

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at
3.00 pm on Monday, 26 September 2016

Present:

Members: Councillor S Bains (Chair)
 Councillor R Brown
 Councillor J Clifford
 Councillor J Lepoidevin
 Councillor T Sawdon
 Councillor H Sweet

Employees (by Directorate):

Resources M Burn, P Jennings, L Knight, S McGinty, K Tyler

Other representative: S Turner, Grant Thornton

Public Business

20. Declarations of Interest

There were no disclosable pecuniary interests.

21. Minutes of Previous Meeting

The minutes of the meeting held on 25th July 2016 were agreed and signed as a true record.

Further to Minute 13 headed 'Internal Audit Annual Report 2015/16' the Committee discussed the approach to internal control which had evolved over the last few years and was now based on a more fluid but risk based approach, moving from central oversight to placing emphasis on management ensuring that activity within services and directorates they were responsible for, complied with Council policies and procedures. The risk had increased as there was now less management resource to provide oversight of activity. In particular, the Committee considered the view of the Acting Chief Internal Auditor that moderate assurance could be provided that there was generally a sound system of internal control and whether this was a sufficient level of assurance.

Members also referred to the previous JEEP (Justify Expenditure, Examine Performance) campaign which provided an opportunity for employees to put forward ideas to help the Council save money.

RESOLVED that:

- 1. In light of the concerns raised regarding the opinion of the Acting Chief Auditor that moderate assurance could be provided on the overall adequacy and effectiveness of the Council's internal control environment, the Director of Resources be requested to consider this position and report back to Committee at a future meeting.**

2. **Officers be requested to investigate providing an opportunity for employees to make suggestions to help the Council become more efficient and save money, with an update being submitted to a future meeting of the Committee.**

22. **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 28 headed “Procurement and Commissioning Progress Report” on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

23. **Work Programme 2016/17**

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, as requested at the last meeting, an additional meeting had been arranged for 24th October, 2016 and that a number of reports had therefore been rescheduled.

The Committee requested an update on the latest position as regards to the Council’s three PFI contracts concerning Caludon Castle School, New Homes for Old and Street Lighting.

RESOLVED that:

1. **The updated work programme be approved.**
2. **A briefing note be circulated to Members providing an update on the Council’s three PFI schemes.**

24. **Annual Audit Letter 2015/16**

The Committee considered Annual Audit Letter from the Council’s External Auditors, Grant Thornton, which set out the key findings from the work that they had carried out at the Council for the year ending 31st March 2016.

The letter provided a commentary on the results of the External Auditors work to the Council and its external stakeholders. It also highlighted issues that they wished to draw to the attention of the public. The Committee noted that, in preparing the letter, the External Auditor had followed the National Audit Office’s Code of Audit Practice (the Code) and Auditor Guidance Note 07 - ‘Auditor Reporting’.

Appendix A of the Letter set out the reports issues and the fees for carrying out the audit work, which showed a decrease in fees from 2014/15. Appendix B provided an action plan detailing issues identified and recommendations, along with a management response and timescale for implementation. Members discussed the monitoring of progress with the recommendations contained in the action plan, especially those with a medium and high priority rating and it was suggested that further reports be submitted to future meetings.

RESOLVED that:

- 1. The Annual Audit Letter 2015/16 be approved.**
- 2. A progress report from the Executive Director of Resources on the recommendations contained in the action plan be submitted to the Committee meeting scheduled for 19th December, 2016 and an update report from the Council's External Auditors be submitted to a subsequent meeting.**
- 3. A copy of the publication 'Knowing the Ropes: Audit Committee Effectiveness Review 2015' be e-mailed to members.**

25. 2016/17 First Quarter Financial Monitoring Report (to June 2016)

The Committee considered a report of the Executive Director of Resources, which set out the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2016. The headline revenue forecast for 2016/17 was an overspend of £6.4m.

The Committee noted that the Cabinet had considered the report at their meeting on 2nd August 2016 (their Minute 17/16 refers).

The overall revenue position incorporated a headline overspend of £7.2m within the People Directorate, 50% of which reflected cross-cutting savings relating to the Kickstart and Workforce Strategy programmes that had not yet been achieved in Children's and Adults' Services.

This position would require corrective action to be taken by Strategic Management Board and senior managers across the Council. A set of proposed actions were set out in the report and were approved by Cabinet.

Capital spending was projected to be £99.8m for the year, a net decrease of £23.4m on the directorate programme reported in the February Budget Setting report. This decrease in the Capital Programme included £35.2m of expenditure that has been rescheduled into future years.

The Committee expressed concerns about the £6.4m revenue overspend, comparing this with the position at the same point in 2015/16 when there had been a projected overspend of £1.0m. They were concerned that the proposed actions to deal with the deficit were not on target to meet the required savings in the current year. It was clarified that work was ongoing in this area and attention was drawn to the increasing challenge to achieve year on year savings. A further concern was raised about the £23.4m reduction in capital spending compared to

the position reported in February, 2016. The Committee were informed that £35.2m of capital expenditure had been rescheduled into 2017/18.

An additional concern was raised about the difficulty of obtaining financial information relating to the library, the children's centre and youth provision at Jardine Crescent and an undertaking was given to provide members with the appropriate details.

RESOLVED that:

- 1. Cabinet be informed of the concerns raised by members relating to:**
 - a. The forecast revenue overspend of £6.4m at quarter 1.**
 - b. The actions set out by senior management to address the revenue budgetary control issue which indicate that plans to meet savings targets will not be achieved within the current financial year.**
 - c. The decrease of £23.4m on capital spending compared to the position reported in the February budget setting report.**
- 2. The financial details relating to the library, the children's centre and youth provision at Jardine Crescent be e-mailed to members.**

26. Fraud Annual Report 2015/16

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

The Committee noted that fraud in the public sector had a national focus through the publication of "Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy stated that the level of fraud in the public sector was significant, the current trends in fraud activity includes areas which Coventry City Council did not have responsibility for, such as social housing, and the levels of identified / reported fraud against the Council were at relatively low levels, in terms of both numbers and value.

The report indicated that the National Fraud Initiative exercise led by the Cabinet Office took place every two years and matched electronic data within and between public bodies with the aim of detecting fraud and errors. The work in 2015/16 had focussed on following up the matches which were released in February 2015 (approximately 13,500 matches). In addition to the outcomes previously reported to the Audit and Procurement Committee in August 2015, which in total identified £56,000 of overpayments, the work in 2015-16 focused on the matches received in relation to Council Tax. In the last update to Audit and Procurement Committee in December 2015, it was reported that 82 single person discounts had been cancelled totalling approximately £30,250. Since then, a further 97 discounts totalling £14,350 had been cancelled.

The Committee noted that during the year there had been a total of 21 referrals and investigations through whistle blowers, managers or complaints. 9 of these led to full investigations and the report set out the reasons for referrals not resulting in full investigations and the types of allegations received.

The Committee discussed the recent reduction in whistle blowing and the need to refresh awareness in relation to this process. It was suggested that an article be included in Cityvision to encourage whistle blowing from residents in connection with council tax fraud.

The Council's response to fraud also considered an element of proactive work to ensure that all key fraud risks were considered. In December 2015 the Committee were advised of the work undertaken to date, namely updating the Council's fraud risk assessment and participation in a procurement pilot in-conjunction with the Home Office and West-Midlands police. Since then, in-conjunction with a third party, the Council had undertaken a proactive review of payments made to Council suppliers to identify and recover (a) any duplicate payments which had been made and (b) any credit notes issued (or other credit transactions on suppliers' accounts) which the Council had not processed. This work has identified 7 duplicate payments, amounting to £7200 and 102 credit items, amounting to £96,200. A further transaction was currently being resolved, and would result in recovery of a further £55k.

The reasons behind these transactions are not always straightforward and reflected a variety of factors, some of which were outside of the Council's control. However, consideration had been given to the internal control implications linked to this within the 2015-16 Internal Audit review of Accounts Payable.

The Committee noted that, during the period from April 2015 to March 2016, no significant frauds had been identified. These were frauds with an financial impact in excess of £10k, frauds under £10k where the Acting Chief Internal Auditor considered this was justified by the nature of the fraud.

RESOLVED that:

- 1. The outcome of the Council's response to fraud activity during 2015/16 be noted.**
 - 2. Corporate Communications be requested to include an article in Cityvision encouraging whistle blowing from residents in connection with council tax fraud.**
27. **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.

28. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Executive Director of Resources which provided an update on the procurement and commissioning undertaken by the Council since the last report, submitted to the meeting on 25th July 2016. Details of the latest positions in relation to individual matters were set out in an appendix attached to the report. In response to questions on individual issues, it was agreed that additional information would be made available to members.

RESOLVED that:

- 1. The current position in relation to the Commissioning and Procurement Services be noted.**
 - 2. No recommendations be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**
 - 3. No changes are required to be made to the format of the report at this time.**
 - 4. Additional financial information on the appropriate commissioning and procurement issues detailed in the appendix be circulated to members.**
- 29. 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 4.50 pm)