

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.30 pm**  
**on Monday, 14 December 2015**

Present:

Committee Members:

Councillor Bains (Chair)  
Councillor Blundell  
Councillor Harvard  
Councillor Sawdon  
Councillor Singh

Employees (by Directorate):

Resources:

M Burn, P Jennings, L Knight, S Mangan

Apologies:

Councillor Skipper

**Public Business**

**37. Declarations of Interest**

There were no disclosable pecuniary interests.

**38. Minutes of Previous Meeting**

The minutes of the meeting held on 26<sup>th</sup> October 2015 were agreed and signed as a true record.

Further to Minute 24, in the absence of the Chair, the Committee agreed to progress with the training programme and requested that arrangements be made for a training session to be held during late January 2016.

With regard to Minute 29, the Committee were provided with additional information before the meeting in respect of income for the Performing Arts Service. Members sought clarification on aspects of the information received and this was provided.

**39. Exclusion of Press and Public**

**RESOLVED to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 47 headed “Procurement Progress Report” on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

**40. 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.

The Committee agreed that the item on the Risk Register Update be scheduled for April 2016.

**RESOLVED that the work programme be approved and updated as indicated.**

**41. 2015/16 Second Quarter Financial Monitoring Report (to September 2015)**

The Committee considered a report of the Executive Director of Resources, which provided a forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2015.

The headline revenue forecast for 2015/16 was an overspend of £4.7m. This was a significant deterioration from the £1m projected at Quarter 1 and it was noted that at the same point in 2014/15 there was a projected underspend of £0.4m.

The overall revenue position incorporated an overspend of £7.7m within the People Directorate, the majority of which related to Adult Social Care Community Purchasing budgets. These were offset to some degree by underspends within the corporate Asset Management Revenue Account. Members indicated that they were aware that there had recently been some court cases in relation to the Care Act which had impacted on the position of Adult Social Care and agreed to forward information to officers for consideration.

The Committee noted that the projected capital spending was projected to be £118.4m for the year, which represented a decrease of £7m on the £125.4m reported at the first quarter. The Programme comprised £4.4m approved net additions to the programme and £11m rescheduled expenditure into 2016/17.

Section 5 of the report submitted also set out proposed actions by the Strategic Management Board to address the budgetary position for both the revenue and capital positions.

**RESOLVED that the Audit and Procurement Committee note the financial position.**

**42. City Council Investment Activity**

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

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

The Committee also noted that there had been a change to the term limits on the lending list due to improvements in the global economic situation and the receding threat of another Eurozone crisis. In summary, 3 new counterparties had been added to the lending list with a term limit of 35 days, Deutsche Bank, National Westminster Bank & Royal Bank of Scotland and several counterparties had their term limit increased to 6 or 13 months. Full details were provided in Appendix 1.

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

43. **Internal Audit Recommendation Tracking Report**

The Committee considered a report of the Executive Director of Resources, which provided an update on the progress made in implementing internal audit recommendations since the last update in December 2014.

Given the number of audits that the Internal Audit Service complete every year, it was critical that a robust procedure was in place to ensure that it obtained appropriate assurance that audit recommendations had been implemented, but in a way that allows the Service to respond to new risks facing the Council. Where appropriate, Internal Audit defines within its audit reports the follow up process to those responsible for the system / area under review, along with an agreed date of when this would take place.

There were currently three considerations that determined the follow procedure adopted and these were set out within the report submitted and, in summary, were whether the area audited was of such significance that it was subject to an annual review; the level of assurance provided in the audit; and a 'catch all' process for those reviews where neither of the other criteria applied but a follow up review was necessary. Overall, it was believed that the procedures achieved the right balance between ensuring action was taken in response to risks identified and allowing the service to focus on identification of new risks. The Committee noted that this was of particular importance given the reduction in the size of the Audit Team over the last few years.

The report and appendices set out the results from the latest follow up exercise and, of the 223 actions followed up, 88% had been implemented based on the formal and self-assessment follow up method. When analysed by follow up method there was a 63% implementation rate for the formal follow up method and a 95% implementation rate for the self-assessment method.

The Committee noted that, whilst there was a clear difference in results between the follow up methods, this was likely to be due to one of the following reasons:

- The audit process for the formal follow review was rigorous, consisting of an assessment of the implementation of the action and the outcome achieved.
- The majority of schools audits were followed up through the self-assessment process as the actions identified in such reports were likely to be straightforward, not time consuming to implement, and tended to focus on compliance rather than control issues.

After the follow up had been completed, the results were collated within Internal Audit and if progress was not consistent with expectations, audit management would determine the next course of action based on the reasons for the lack of progress. The report identified the various courses of action available and the appendices to the report highlighted the proposed actions for audits where recommendations remained outstanding.

**RESOLVED that the Audit and Procurement Committee note:**

- 1. The current procedure for following up audit recommendations.**
- 2. The progress made in implementing audit recommendations and confirmed their satisfaction with the proposed action by the Chief Internal Auditor for audits where actions remain outstanding.**

**44. Half Yearly Fraud update 2015-16**

The Committee considered a report of the Executive Director of Resources, which provided a summary of the Council's anti-fraud activity during the financial year 2015/16 to date.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and during 2015/16 the work of the team had focussed on the four main areas of Council Tax; National Fraud Initiative; Referrals and Investigations considered through the Council's Fraud and Corruption Strategy; and Proactive Work. The report submitted provided a summary of the work undertaken within each of these areas.

In relation to Council Tax, the Committee noted that when the Benefit Fraud Team moved to the Department for Workforce and Pensions in February 2015, the Council created two posts to respond to the risk of fraud and error in Council Tax. Work undertaken including reviewing Council Tax Exemptions; proactive work in respect of the Council Tax Support Project; and Council Tax Referrals. This had resulted in 90 exemptions being removed from accounts and revised bills issued amounting to approximately £133,000. It was noted that £56,000 of this money had since been paid to the Council.

The Committee asked for clarification in respect of the Council Tax Exemptions and, in particular, how they related to Houses in Multiple Occupation (HiMOs). The Chief Internal Auditor undertook to provide members of the Committee with a note to explain the various exemptions, whether they were statutory or discretionary and, whether they were time limited.

The National Fraud Initiative exercise was led by the Cabinet Office and matched electronic data between bodies. Since the last update in August 2015, work had focussed on Single Person Discounts, Raising 18's and Direct Payments. Whilst work was ongoing with the Direct Payment matches, 13 Single Person Discounts were removed with overpayments of £13,000 identified and 16 Rising 18's discounts were removed, totalling £4,000.

With regard to Referrals and Investigations, the Committee noted that 11 referrals had been received to date, 3 coming from Whistle blowers and 8 from managers. 4 referrals had led to full investigations and 4 were ongoing. In relation to Whistle blowers, the Committee were advised that the number of referrals received through this mechanism was substantially lower than in previous years and that a review of the current arrangements was being planned with HR and legal.

The Council's response to fraud also included an element of proactive work to ensure that all key fraud risks were considered. Whilst the plan was to undertake further proactive work in the second half of 2015/16, work undertaken to date had included updating the Council's fraud risk assessment; and participating in a procurement pilot in conjunction with the Home Office and West Midlands Police.

**RESOLVED that the Audit and Procurement Committee note the anti-fraud activity undertaken during the first half of the financial year 2015/16.**

**45. Capital Receipts & Property Transactions**

The Committee considered a briefing note of the Executive Director of Place, which provided an update regarding the realisation of capital receipts from the disposal of Council assets and provided the strategy employed for the selection and disposal of these assets.

The note identified how properties were identified for disposal and how these properties were then marketed for sale. The Committee noted that the method of disposal was selected on a case by case basis and in such a way as to ensure that the Council received best consideration.

The note further set out the approval process, including the levels of delegation for officers and through the political management arrangements and indicated that a Certificate of Value signed by a qualified valuation surveyor accompanied an instruction to Legal Services to complete a disposal to certify that the agreed terms were appropriate.

**RESOLVED that the Audit and Procurement Committee note the position in relation to Capital Receipts and Property Transaction.**

**46. 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.

**47. Procurement Progress Report**

The Committee considered a report of the Executive Director of Resources which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 26<sup>th</sup> October 2015. Details of the latest positions in relation to individual matters were set out in an appendix attached to the report.

In considering the report, the Committee discussed the information provided within the report and the way in which it was presented and indicated that it was often difficult to understand. The Head of Procurement and Commissioning undertook to review the information to ensure that it was appropriate and understandable and return to the next meeting of the Committee with an alternative presentation for consideration.

**RESOLVED that the Audit and Procurement Committee:**

1. **Note the current position in relation to the Commissioning and Procurement Services.**
  2. **Do not intend to make recommendations to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**
  3. **Request that an alternative presentation of the report be prepared for the next meeting.**
48. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of private business.

(Meeting closed at 4.40 pm)