

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.30 pm**  
**on Monday, 15 February 2016**

Present:

Members: Councillor S Bains (Chair)  
Councillor J Blundell  
Councillor L Harvard  
Councillor T Sawdon  
Councillor B Singh

Employees (by Directorate):

Place: A Harwood

Resources: M Burn, M Chester, P Jennings, L Knight, K Tyler

Others Present: J Gregory – External Auditor

Apologies: Councillor T Skipper

## **Public Business**

### **49. Declarations of Interest**

There were no disclosable pecuniary interests.

### **50. Minutes of Previous Meeting**

The minutes of the meeting held on 14<sup>th</sup> December 2015, were agreed and signed as a true record.

Further to Minute 38, the Committee recommended that the training session for Members be scheduled for June 2016, prior to the commencement of meetings for the new municipal year.

### **51. 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 60 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.

52. **Work Programme 2014/15**

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 noted that the item on the Contract Management Review had been rescheduled to the meeting on 11<sup>th</sup> April 2016.

**RESOLVED that the Audit and Procurement Committee approve the work programme.**

53. **Certification Work for Coventry City Council for Year Ended 31st March 2015**

The Committee considered a report of the External Auditors, Grant Thornton, which set out the Certification work undertaken during the year ending 31<sup>st</sup> March 2015.

The Auditors were required to certify certain claims and returns submitted by Coventry City Council and this typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

The Committee noted that the arrangements for certification were prescribed by the Audit Commission and Public Audit Appointment for 2014/15, who agreed the scope of the work with each relevant government department or agency and issued auditors with a Certification Instruction for each specific claim.

The report indicated that during the 2014/15 financial year one claim had been certified relating to expenditure of £131m and further details were provided in Appendix 1 to the report. There were no issues arising from the certification which required attention.

The provided further information on the indicative fee for 2014/15, which was based on the final 2012/13 certification fee and reflected the amount of work required by the auditor to certify the claims and returns in that year. It was noted that fees for schemes that no longer required certification (such as the national non domestic rates return) had been removed. The fee for certification of housing benefit subsidy claims had been reduced by 12 per cent to reflect the removal of the council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2014/15 was £20,930 and it was not proposed to vary that amount as the work required was similar to that in the base year.

**RESOLVED that the Audit and Procurement Committee approve the certification work for the City Council for year ending 31<sup>st</sup> March 2015.**

54. **The Audit Plan for Coventry City Council**

The Committee considered a report of the External Auditors, Grant Thornton, which set provided an overview of the planned scope and timing of the audit for year ending 31<sup>st</sup> March 2016.

As required by International Standard on Auditing (UK & Ireland) 260, the Audit Plan set out the scope and timing of audit to be carried out by the External Auditors in relation to Coventry City Council for the year ending 31<sup>st</sup> March 2016 and included:

- Understanding the Council's business – the challenges and opportunities
- Developments and other requirements relevant to the audit
- The audit approach
- Materiality
- Significant risks identified
- Other risks identified
- Group audit scope and risk assessment
- Value for Money
- Results of interim audit work
- Key dates
- Fees and independence
- Communication of audit matters with those charged with governance.

The Committee noted that the External Auditors were required to perform the audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office on behalf of the Comptroller and Auditor General in April 2015.

In relation to the fees, the Committee noted that the total audit fees for the Council Audit and Grant Certification was £186,983 (excluding VAT) and that a further fee of £4,200 was expected in relation to the certification of teachers' pension return for 2015/16.

Having considered the report, the Committee discussed the difficulties in ensuring that partnership working with other bodies, in particular the NHS, worked well and how this could be audited. They requested that the External Auditor be asked to consider adding an additional risk to the Audit Plan within the Value for Money Conclusion on partnership working with the NHS.

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

- 1. Note the Audit Plan for year ending 31<sup>st</sup> March 2016.**
- 2. Request the External Auditor to consider adding an additional risk to the Audit Plan within the Value for Money conclusion in respect of partnership working with the NHS.**

**55. 2015/16 Third Quarter Financial Monitoring Report (to December 2015)**

The Committee considered a report of the Executive Director of Resources that advised of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of December 2015. The headline revenue forecast for 2015/16 was an overspend of £3.3m. At the same point in 2014/15 there was a projected underspend of £0.6m.

The Committee noted that the Cabinet had also considered the report at their meeting on 9<sup>th</sup> February 2016.

The overall revenue position incorporated a headline overspend of £8.5m 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.

Capital spending was projected to be £114.6m for the year. This represented a net decrease of £3.8m on the £118.4m reported at the second quarter. The Programme comprised £2.5m approved net additions to the programme and £6.3m rescheduling of expenditure into 2016/17.

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

56. **Quarter Three Internal Audit Progress Report 2015-16**

The Committee considered a report of the Executive Director of Resources, which provided an update on the internal audit activity for the period April to December 2015 against the Internal Audit Plan for 2015/16.

The Committee noted that the key target facing the Internal Audit Service was to complete 90% of its work plan by the 31<sup>st</sup> March 2016. At the end of December 2015, the Service had completed 62% of the Audit Plan against a planned target of 64%. The Committee further noted that whilst the performance was only slightly behind target, the service's ability to complete delivery of the plan had been impacted by unplanned absences in the team since December 2015. In response to this, it was intended to amend the Internal Audit Plan for 2015/16 given the view that the impact of these absences could be offset by changes in the audit plan either as a result of audits being delayed, deferred or postponed and where days allocated in the plan were not reflective of need.

Table two within the report provided a list of the audits finalised between October and December 2015, along with the level of assurance provided. Appended to the report was a summary of findings from key audit reports completed and, in all cases, 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 outcomes reported to the Committee.

In considering the Appendix to the report, the Committee raised particular concerns in relation to the Sickness Absence Compliance Review and the Pertemp Master Vendor Follow-up. With regard to the Sickness Absence Compliance, the Committee questioned the appropriateness of the requirement to carry out return to work interviews within 3 days and the need for these to be undertaken face to face given the new ways of working across the Council and more functions being carried out remotely. They requested that Human Resources be requested to review the target of 3 days and whether the return to work interviews could be undertaken in other ways than face to face meetings.

With regard to the Pertemp Master Vendor Follow-up, the Committee were concerned about the continued difficulties in ensuring the pre-employment checks were completed and sought assurance that requirements for DBS checks and ensuring that agency workers were legally entitled work in the UK were undertaken before being placed in employment within the Council. The Senior Auditor agreed to undertake further investigations and report back to the Committee Members.

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

- 1. Note the performance at quarter three against the Internal Audit Plan for 2015/16.**
- 2. Request Human Resources to review whether the target of 3 days in relation to return to work interviews is still fit for purpose and whether the interviews had to be carried out face to face.**
- 3. Request that confirmation be sought from Pertemps that requirements for DBS checks and ensuring that employees were legally entitled to work were completed prior to agency staff beginning work with the City Council.**

**57. Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA)**

The Committee considered a report of the Executive Director of Place, which reported on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA).

The Committee noted that Part 1 of RIPA covered the acquisition and interception of communications data and Part 2 covered covert surveillance and property interference.

The Council's use of RIPA was to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more, or are related to the underage sale of alcohol and tobacco. This was determined by reference to the legislation covering the surveillance, for example the Trade Marks Act relates to counterfeit goods and has a penalty of up to 10 years imprisonment. The three types of technique available to local authorities are: the acquisition and disclosure of communications data (such as telephone billing information or subscriber details); directed surveillance (covert surveillance of individuals in public places); and covert human intelligence sources ("CHIS") (such as the deployment of undercover officers).

The Committee noted that the Act sets out a compliance structure within which Coventry City Council could request judicial approval to use directed surveillance techniques or acquire communications data in order to support core function activities (e.g. typically those undertaken by Trading Standards, Environment Health and Benefits). The information obtained as a result of such operations could later be relied upon in court proceedings providing RIPA was complied with.

The Home Office Code for Covert Surveillance Property Interference recommended that elected members, whilst not involved in making decisions or specific authorisations for the local authority to use its powers under Part II of the Act, should review the Council's use of the legislation and provide approval to its policies. The Council adopted this approach for oversight of the authority's use of Part I of the Act.

The report indicated that for the Period 1 April 2014 – 31 March 2015, as reported to the Office of Surveillance Commissioners (OSC) in April 2015, six applications had been presented to Magistrates and all had been granted. All of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime. There were no reported instances of the Council having misused its powers under the Act.

In relation to the use of Acquisition and Disclosure of Communications Data, for the period 1 January 2014 – 31 December 2014, there were seven applications for authorisation to acquire communications data. These were reported to the Interception and Communications Commissioners Office (IOCCO) in January 2015. All of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime. There were no reported instances of the Council having misused its powers under the Act.

Having considered the report submitted, the Committee were of the view that there were no specific comments or recommendations to forward to the Cabinet Member for Culture, Leisure, Sports and Parks.

**RESOLVED that the Audit and Procurement Committee note the Council's use and compliance with the Regulatory and Investigatory Powers Act (RIPA).**

## 58. **Cyber Security**

The Committee considered a briefing note of the Executive Director of Resources, which set out the current measures in place on the Council's ICT services to prevent, manage or minimise the impact of cyber-attacks.

The Committee noted that, in an increasingly digital world, cyber threats were an issue for governments, companies, public sector organisations and individuals alike. A series of high profile attacks had highlighted the importance of remaining vigilant to the ever present risks associated with malicious attacks on systems, information and data held by organisations. These could cause not only financial loss, but also reputational risks.

As the Council adopted a more digital approach to service design and delivery, with all the associated advantages, there became an inherent new set of risks that the Council needed to consider and work to mitigate, particularly so that it could continue to operate robust systems and deliver services that residents and staff felt they could trust.

The note indicated that there were a number of different methods of attack deployed, with the main being virus or malware attack or denial of service attacks.

The Council had a number of mitigation measures in place to counter these attacks which included:

- Anti-virus software on all PCs, which was controlled centrally by ICT.
- All incoming mail scanned automatically by 2 separate systems and by the anti-virus software on each PC.
- Multiple layers of firewall placed on all external connections to the Council's network.
- All systems accessible from outside the Council were located in a special area of the network that is separate from the main Council network.
- Regular penetration testing carried out on all external access points.
- Dedicated security and network team with expertise in dealing with denial of service attacks, provided by the Council's internet service provider.

The Committee were advised that cyber security was a risk that was reflected within the Corporate Risk Register and considered actively by the Strategic Management Board. The Council's approach to cyber security and resilience was being developed through ongoing work streams as move systems and services were moving to the internet and were also being reviewed against best practice guidance and utilising specialist toolkits from leading organisations.

**RESOLVED that the Audit and Procurement Committee note the current position in relation to cyber security.**

59. **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.

60. **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 14<sup>th</sup> December 2015. Details of the latest positions in relation to individual matters were set out in an appendix attached to the report.

**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.**

61. **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 4.55 pm)