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### **Audit and Procurement Committee**

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#### **Time and Date**

3.30 pm on Monday, 3rd August, 2015

#### **Place**

Committee Rooms - Council House

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#### **Public Business**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 8)
  - a) To agree the minutes of the meeting held on 22<sup>nd</sup> June 2015.
  - b) Matters arising.
4. **Exclusion of Press and Public**

To consider whether to exclude the press and public for the item(s) of business for the reasons shown in the report.
5. **Work Programme 2015/16** (Pages 9 - 10)

Report of the Executive Director of Resources
6. **Audited 2014/15 Statement of Accounts** (Pages 11 - 14)

Report of the Executive Director of Resources
7. **Letter of Representation** (Pages 15 - 18)

Report of the External Auditor, Grant Thornton
8. **City Council Investment Activity** (Pages 19 - 22)

Report of the Executive Director of Resources
9. **Review of the Effectiveness of the System of Internal Audit 2014-15** (Pages 23 - 34)

Report of the Executive Director of Resources

10. **Annual Fraud Report 2014-15** (Pages 35 - 44)  
Report of the Executive Director of Resources
11. **Audit and Procurement Committee Annual Report to Council 2014-15**  
(Pages 45 - 52)  
Report of the Executive Director of Resources
12. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

**Private business**

13. **Procurement and Commissioning Progress Report** (Pages 53 - 62)  
Report of the Executive Director of Resources
14. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

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Chris West, Executive Director, Resources, Council House Coventry

Friday, 24 July 2015

Note: The person to contact about the agenda and documents for this meeting is Lara Knight Tel: 024 7683 3237 Email: [lara.knight@coventry.gov.uk](mailto:lara.knight@coventry.gov.uk)

Membership: Councillors S Bains (Deputy Chair), J Blundell, L Harvard, T Sawdon, B Singh and T Skipper (Chair)

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.

**Lara Knight**

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# Public Document Pack Agenda Item 3

## 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

Other Members: Councillor  
Councillor

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 18<sup>th</sup> 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 26<sup>th</sup> 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 26<sup>th</sup> 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 17<sup>th</sup> June and was also to be considered by Council on 23<sup>rd</sup> June and Finance and Corporate Services Scrutiny Board (1) on 1<sup>st</sup> 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 3<sup>rd</sup> 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)



## Audit and Procurement Committee

### Work Programme 2015-16

#### 3<sup>rd</sup> August 2015

Audit Findings Report 2014-15 (Grant Thornton)  
Statement of Accounts 2014-15  
Quarter One Revenue and Corporate Capital Monitoring Report 2015-16  
Treasury Management Update  
Review of the Effectiveness of the System of Internal Audit  
Fraud Annual Report 2014-15  
Audit Committee Annual Report 2014-15  
Procurement Progress Report (Private)

#### 26<sup>th</sup> October 2015

Annual Audit Letter 2014-15 (Grant Thornton)  
Internal Audit Plan 2015-16  
Half Year Internal Audit Progress Report 2015-16  
Corporate Risk Register Update  
FOI / DPA Annual Report 2014-15  
RIPA (Regulation of Investigatory Powers Act) Annual Report 2014-15  
Ombudsman Complaints Annual Report 2014-15  
European Funding  
Property Review / Disposal  
Procurement Progress Report (Private)

#### 14<sup>th</sup> December 2015

Quarter Two Revenue and Corporate Capital Monitoring Report 2015-16  
Treasury Management Update  
Internal Audit Recommendation Tracking Report  
Half Yearly Fraud Update 2015-16  
Procurement Progress Report (Private)

#### 15<sup>th</sup> February 2016

Grant Certification Report (Grant Thornton)  
Annual Audit Plan (Grant Thornton)  
Quarter Three Revenue and Corporate Capital Monitoring Report 2015-16  
Quarter Three Internal Audit Progress Report 2015-16  
Contract Management Review  
Procurement Progress Report (Private)

#### 11<sup>th</sup> April 2016

Internal Audit Plan 2016-17

**Dates to be confirmed**

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## Public report Audit & Procurement Committee

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Audit and Procurement Committee

3<sup>rd</sup> August 2015

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor Gannon

**Director Approving Submission of the report:**

Executive Director Resources

**Ward(s) affected:**

All

**Title:**

Audited 2014/15 Statement of Accounts

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to gain Audit & Procurement Committee's approval for the audited 2014/15 Statement of Accounts and Annual Governance Statement. The Audit & Procurement Committee is approving these accounts on the Council's behalf.

**Recommendations:**

Audit & Procurement Committee is recommended to approve the final 2014/15 Statement of Accounts and the Annual Governance Statement.

**List of Appendices included:**

The final Statement of Accounts incorporating the agreed changes will be available prior to or at the meeting.

This report is presented alongside the External Auditor's Audit Findings Report which details the key changes to the draft Statement of Accounts considered by the Audit and Procurement Committee in June. The changes have been agreed between Grant Thornton and the Executive Director of Resources.

**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. The Audit & Procurement Committee is approving the City Council's Statement of Accounts and Annual Governance Statement on the Council's behalf.

**Report title:**

Audited 2014/15 Statement of Accounts

**1. Context (or background)**

The Accounts and Audit Regulations 2011 require the Council to have its audited statements approved by 30<sup>th</sup> September. The Council has previously approved the delegation of responsibility for approving the statements to the Audit & Procurement Committee, which has become the key body in respect of understanding, analysing and discussing the content of these statements.

The Audit & Procurement Committee reviewed and commented upon the draft 2014/15 Statement of Accounts and Annual Governance Statement at its meeting on 22<sup>nd</sup> June 2015. This report now seeks approval of the final audited statements.

**2. Options considered and recommended proposal**

- 2.1 This report is presented alongside the Audit Findings Report of the Council's external auditors Grant Thornton which details all the significant changes to the draft accounts and Annual Governance Statement which the Audit & Procurement Committee considered in July. These changes have been agreed between the Grant Thornton and the Executive Director of Resources. The revised Statement of Accounts and Annual Governance Statement will be made available prior to or at the meeting and the key changes to them are explained clearly within the Grant Thornton Audit Findings report elsewhere on today's agenda.

**Report author(s):**

**Name and job title: Paul Jennings, Finance Manager (Corporate Finance)**

**Directorate: Resources Directorate**

**Tel and email contact: 02476833753 paul.jennings@coventry.gov.uk**

This report is published on the council's website:

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

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Grant Thornton UK LLP  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

3 August 2015

Dear Sirs

Coventry City Council  
Group Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the group financial statements of Coventry City Council and its subsidiary undertakings as shown in Appendix 1 to this letter, for the year ended 31 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.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Group financial Statements**

- i We have fulfilled our responsibilities for the preparation of the group and parent Council financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

### **Resources Directorate**

Coventry City Council  
Room 56, Council House  
Earl Street  
Coventry  
CV1 5RR

**Please contact Chris West**  
**Direct line 024 7683 3700**  
**Fax 024 7683 3770**  
**chris.west@coventry.gov.uk**

- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the group and parent Council financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the group or parent Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the group financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiv We believe that the Group and Council financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Group or Council's ability to continue as a going concern need to be made in the financial statements.

**Information Provided**

- xv We have provided you with:
  - a access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and



- c unrestricted access to persons within the group and parent Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the group and parent Council involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group and parent Council financial statements.
- xxii We have disclosed to you the identity of all the group's and the parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

**Annual Governance Statement**

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 3 August 2015

Yours faithfully

Name        Chris West  
Position    Executive Director Resources  
Date        3<sup>rd</sup> August 2015

Signed on behalf of the Council.....

**List of subsidiary undertakings**

Coventry and Solihull Waste Disposal Company

Coventry North Regeneration Limited

North Coventry Holdings Limited



Coventry City Council

## Briefing Note

**To**            **Audit and Procurement Committee**

**Date** 3rd August 2015

**Subject**    **City Council Investment Activity**

### 1 Background and Purpose of the Note

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

### 2 Treasury Management Activity

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

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

2.3 Since the last report in February, there have been two main changes to the lending list, both due to a review of systemically important UK and German banks conducted by Standard & Poor's credit rating agency. This review was carried out following these countries early adoption of the bail in regime (whereby investors bail in a failing bank rather than taxpayers bailing them out). Firstly, Deutsche Bank has been downgraded to BBB+ & as such has been removed from the Council's lending list. Deutsche Bank has not been used as a counterparty by the Council for a number of years. Secondly, Lloyds Bank, Bank of Scotland, Nationwide and Santander were downgraded from a 6 month duration limit to a 100 day duration limit.

2.4 The total level of investment balances held by the Council stood at £150.7m as at 17<sup>th</sup> July 2015 compared with £137.2m as at 18 July 2014 and £98.4m reported to Audit and Procurement Committee as at 03/01/2015. The breakdown of these balances is shown below.

	<b>18/07/2014</b>	<b>30/01/2015</b>	<b>17/07/2015</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Bank Deposits	67.0	62.0	80.9
Local Authority Deposits	29.0	18.0	0.0
Money Market Funds	24.0	2.5	24.3
Long Term Investments	17.2	15.9	23.7
Corporate Bonds	0.0	0.0	21.8
<b>Total</b>	<b>137.2</b>	<b>98.4</b>	<b>150.7</b>

2.5 Since the last report no short term borrowing has been undertaken, due to the high levels of investment balances held by The Council.

Appendix 1



COVENTRY CITY COUNCIL LENDING LIST

10 June 2015

Institution	Country	Long Term Rating			Limit £m	Term Limit	Position number in 'Investment Grade'		
		Fitch	Moody's	S & P			Fitch	Moody's	S&P
Debt Management Office	UK	AA+	Aa1	AAA			2	2	1
Local Authorities	UK	AA+	Aa1	AAA	£8m	3 years	2	2	1
HSBC Bank plc (* See note below)	UK	AA-	Aa2	AA-	£7.2m	6 Mths	4	3	4
Lloyds Bank Group									
Bank of Scotland plc (** See note below)	UK	A+	A1	A	£4.4m	100 days	5	5	6
Barclays Bank plc	UK	A	A2	A-	0	100 Days	6	6	7
Coventry BS	UK	A	A2		£8m	100 Days	6	6	
Close Brothers Ltd	UK	A	Aa3		£8m	100 Days	6	4	
Lloyds Bank Group									
Lloyds Bank plc (** See note below)	UK	A+	A1	A	£4.4m	100 days	5	5	6
Nationwide BS	UK	A	A1	A	0	100 Days	6	5	6
Santander UK Plc (Abbey)	UK	A	A2	A	£8m	100 days	6	6	6
Standard Chartered Bank	UK	AA-	Aa2	A+	£8m	6 Mths	4	3	5
Goldman Sachs International Bank	UK	A	A1	A	£8m	100 Days	6	5	6
Leeds Building Society	UK	A-	A2		£8m	100 Days	7	6	
CUMBERLAND BUILDING SOCIETY	UK				£1m	100 Days			
DARLINGTON BUILDING SOCIETY	UK				£1m	100 Days			
FURNESS BUILDING SOCIETY	UK				£1m	100 Days			
HARPENDEN BUILDING SOCIETY	UK				£1m	100 Days			
HINCKLEY & RUGBY BUILDING SOCIETY	UK				£1m	100 Days			
LEEK UNITED BUILDING SOCIETY	UK				£1m	100 Days			
LOUGHBOROUGH BUILDING SOCIETY	UK				£1m	100 Days			
MANSFIELD BUILDING SOCIETY	UK				£1m	100 Days			
MARKET HARBOUROUGH BUILDING SOCIETY	UK				£1m	100 Days			
MARSDEN BUILDING SOCIETY	UK				£1m	100 Days			
MELTON MOWBRAY BUILDING SOCIETY	UK				£1m	100 Days			
NATIONAL COUNTIES BUILDING SOCIETY	UK				£1m	100 Days			
NEWBURY BUILDING SOCIETY	UK				£1m	100 Days			
SCOTTISH BUILDING SOCIETY	UK				£1m	100 Days			
TIPTON & COSELEY BUILDING SOCIETY	UK				£1m	100 Days			
VERNON BUILDING SOCIETY	UK				£1m	100 Days			
Australia and New Zealand Banking Group Ltd	AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Commonwealth Bank of Australia	AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Westpac Banking Corporation	AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Bank of Montreal	CA	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Bank of Nova Scotia	CA	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Canadian Imperial Bank of Commerce	CA	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Royal Bank of Canada	CA	AA-	Aa3	AA-	£8m	6 Mths	3	4	3
Toronto Dominion Bank	CA	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
Pohjola Bank PLC-A Shs	FI	A+	Aa3	A+	£8m	6 Mths	5	4	5
LANDESBANK HESSEN-THURINGEN	GE	A+	A2	A	£8m	100 Days	5	6	6
Bank Nederlandse Gemeenten	NE	AA+	Aaa	AA+	£8m	6 Mths	2	1	2
Cooperative Centrale Raiffe (Rabobank)	NE	AA-	Aa2	A+	£8m	6 Mths	4	3	5
ING Bank NV	NE	A	A1	A	£8m	100 Days	6	5	6
DBS Bank Ltd	SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
Oversea-Chinese Banking Corp	SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
United Overseas Bank Ltd	SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
Nordea Bank AB	SW	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Svenska Handelsbanken AB	SW	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Credit Suisse	SZ	A	A1	A	£8m	100 Days	6	5	6
JP Morgan Chase Bank	US	AA-	Aa3	A+	£8m	6 Mths	4	4	5
<b>MONEY MARKET FUNDS (MMFs)</b>									
Deutsche Bank Advisors	Ireland		Aaa	AAA	£8m			1	1
Federated Investors	UK	AAA	Aaa	AAA	£8m		1		1
HSBC Asset Management	Ireland		Aaa	AAA	£8m			1	1
Ignis Asset Management	Ireland	AAA		AAA	£8m		1		1
HSBC Bank plc * - (Reduced limit)	uk	£0.5m School balances at HSBC						7 = Borderline rating	
Lloyds Banking Group									
Bank of Scotland plc ** - (Reduced limit)	uk	£3.5m School balances at Lloyds TSB							
Lloyds Banking Group									
Lloyds Bank plc ** - (Reduced limit)	uk	£3.5m School balances at Lloyds TSB							

## Appendix 2

### TEMPORARY LOANS BOOK

Balances as at the 17/07/15

LOAN REF.	LENDER NAME	BROKER	PRINCIPAL	START DATE	MATURITY DATE	INITIAL INT RATE	DAYS	INT DUE
<b>TEMPORARY LOAN OUT (DEPOSIT)</b>								
200004035	GOLDMAN SACHS INTER BANK	BT	5,000,000.00	16/04/15	24/07/15	0.555000	99	7,526.71
200004036	GOLDMAN SACHS INTER BANK	BT	3,000,000.00	17/04/15	24/07/15	0.555000	98	4,470.41
200004037	NATIONWIDE B/SOCIETY	MARB	8,000,000.00	17/04/15	24/07/15	0.510000	98	10,954.52
200004038	CUMBERLAND B SOCIETY	MARB	1,000,000.00	22/04/15	31/07/15	0.510000	100	1,397.26
200004039	LANDESBANK HESSEN	FP	8,000,000.00	01/05/15	03/08/15	0.500000	94	10,301.37
200004040	LEEDS BUILDING SOCIETY	CDB	5,000,000.00	01/05/15	07/08/15	0.500000	98	6,712.33
200004042	NATIONAL COUNTIESB SOCIETY	FP	1,000,000.00	25/06/15	25/09/15	0.550000	92	1,386.30
200004043	POHJOLA BANK PLC	BT	3,000,000.00	03/07/15	02/10/15	0.650000	91	4,861.64
200004044	DBS BANK LTD	FP	5,000,000.00	15/07/15	15/10/15	0.520000	92	6,553.42
200004045	LLOYDS TSB BANK	N/A	4,000,000.00	17/07/15	19/10/15	0.570000	94	5,871.78
200004041	POHJOLA BANK PLC	BT	5,000,000.00	10/06/15	10/12/15	0.700000	183	17,547.95
			<b>48,000,000.00</b>					<b>77,583.70</b>
<b>TEMPORARY LOAN OUT (CALL DEPOSITS)</b>								
200003868	BARCLAYS	N/A	8,000,000.00	08/07/13		0.603810		35 Day Notice
200003948	SVENSKA HANDELSBANKEN	N/A	3,900,000.00	14/04/14		0.450000		Call Money
			<b>11,900,000.00</b>					
<b>CERTIFICATE OF DEPOSIT</b>								
1600000009	CDS CREDIT SUISSE	KS	3,000,224.09	01/05/15	31/07/15	0.530000	91	3,964.41
1600000010	CDS CREDIT SUISSE	KS	5,000,332.51	11/05/15	31/07/15	0.500000	81	5,548.31
1600000011	CDS NORDEA AB	KS	5,000,385.81	15/05/15	17/08/15	0.490000	94	6,310.08
1600000012	CDS STANDARD CHARTERED	KS	8,001,205.67	13/07/15	13/01/16	0.690000	184	27,831.04
			<b>21,002,148.08</b>					<b>43,653.84</b>
<b>FIXED BONDS</b>								
1700000003	VOLKSWAGEN INTERNATIONAL	KS	1,642,232.47	13/04/15	20/08/15	0.687886	129	3,992.53
1700000009	RABOBANK NEDERLAND NV	KS	1,191,972.35	07/05/15	10/09/15	0.726082	126	2,987.65
1700000010	RABOBANK NEDERLAND NV	KS	2,204,687.03	07/05/15	10/09/15	0.698092	126	5,312.97
1700000011	RABOBANK NEDERLAND NV	KS	1,097,855.68	07/05/15	10/09/15	0.650241	126	2,464.32
1700000004	VOLKSWAGEN INTERNATIONAL	KS	3,164,105.97	13/04/15	23/10/15	0.727644	193	12,174.03
1700000005	VOLKSWAGEN INTERNATIONAL	KS	1,059,813.62	15/04/15	23/10/15	0.729620	191	4,046.38
1700000007	VOLKSWAGEN INTERNATIONAL	KS	502,933.79	27/04/15	23/10/15	0.837730	179	2,066.21
1700000012	ANGLIAN WATER SERVICES	KS	2,695,824.93	18/05/15	30/10/15	0.833093	165	10,152.57
1700000000	DANSKE BANK	KS	3,165,210.89	19/02/15	09/12/15	0.922101	293	23,429.11
1700000008	DAIMLERAG	KS	5,042,276.71	07/05/15	10/12/15	0.883109	217	26,473.29
			<b>21,766,913.44</b>					<b>93,099.06</b>
<b>MMF DEPOSITS</b>								
2400000002	STANDARD LIFE LIQUIDITY	N/A	8,000,000.00	04/09/12		0.428619		
2400000003	HSBC STERLING LIQUIDITY	N/A	8,000,000.00	04/09/12		0.406000		
2400000004	FEDERATED PRIMERATE	N/A	2,500,000.00	17/09/12		0.398142		
2400000005	DEUTSCHE MANAGED STERLING	N/A	5,750,000.00	19/07/13		0.407997		
			<b>24,250,000.00</b>					
<b>COLLECTIVE INVESTMENT FUNDS</b>								
2600000004	PAYDEN & RYGEL	N/A	7,775,105.12	01/02/12				
2600000005	FEDERATED PRIMERATE C+	N/A	5,061,985.51	27/03/13				
2600000006	CCLA INVESTMENT MGT LTD	N/A	3,000,000.00	28/11/13				
2600000007	IGNIS SHORT DURATION FUND	N/A	7,812,951.15	16/03/15				
			<b>23,650,041.78</b>					

## **Investment Type Glossary**

Temporary Loan Out (Deposit) – These are investments with a counterparty where the start date, maturity date, principal & interest rate is all agreed in advance and cannot be changed until maturity.

Temporary Loan Out (Call Deposits) – These are investments with banks whereby the money is held by the bank for an indefinite amount of time until the Council chooses to have the money back. Once the Council calls the money back, different accounts have different notice periods. The longer the notice period, the higher the interest rate.

Certificate of Deposit – These are similar investments to Temporary Loan Out (Deposits). However, there is a secondary market for them, meaning they can be sold before the maturity date for a profit or loss. This makes them more liquid.

Fixed Bonds – These are similar to Certificates of deposit in that maturity date and interest rates are agreed in advance & there is a secondary market to sell them if required. However, whereas Certificates of Deposits are with banks, Fixed Bonds are with banks and private companies.

Money Market Fund (MMF) Deposits – Funds whereby the authorities money is managed by an external fund manager. The Council invests in the fund along with several other organisations and money is pooled together & invested in a number of different counterparties. As the investments made by the fund manager vary daily, the rate of interest fluctuates daily, usually within 0.05% of 0.4%. Money can be paid into and withdrawn instantly from these accounts & so they are used to manage the Council's day to day cashflow.

Collective Investment Funds – Similar to MMF Deposits, these are investments whereby we give our money to a fund manager and they pool our money with other organisations to make investments on our behalf. The rate of interest is higher on these tends to fluctuate more & as such need to be viewed as long term investments in order to smooth out peaks & troughs, even though the Council can withdraw from these accounts with only a week's notice if required.



Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

3<sup>rd</sup> August 2015

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance & Resources – Councillor Damian Gannon

**Director approving submission of the report:**

Executive Director of Resources

**Ward(s) affected:**

City Wide

**Title:**

Review of the Effectiveness of the System of Internal Audit 2014-15

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**Is this a key decision?**

No

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**Executive summary:**

This report summarises the outcome of the various activities and assessments for the period 2014-15, to assist the Audit and Procurement Committee in undertaking the review of the effectiveness of the Council's System of Internal Audit, on behalf of the Council.

**Recommendations:**

Audit and Procurement Committee is recommended to:

1. Note the findings of the 2014-15 review.
2. Endorse the areas for development highlighted and agree to receive a further update in December to ensure progress is being made.

**List of Appendices included:**

Appendix One – CIPFA Suggested Terms of Reference

**Other useful background papers:**

None

**Has it or will it be considered by scrutiny?**

No other scrutiny consideration other than the Audit and Procurement Committee.

**Has it, or will it be considered by any other council committee, advisory panel or other body?**

No

**Will this report go to Council?**

No



**Report title:**

Review of the Effectiveness of the System of Internal Audit 2014-15

**1. Context (or background)**

1.1 The Accounts and Audit Regulations include 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 is viewed as the appropriate Committee to undertake this review, given its role. In completing the review for 2014-15, the Council has again considered CIPFA guidance in determining the scope of the review, but have excluded the following:

- The area of Internal Audit will not consider:
  - The outcomes of specific audit reviews, performance indicators and the annual opinion of the Internal Audit and Risk Manager, as these have been considered in the annual Internal Audit Report that was presented to the Committee in June 2015.
  - An assessment of the role of the Council's Internal Audit and Risk Manager against the requirements stated in the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010), as it has been determined that this should be considered on a cyclical basis given there has been no change in guidance / arrangements in the last year.
- The work of other assurance providers, as this has been considered separately in the preparation of the Annual Governance Statement that was presented to the Committee in June 2015.

1.2 The scope of the 2014-15 review has considered the following areas:

- The assessment of the Council's Internal Audit Service against the requirements of the Public Sector Internal Audit Standards.
- 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.

**2. Options considered and recommended proposal**

2.1 **Assessment of the Council's Internal Audit Service against the requirements of the Public Sector Internal Audit Standards (PSIAS)** - A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The PSIAS were introduced in 2013 and provided a single set of standards that underpinned Internal Audit in the public sector. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the UK public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and

- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

2.1.1 The PSIAS are significant in size and includes over 300 requirements. A summary of the results from our self-assessment is detailed in the table below:

Table One - Summary of Compliance against the PSIAS

Section	Standard	Compliant				Total
		Yes	Partial	No	N/A	
1	Definition of Internal Auditing	3				3
2	Code of Ethics	11	1			12
3	Attribute Standards					
3.1	Purpose, Authority and Responsibility	23				23
3.2	Independence and Objectivity	22	1		6	29
3.3	Proficiency and Due Professional Care	17	1		3	21
3.4	Quality Assurance and Improvement Programme	16	1		9	26
4	Performance Standards					
4.1	Managing the Internal Audit Activity	39	3		5	47
4.2	Nature of Work	24	2		3	29
4.3	Engagement Planning	39	2		12	53
4.4	Performing the Engagement	22				22
4.5	Communicating Results	48			5	53
4.6	Monitoring Progress	3			1	4
4.7	Communicating the Acceptance of Risks				2	2
<b>Total</b>		<b>267</b>	<b>11</b>		<b>46</b>	<b>324</b>

2.1.2 In considering the results, the following points need to be acknowledged:

- A large element of the assessment requires the assessor to make a judgement in determining compliance. In completing this assessment, the Internal Audit and Risk Manager has applied a pragmatic approach to determine compliance, as well as using his experience of the operations of the Service in reaching his judgements.
- Given that the Standard is based around a “one size fits all” approach to Internal Audit in the public sector, there are elements of the Standard which do not apply in Coventry. The majority of the 46 requirements classed as ‘N/A’ relate to the issue of consultancy services, which are not currently provided by the Internal Audit Service. Other factors include (a) requirements which have not arisen in practice and as such these are impractical to assess, and (b) where the timescale for implementation is some time away (i.e. external assessment must be carried out by March 2018) and this issue has yet to be considered. In respect of the external assessment, this will be considered in the coming months along the other developments highlighted in section 2.1.3.

2.1.3 In relation to those areas judged as partially compliant, these cover the following themes which are currently being progressed:

- 1) Continually improving the team’s proficiency, effectiveness and quality of services provided through on-going training and development.

- 2) To ensure a balance is achieved between rotating in the team around audit reviews and / or areas of responsibility whilst ensuring audits are allocated to the most appropriate auditor.
- 3) Formalising arrangements over obtaining stakeholder feedback.
- 4) To understand the range of assurance mechanisms available to the Council and to carry out an assurance mapping exercise around key Council activities as part of the development of the Internal Audit Plan.
- 5) To get a better understanding of the expectation within the standard around ethics related audits.

**2.2 Results of the Internal Audit Quality Assurance Review** - A key focus of the Performance Standards element of the PSIAS is around the delivery of audit assignments. Whilst procedures are in place to oversee such work as reflected in the self-assessment results for these areas, the PSIAS also requires Internal Audit Services to have a Quality Assurance and Improvement Programme designed to provide reasonable assurance that it:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards (PSIAS).
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and seeking to continually improve.

**2.2.1** In addition to oversight provided on each audit, an annual assessment has been undertaken considering audits completed in 2014-15 along with performance data for the same period, in order to determine whether audit work is compliant with the requirements of the PSIAS. Overall, the review has found that such activity is compliant with the requirements of the PSIAS, although as part of our drive to continually improve, a number of developments have been identified. These are:

- The need for more regular dialogue with senior management to ensure changes in audit priorities are identified at an early stage so that resources can be re-allocated to other priorities without delay.
- To ensure that all reviews are completed on a timely basis and within agreed budget days. Developments include:
  - Ensuring that both budget allocations and report deadlines agreed for each assignment are underpinned by an assessment that such targets are achievable given the amount of work involved in completing the audit.
  - All work plans to support audit reviews are subject to approval at the planning stage to ensure that coverage focuses on the key risks in respect of the issue / area being audited.
- The audit report provides clearly evidenced opinions, with findings aligned to risks and recommendations that are both cost effective and solution focused. This development will be progressed through both individual and team development activity.

**2.3 Audit and Procurement Committee: The Effectiveness of the Council's Audit Committee** – CIPFA has developed a tool to assist Councils in assessing its Audit Committee arrangements against good practice. An assessment was made last year and highlighted three areas for development. Progress against these developments is detailed below:

2.3.1 To review the Audit and Procurement Committee's terms of reference in comparison with the updated CIPFA guidance - The current Audit and Procurement Committee's terms of reference was based around previous guidance issued by CIPFA. The revised CIPFA guidance includes a suggested terms of reference (Appendix One) for a local authority Audit Committee. The suggested terms of reference reflects a significant change in focus in the fact that that the number of core activities of the Committee has increased from 18 to 30.

This does not mean that there are significant gaps in the Councils current arrangements as the majority of new activity highlighted is either:

- Covered at least in part in reports already considered by the Committee.
- Reflective of the Committees current working practices.
- Are exception type issues and in the view of the Internal Audit and Risk Manager, would be considered if the issue arose.

There is, however, a need to formally update the terms of reference of the Audit and Procurement Committee to ensure it reflects current practices and in the process deciding whether the Council adopts all the suggestions made by CIPFA.

2.3.2 To undertake an assessment against the core knowledge and skills framework (CIPFA guidance) expected of an Audit Committee - All current members of the Audit and Procurement Committee have completed a self-assessment against the CIPFA framework. Whilst this has highlighted differing levels of knowledge / skills across members, overall, the assessment indicates the need to increase the knowledge of the Committee across the majority of the ten core areas that it considers. A number of delivery methods involving both internal and external training are available and a plan will be developed to progress this taking into account the views of the Committee.

2.3.2 To assess the effectiveness of the Audit and Procurement Committee - The CIPFA tool highlights a number of questions which consider the effectiveness of the Audit Committee arrangements in place. These are:

- An annual evaluation is undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas.
- The committee obtain feedback on its performance from those interacting with the committee or relying on its work.
- The committee has evaluated whether and how it is adding value to the organisation.

This has not been progressed to date, primarily as a result of the fact that CIPFA evaluation tool is underpinned by its expectations around the terms of reference for the committee and the knowledge / skills its expects from members of the Committee. As these areas are still being progressed, the value gained from any assessment would be limited at this stage. The timing and mechanism (i.e. self-assessment, external assurance) for such a review will be considered once the other actions outlined have been implemented.

### **3. Results of consultation undertaken**

3.1 None

#### **4. Timetable for implementing this decision**

- 4.1 There is no implementation timetable associated with this report. An update report on action taken in progressing developments identified will be reported to the Audit and Procurement Committee in December 2015.

#### **5. Comments from the Executive Director Resources**

##### **5.1 Financial Implications**

There are no specific financial implications associated with this report. A key objective of the system of Internal Audit is to help improve value for money obtained, ensure the probity and propriety of financial administration, as well as assisting in the management of financial and operational risks.

##### **5.2 Legal implications**

There are no legal implications associated with this report.

#### **6. Other implications**

- 6.1 **How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?**

The purpose of the system of Internal Audit is to provide independent assurance that the Council has an effective control environment that assists the Council in achieving the organisation's objectives. It objectively examines and evaluates the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

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

The key risk is that failure to have effective arrangements may mean the Council does not have good corporate governance arrangements in place. This could result in an increased likelihood that the control environment would not aid the achievement of the Council's objectives.

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

None

- 6.4 **Equalities / EIA**

None

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

No impact

- 6.6 **Implications for partner organisations?**

None

**Report author(s):**

Stephen Mangan

**Name and job title:**

Internal Audit and Risk Manager

**Directorate:**

Finance &amp; Legal Services

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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>				
Karen Tyler	Senior Auditor	Resources	17/07/2015	17/07/2015
Lara Knight	Governance Services Team Leader	Resources	17/07/2015	20/7/2015
Neelesh Sutaria	Human Resources Business Partner	Resources	17/07/2015	17/7/2015
<b>Names of approvers: (officers and members)</b>				
Finance: Paul Jennings	Finance Manager Corporate Finance	Resources	17/07/2015	17/07/2015
Legal: Carol Bradford	Solicitor	Resources	17/07/2015	20/7/2015

This report is published on the council's website:

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

### Statement of purpose

1. Our audit committee is a key component of [name of authority]'s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of authority]'s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### Governance and risk and control

3. To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
5. To consider the council's arrangements to secure value for money and review assurances and assessments of the risks and priorities of the council.
6. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor progress in addressing risk-related issues reported to the committee.
8. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
11. To monitor the counter-fraud strategy, actions and resources.

### Internal audit

12. To approve the internal audit charter.
13. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
14. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

15. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
16. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
17. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - Regular reports on the results of the Quality Assurance and Improvement Programme.
  - Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
18. To consider the head of internal audit's annual report:
  - The statement of the level of conformance with Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
  - The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.
19. To consider summaries of specific internal audit reports as requested.
20. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
21. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of the internal audit that takes place at least once every five years.
22. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
23. To support the development of effective communication with the head of internal audit.

#### **External audit**

24. To consider the external auditor's annual letter, relevant reports, and the report to those in charge with governance.
25. To consider specific reports as agreed with the external auditor.
26. To comment on the scope and depth of external audit work and to ensure it gives value for money.
27. To commission work from internal and external audit.



28. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### **Financial reporting**

29. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
30. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### **Accountability arrangements**

31. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
32. To report to full council on a regular basis on the committee's performance in relation to the term of reference and the effectiveness of the committee in meeting its purpose.

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Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

3<sup>rd</sup> August 2015

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance & Resources – Councillor Damian Gannon

**Director approving submission of the report:**

Executive Director of Resources

**Ward(s) affected:**

City Wide

**Title:**

Annual Fraud Report 2014-15

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud activity for the financial year 2014-15, focusing on corporate and benefit fraud work.

**Recommendation:**

The Audit and Procurement Committee is recommended to consider the outcome of the Council's response to fraud activity during 2014-15.

**List of Appendices included:**

None

**Other useful documents:**

Half Yearly Fraud Update 2014-15

<http://modern.gov.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=10222&Ver=4>

**Has it or will it be considered by scrutiny?**

No other scrutiny consideration other than the Audit and Procurement Committee.

**Has it, or will it be considered by any other council committee, advisory panel or other body?**

No

**Will this report go to Council?**

No

**Report title:**

Annual Fraud Report 2014-15

**1. Context (or background)**

- 1.1 The focus given to fraud in the public sector has 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 states that the public sector is dealing with increasing levels of fraud, the experience of the Council is that except for benefit fraud, levels of identified / reported fraud against the Council are at relatively low levels, in terms of both numbers and value.
- 1.2 This report documents the Council's response to fraud during 2014-15, and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference '*to monitor Council policies on whistle blowing and the fraud and corruption strategy*'.

**2. Options considered and recommended proposal**

2.1 **Corporate Fraud** – A summary of the key outputs during this period is detailed below.

2.1.1 National Fraud Initiative (NFI) – The NFI exercise is now led by the Cabinet Office, who took over this function from the Audit Commission in March 2015. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. Our work in 2014-15 has been focused on collating and submitting the datasets for the next exercise. The results were released in February 2015, and identified approximately 13,500 matches for the Council to consider. A summary of work undertaken to date on these matches is detailed below:

- Housing Benefit – Before the Benefit Fraud Team moved to the Department for Work and Pensions (DWP) in March 2015, the Council reviewed the matches to determine the most appropriate next steps. This included:
  - Referring the match to the DWP for investigation where fraud was suspected.
  - Where the assessment determined that an error rather than fraud had taken place, the matter was referred to the Housing Benefit Service to review.

This work has identified overpayments totalling £46,300, which are in the process of being recovered.

- Council Tax – Work in this area is focused on two areas:
  - Single Person Discount - We have delayed looking into these matches pending the completion of a separate review by the Council Tax Team. However we have now commenced this work, with the initial focus given to matches in Council Tax bands E and above. In total 163 matches were selected for review, although initial checks have been able to validate the discount in 95 cases. The remaining 68 matches are now being pursued through further checks and customer validation.
  - Rising 18's - These matches provide information on individuals in properties who have either recently turned 18 or will turn 18 in the near future. The nature of these matches is such that this is managed as an on-going piece of work and to date the Council Tax Team have cancelled 53 discounts totalling approximately £13,250.

- Other – This covers a wide range of activity, so priority has been given to known problem areas and high quality matches as judged by the Cabinet Office. A breakdown of these areas and the results to date are highlighted below:
  - Private Residential Care Homes Payments – Two cases were identified where the Council had continued to make payments to the care home after the resident had died, both of which related to out of city placements. This resulted in overpayments of £7695 which have now been recovered. Additionally, we are looking into mechanisms to reduce this issue from re-occurring.
  - Pension Payments – Two cases were identified where the Council had continued to make pension payments to retired employees after the individuals had died. This resulted in overpayments of £1564 which are being recovered.
  - Payroll Payments – Whilst previous exercises had identified instances where Council employees did not have the right to work in the UK, a review of all matches has found that that all employees have the right to work in the UK.

Updates on this exercise will be included in reports to the Audit and Procurement Committee during 2015-16.

2.1.2 Referrals and Investigations – Table two below indicates the number of referrals by source in 2014-15, with figures for the previous three financial years.

**Table One - Fraud Referrals Received between 2011-12 and 2014-15**

Source	Referrals 2011-12	Referrals 2012-13	Referrals 2013-14	Referrals 2014-15
Whistle blower	15	14	12	12
Manager	16	14	13	13
Complaint / External	1	-	4	1
<b>Total</b>	<b>32</b>	<b>28</b>	<b>29</b>	<b>26</b>

Whilst the figures for 2014-15 are comparable to those received in the previous two financial years, we need to be clear that we have no mechanism for determining the number of referrals the Council should receive on an annual basis. What we can say is that the expected increase in fraud as a consequence of the challenging economic climate does not seem to have materialised at the Council.

2.1.3 Quality of Referrals - Of the 26 referrals received, seven have led to full investigations. Reasons for referrals not resulting in a full investigation include:

- Poor quality referrals – In simple terms, in assessing some referrals, we have found no evidence to support the allegations. This does not necessarily mean that the allegations were false but can reflect a misinterpretation of the relevant events.
- Insufficient evidence on which to pursue an investigation - This can result from (i) a whistle blower contacting us anonymously and not providing any means of contacting them for clarification and / or further information, or (ii) the nature of the event being a 'one-off' situation and the practicality of proving that an event in the past has actually taken place.

2.1.4 Type of Allegations - A breakdown of the nine investigations carried out in 2014-15 (which includes two outstanding from 2013-14), by type of allegation, is detailed below.

- Financial irregularities / theft (four) - These relate to thefts of cash.
- Attendance (five) - This relates to allegations that employees are falsifying their timesheets by claiming to be at work when this is not the case.

2.1.5 Outcomes – Of the nine investigations, seven have now been completed. The following outcomes were achieved:

- One officer was dismissed through the disciplinary process.
- Two officers resigned during the investigation / disciplinary process.
- In three cases, a final written warning was given to officers.
- In one case, it was determined that a resetting of standards was the most appropriate action.

2.1.6 Payment Audit (Error) – 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 oversee / manage the transition period from the old to the new system, a risk was identified that the same invoice could be paid in both the old and the new systems without being detected. As a result, a proactive review of transactions from both Oracle and Agresso system was undertaken to identify whether any duplicate payments have, in error, been made to suppliers.

Comparison of the transactions in Oracle and Agresso identified that, in total, 116 invoices had been paid in both systems, with a total value of £135,500. Of this, we found that £110k had already been identified and repaid to the Council at the time of our review. The remaining £25.5k identified through our review has 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 does not reflect the normal control environment around invoice payments to suppliers.

2.2 **Benefit Fraud Team** – The performance of the team, in terms of administered sanctions, is reflected in table one below, along with comparative figures for the previous three years.

**Table One: Sanctions Administered by the Benefit Fraud Team**

	2011-12	2012-13	2013-14	2014-15
<b>Administered Sanctions</b>	189	174	190	106*
<b>Investigators (FTE) in Year</b>	5.7	4.3	4.6	4
<b>Sanctions Per Investigator</b>	33	40	41	27

\* Performance up to December 2014

2.2.1 Whilst the performance in 2014-15 is significantly down on previous years, this is due to the following:

- The number of referrals received by the Benefit Fraud Team reduced significantly in the latter half of 2014-15. This stemmed from transition arrangements agreed with the Department for Work and Pensions (DWP) for when the team transferred to the DWP in March 2015, which resulted in:
  - All joint working cases being led on by the DWP, irrespective of who received the initial allegation.
  - The Council stopped receiving allegations at the end of January 2015, with these referred instead to the DWP.
- Given that the Council is no longer responsible for investigating benefit fraud, we do not receive notification from the DWP on the outcome of investigations. As a result, we have decided not to report figures for the final quarter of 2014-15 as we only have limited information regarding sanctions awarded in this period.

The work of the Team in 2014-15 has contributed to the identification of overpayments (fraud and non-fraud) totalling approximately £773,000, which is being pursued for recovery.

**2.2.2 Post Benefit Fraud Team Transfer to the DWP** – As part of the transfer of the Benefit Fraud Team to the DWP, the Council has had to consider the potential impacts that this had on fraud arrangements in the Council. The impact was partly offset by the fact that responsibility in legislation for investigating benefit fraud has moved from local authorities to the DWP. However, in light of the Council's on-going responsibility for Council Tax, a team of two was set up in March 2015 to respond to the risk of fraud and error in this area (e.g. Council Tax support, exemptions and discounts).

Updates on the work of this team will be included in reports to the Audit and Procurement Committee during 2015-16.

**2.3 Significant Frauds** – Within the International Auditing Standards, there are clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This includes an expectation that appropriate detail is provided around significant fraud. We have applied the following principles when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 can be included if the Internal Audit and Risk Manager considers this justified by the nature of the fraud.
- In terms of establishing when a fraud has occurred, we have applied two approaches, depending on the area where the fraud has occurred. Where these relate to benefits, these are defined as occurring when the case has been through the legal process and the case has been concluded. For all other fraud, this is defined as occurring when the fraud has been detected and / or reported.

2.3.1 In the period October 2014 to March 2015, no significant frauds have been identified.



### **3. Results of consultation undertaken**

3.1 None

### **4. Timetable for implementing this decision**

4.1 There is no implementation timetable as this is a monitoring report.

### **5. Comments from the Executive Director Resources**

#### **5.1 Financial Implications**

All fraud has a detrimental financial impact on the Council. In cases where fraud is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified.

#### **5.2 Legal implications**

All Housing Benefit fraud cases are conducted in accordance with the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA) and the Data Protection Act (DPA). In terms of corporate fraud cases, investigations are conducted in line with DPA and are referred to the police when considering criminal proceedings.

#### **5.3 Human Resources Implications**

Allegations of fraud made against employees are dealt with through the Council's formal disciplinary procedure. The Internal Audit and Risk Service are fully involved in the collation of evidence and undertake, or contribute to, the disciplinary investigation supported by a Human Resources representative. Matters of fraud relating to employees can be referred to the police concurrent with, or consecutively to, a Council disciplinary investigation.

### **6. Other implications**

#### **6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?**

The scope and content of this report is not directly linked to the achievement of key Council objectives, although it is acknowledged that fraud can have a detrimental financial impact on the Council.

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

The risk of fraud is being managed in a number of ways including:

- Through the Internal Audit and Risk Service's work on both the corporate and Benefit Fraud Team. This is monitored by the Audit and Procurement Committee.
- Through agreed management action taken in response to individual fraud investigations.

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

None

#### **6.4 Equalities / EIA**

Section 149 of the Equality Act 2010 imposes a legal duty on the Council to have due regard to three specified matters in the exercise of their functions:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The "protected characteristics" covered by section 149 are race, gender, disability, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnership.

The Council acting in its role as Prosecutor must be fair, independent and objective. Views about the ethnic or national origin, gender, disability, age, religion or belief, political views, sexual orientation, or gender identity of the suspect, victim or any witness must not influence the Council's decisions.

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

No impact

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

None

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Resources

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

To be considered at the City Council meeting  
on the 8<sup>th</sup> September, 2015

## **Audit and Procurement Committee Annual Report 2014-15**

### **Foreword by Chair of Audit and Procurement Committee 2014-15**



**Councillor David Galliers  
Chair, Audit and Procurement  
Committee 2014-15**

I am pleased to present this report, which outlines the Committee's work over the municipal year 2014-15.

Over the last year, the Committee has discharged its key responsibility effectively, whilst at the same time, been able to consider other matters to support the Council including providing scrutiny and challenge over appointments to posts in the Council where proposed salary packages are in excess of £100,000 per year.

I hope that 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 2015-16**

In May 2015, the Council appointed me as the new Chair of the Audit and Procurement Committee. I am looking forward building on the good work done in 2014-15 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of initial priorities for 2015-16 these include ensuring that:

- Action is taken in response to disclosures made in the Annual Governance Statement.
- Any issues raised by the external auditors in the audit of the Council accounts are addressed on a timely basis.
- Members of the Audit and Procurement Committee are appropriately supported through training and development.



**Councillor Tony Skipper  
Chair, Audit and Procurement  
Committee 2015-16**

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

During 2014-15, the Council's Audit and Procurement Committee met on eight occasions. Meetings were held in July, August, September, October and December 2014 as well as in February, March and May 2015.

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 2014-15 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2013-14, the Internal Audit and Risk Manager co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in July 2014 and then in September 2014, 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 2014/15; implementation of the Ofsted Improvement Plan, meeting the financial challenges facing the Council, delivering the Kickstart Transformation Programme and implementing the Education Improvement Strategy. The Statement also highlighted internal control issues for improvements in relation to the Council's arrangements for dealing with fraud, its development of the Agresso financial system and processes in relation to Council Tax discounts and exemptions.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts (including revenue and capital outturn) was considered by the Committee in July 2014 and then in September 2014, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. Additionally, the following reports were received in year:

- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2014-15 were considered in August and December 2014, as well as February 2015.
- Treasury Management activity updates were considered in September and October 2014 as well as in February 2015. 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.
- Transformation Programme / JEEP Campaign Financial Savings Update - A report was considered in October 2014 and provided an update on the financial savings anticipated from the Council's Transformation Programme and the final position in relation to achievement of the JEEP (Justify Expenditure, Examine Performance) financial savings.

1.3 **External Audit** - The following reports were received from the Council's external auditors, Grant Thornton in 2014-15:

- The Audit Findings for Coventry City Council - This report was considered in September 2014, and its purpose was to highlight the key matters arising from the audit of the Council's financial statements for the year ending 31 March 2014. The report conclusions were that, pending satisfactory clearance of outstanding matters:
  - An unqualified audit opinion would be provided on the Council's financial statements.
  - A qualified value for money conclusion would be issued as a direct result of the findings in the Ofsted report on Children' Services.

The report did identify issues which the external auditors thought required focus by the Council in the next year including valuing assets in the same asset class simultaneously, taking actions to maintain a sound financial position, assessing the adequacy of reserves and reviewing its accounting for Private Finance Initiative schemes. An update on the response to these issues by the Council was considered at the March 2015 meeting. The Audit and Procurement Committee agreed with the assessment of progress made and that the current position represented an appropriate response to the issues raised.

- Annual Audit and Inspection Letter - This was considered at the December 2014 meeting. The main focus being to summarise the findings from the 2013-14 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 September 2014.
- Certification of Claims and Returns Annual Report - This was considered in March 2015 and summarised the findings from the certification of 2013-14 claims and returns that were subject to review by the external auditors. The report highlighted that only three grant claims were subject to external audit approval and one of the claims had been qualified due to errors identified although the impact of this was estimated not to be significant.
- 2014-15 Audit Plan - This was also considered in March 2015 and set out the work that Grant Thornton would undertake in respect of the audit of the Council's financial statements for the year ended 31 March 2015. It also documented the expected outputs that the Committee would receive from the external auditors.

1.4 **Internal Audit** - During the year, the Audit and Procurement Committee received the following reports at the July and August 2014 meetings:

- Internal Audit Annual Report - This report had two main purposes:
  - To summarise the Council's Internal Audit activity for the period April 2013 to March 2014, against the agreed Internal Audit Plan for the same period.



- To provide the Committee with the Internal Audit and Risk Manager's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment. Based on the work of Internal Audit in 2013-14, the Internal Audit and Risk Manager 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.
- Annual Review of the Effectiveness of the System of Internal Audit - This review led by the Council's Internal Audit and Risk Manager discharges a requirement of the Accounts and Audit Regulations that the Council "*at least once a year, conduct a review of the effectiveness of the system of Internal Audit*". Whilst the review is primarily focused on assessing the Council's Internal Audit Service against recommended practice and professional standards, it also considers how the Council's Audit Committee arrangements compare against recommended practice. This identified a number of areas to enhance current arrangements including Audit Service staff development, greater use of computer assisted audit techniques, reviewing how stakeholder feedback is obtained, consideration of how best to receive external assessment of the service, understanding the range of assurance mechanisms available to the Council and a review of retention requirements.
- Internal Audit Plan for 2014-15 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit and Risk 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 October 2014 and February 2015. 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 December 2014, a report on action taken by Council officers in implementing agreed audit recommendations was presented. This highlighted high levels of compliance with the implementation of agreed actions.
- In response to specific concerns raised by the Committee, updates on action taken to address audit concerns in respect of the following audits was considered in February 2015:
  - IT Systems Back Up, Recovery and Data Centre Review – The main audit concern was that whilst disaster recovery arrangements exist for certain key IT systems, these had not been informed by the views of senior management from across the Council and as such the risk was that current arrangements may not meet the needs of the Council. The update highlighted that an exercise had been undertaken with all Assistant Directors to identify their business critical systems and this found that not all systems either had

disaster recovery arrangements and even where arrangements were in place, these had not been tested. A further follow up review is planned during 2015-16 and the findings of the review will be reported to the Committee.

- Council Tax Exemptions and Discounts – The update indicated that to address audit concerns that existing procedures were not sufficient to mitigate against the risk of fraud and error, an on-going programme of proactive reviews will be undertaken as part of a wider remit looking at fraud and error in Council Tax. Updates on the impact of the proactive reviews will be reported to the Audit and Procurement Committee during 2015-16.

#### 1.5 **Fraud** - The following fraud reports were considered in 2014-15:

- Annual Fraud Report - This report was considered by the Committee in August 2014 and summarised the Council's response to fraud activity for the financial year 2013-14, focusing on the work of both the Corporate Fraud and Benefit Fraud Teams.
- Half Yearly Fraud Update - A report was received in December 2014, focusing on the outcome of work by both the Corporate Fraud and Benefit Fraud Teams during 2014-15.

Both these reports also included updates on how the Council were responding to the impact of the Benefit Fraud Team transferring to the Department for Work and Pensions (DWP) in March 2015. The transfer went smoothly and the impact on the Council's fraud arrangements was limited by the fact that responsibility in legislation for investigating housing benefit fraud also moved from local authorities to the DWP. The Council does still have responsibility for Council Tax fraud and as a result, a team of two was set up in March 2015 to lead on the Council's response to the risk of fraud and error in Council Tax.

- National Fraud Initiative (NFI): Outcomes and Information for Elected Members and Decision Makers 2012-13 – This report was produced by the Audit Commission specifically for Coventry City Council and provided benchmark data on the outcome of the Council's response to NFI compared with other authorities. The data indicated that Coventry City Council investigates less matches than other authorities whilst achieving better outcomes through targeting resources on known areas of risks.

#### 1.6 **Procurement** – The following reports were considered in 2014-15:

- Procurement was a standard agenda item at every meeting of the Committee during 2014-15 with the exception of March and May 2015. 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.

- A briefing note was considered in December 2014 regarding the work that has been undertaken since the introduction of Coventry's Social Value Policy in February 2014 which the Committee endorsed.

1.7 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas and in 2014-15, this included the following:

- 2013-14 Annual Freedom of Information/Data Protection Act Report - This report considered the Council's performance for responding to information requests through the different mechanisms 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 90% of FOI requests on time and 80% of DPA requests with 5 out of 8 Information Commissioner's Office complaints were upheld or partially upheld.
- Regulation of Investigatory Powers Act 2000 Annual Report – This report focused on providing oversight of the Council's compliance with this Act.
- Ombudsman Complaint Annual Report - This report provided information regarding the number and outcome of Local Government Ombudsman complaints received and investigated during 2013/14, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of 108 complaints only 19 were pursued and 10 upheld. The Committee noted the Council's performance including its response to complaints.
- Post with salary packages in excess of £100,000 - The Council's Pay Policy Statement considers that decisions on large salary packages (£100,000 and above) should be subject to accountability and scrutiny and it has been agreed that the Audit and Procurement Committee is the appropriate forum to undertake this role. At the March and May 2015 meeting, the following posts were approved with salaries in excess of £100,000:
  - Director of Education, Libraries and Adult Education
  - Executive Director for People
  - Director of Children's Services
  - Director of Adults Services

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