectiveness of the System of Internal Audit 2014-15**

The Committee considered a report of the Executive Director of Resources, which summarised the outcome of various activities and assessments for the period 2014/15, to assist the Committee in undertaking the review of the effectiveness of the Council's System of Internal Audit, on behalf of the Council.

The Account and Audit Regulations included a requirement for the Council to carry out an annual review of the effectiveness of its System of Internal Audit. Whilst not explicit in the guidance, the Audit and Procurement Committee was viewed as the appropriate Committee to undertake this review, given its role. In completing the review for 2014/15, the Council had considered the CIPFA guidance in determining the scope of the review. The review had therefore focussed on the following, details of which were contained in the report:

- The assessment of the Council's Internal Audit Service against the requirement of the Public Sector Internal Audit Standards (PSIAS)
- The results of the 2014/15 Internal Audit quality assurance review.
- An update on actions identified in last year's assessment of the Council's Audit Committee arrangement in comparison with good practice reflected in CIPFA guidance.

There were also a number of areas which had not been considered in the review and the report submitted provided an explanation of why these issues had been omitted.

The report also highlighted areas for development by the Council's Internal Audit Service and the Audit and Procurement Committee, which would be progressed and an update provided at a future meeting of the Committee.

The Committee took particular note of the its terms of reference, which had been based around the previous guidance from CIPFA. The revised CIPFA guidance included a suggested terms of reference, which was appended to the report, and reflected a significant change in focus in that the number of core activities of the Committee had increased from 18 to 30. However, this did not mean there were significant gaps in the Council's current arrangements, as the majority of the new activity was either covered at least in part in reports already considered by the Committee, reflected the Committee's current working practice or were exceptional type issues and, in the view of the Internal Audit and Risk Manager, would be considered if the issue arose. It was acknowledged that there was a need to formally update the terms of reference of the Audit and Procurement Committee to ensure that it reflected current practices and, in the process, deciding whether the Council adopts all of the suggestions made by CIPFA.

Reference was made to the self-assessment of core knowledge and skills framework undertaken by Committee Members. This had highlighted a need to increase knowledge across the majority of the ten core areas and it was suggested that an informal training session be set up.

RESOLVED that:

- 1. The Audit and Procurement Committee note the findings of the 2014-15 review.**
- 2. The areas for development highlighted be endorsed and a further update report be submitted to the meeting in December to ensure progress is being made.**
- 3. Arrangements be made for an informal training session for Members of the Committee to increase knowledge of the ten core areas that the Committee deals with.**

18. Annual Fraud Report 2014-15

The Committee considered a report of the Executive Director of Resources, which provided a summary of the Council's anti-fraud activity for the financial year 2014/15, focusing on corporate and benefit fraud work.

The Committee noted that the focus given to fraud in the public sector had increased over the last few years, primarily as a result of the publication by the National Fraud Authority of "Fighting Fraud Locally - The Local Government Fraud Strategy". Whilst the national strategy stated that the public sector was dealing with increasing levels of fraud, the experience of the Council was that, except for benefit fraud, levels of identified / reported fraud against the Council were at relatively low levels, in terms of both numbers and value.

The report indicated that, with regard to Corporate Fraud, the National Fraud Initiative exercise was now led by the Cabinet Office and took place every two years, matching electronic data within and between public bodies with the aim of detecting fraud and errors. The results from work undertaken during 2014/15 were released in February 2015 and identified approximately 13,500 matches for the Council to consider. The results from matches reviewed to date include:-

- Housing Benefit overpayments totalling £46,300, which were in the process of being recovered.
- 53 matches in relation to Rising 18's, where Council Tax discounts have been cancelled totalling approximately £13,250.
- Two cases where payments had continued to be made to care homes following the death of the resident, resulting in overpayments of £7,695 which had now been recovered.
- Two cases where the Council had continued to make pension payments to retired employees after they had died, resulting in overpayments of £1,564 which were being recovered.

The Committee noted that during the year there had been a total of 26 referrals and investigations through whistle blowers, managers or complaints. 7 of these led to full investigations and the report set out the reasons for referrals not resulting in full investigations and the types of allegations received.

In December 2013, the Council introduced a new finance system, Agresso, which incorporated a new Accounts Payable module. Whilst processes were put in place to manage the transition from the old to the new system, a risk was identified where the same invoice could be paid by both the old and new system. Comparison work was undertaken which identified that 116 invoices had been paid in both systems, to a value of £135,500. Of this, it was found that £110k had already been identified and repaid to the Council at the time of the review. The remaining £25.5k identified through the review had now also been repaid to the Council. Whilst the level of duplicate payments identified was significant, this was due to a one-off situation and did not reflect the normal control environment around invoice payments to suppliers.

The report also detailed the work of the Benefit Fraud Team up until their transfer to the DWP as, following the transfer, the Council ceased to receive allegations. Between April and December 2014, the Team administered 106 sanctions. The work of the team had contributed to the identification of overpayments, through both fraud and non-fraud, totalling approximately £773,000 which is being pursued for recovery.

RESOLVED that the Audit and Procurement Committee note the outcome of the Council's response to fraud activity during 2014/15.

19. **Audit and Procurement Committee Annual Report to Council 2014-15**

The Committee considered the Audit and Procurement Committee's Annual Report, which was to be submitted to the City Council at their meeting on 8th September 2015. The report provided an overview of the Committee's activity during 2014/15.

During the previous municipal year, the Committee met on eight occasions. The report detailed all the routine reports considered during this time which were based around the clearly defined expectations of the services and functions that report to the Committee concerning governance; financial management and accounting; external and internal audit; fraud and procurement.

The Committee also considered ad-hoc reports which focused on either a specific concerns or developments that impacted directly on the Committee. These included the 2013-14 Annual Freedom of Information/Data Protection Act Report; Regulation of Investigatory Powers Act 2000 Annual Report; Ombudsman Complaint Annual Report and Posts with Salary Packages in Excess of £100,000.

In 2015/16, the Committee's initial focus would be ensuring that action was taken in response to disclosures made in the Annual Governance Statement, ensuring that any issues raised by the external auditors in the audit of the Council accounts were addressed on a timely basis, and ensuring that Members of the Committee were appropriately supported through training and development.

RESOLVED that the Audit and Procurement Committee recommends that the Council considers the Annual Report 2014/15.

20. **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 additional items of public business.

21. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Executive Director of Resources which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 23rd March, 2015. Details of the latest positions in relation to individual matters were set out in an appendix attached to the report.

The Committee discussed the current format of the procurement and commissioning report and indicated that they wanted to continue to receive the same information at each scheduled meeting.

RESOLVED that:

- (1) The current position in relation to the Commissioning and Procurement Services be noted.**
- (2) Having considered the format in which information is provided, progress reports continue to be submitted to each meeting with the report format remaining the same.**

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

There were no additional items of private business.

(Meeting closed at 4.20 pm)