

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm
on Monday, 3 April 2017

Present:

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

Employees (by Directorate):

Place M Burn, P Jennings, L Knight, H Lynch, J Newman, R Parkes,
 K Tyler, A West

Other Representatives: M Stocks, S Turner, Grant Thornton

Public Business

76. Declarations of Interest

There were no disclosable pecuniary interests.

77. Minutes of Previous Meeting

The minutes of the meeting held on 20th February 2017 were agreed and signed as a true record.

Further to Minute 66, the Committee were advised that the recruitment process for the permanent Records Manager had been completed and the appointee would be starting in post shortly.

78. 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 86 below 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.

79. **Outstanding Issues**

The Committee considered a report of the Deputy Chief Executive (Place), which identified those issues on which further reports / information had been requested or were outstanding so that Members were aware of them and could manage their progress.

Appendix 1 to the report outlined where a report back had been requested to a future meeting along with the anticipated date for further consideration of the issue. Where a request had been made to delay the consideration of the report back, the proposed revised date was identified along with the reason for the request. Appendix 2 set out items where additional information was requested outside of the formal meeting along with the date when this had been completed.

The Committee were advised that, in relation to item 2 of Appendix 1, proposals had been progressed to have an Employee Suggestion Scheme, which would operate for a period of six weeks and that a report on the outcome would be submitted to the committee in due course. Members indicated that the six week period should be considered as a pilot and that investigations should be made to continue the Scheme on an ongoing basis. In addition, they suggested that some form of employee reward be considered to encourage staff to make money saving suggestions.

RESOLVED that, having considered the list of outstanding items set out in the appendices to the report, the Audit and Procurement Committee note the current position in relation to reports back and confirm that those items identified as completed be discharged and removed from the outstanding issues list.

80. **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 current municipal year.

The Committee were advised that it was proposed to reschedule consideration of the Internal Audit Plan to the next meeting.

RESOLVED that the Audit and Procurement Committee note their work programme and approve amendments as indicated.

81. **The Audit Plan for Coventry City Council - Year Ended 31st March 2017**

The Committee considered a report of the External Auditors, Grant Thornton, detailing the Audit Plan for year ending 31st March 2017.

As required by International Standard on Auditing (UK & Ireland) 260, the Audit Plan set out the scope and timing of the audit to be carried out by the External Auditors in relation to Coventry City Council for the year ending 31st March 2017 and included:

- Understanding the Council's business and key developments
- Materiality

- Significant identified risks
- Other risk identified
- Group audit scope and risk assessment
- Value for Money
- Other audit responsibilities
- Results of interim audit work
- The audit cycle
- The audit fees
- Independence and non- audit services
- Communication of audit matters with those charged with governance.

The Committee noted that the External Auditors were required to perform their 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 (NAO) on behalf of the Comptroller and Auditor General in April 2015. Their responsibilities under the Code were to give an opinion on the Council's financial statements; and to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

In relation to the fees, the Committee noted that the total audit fees for the Council Audit and Grant Certification was £189,158 (excluding VAT). Further fees of £4,200 were expected in relation to the certification of teachers' pension return for 2016/17 and £30,000 for CFO Insights, this being the full cost for a 3-year subscription (£10,000 to be charged each year).

RESOLVED that the Audit and Procurement Committee note the Audit Plan for year ending 31st March 2017.

82. **Internal Audit Recommendation Tracking Report**

The Committee considered a report of the Deputy Chief Executive (Place) which provided an update on progress made in implementing internal audit recommendations since the last update in December 2015.

Given the number of audits that the Internal Audit Service completes every year, it was critical that it had a robust procedure in place for ensuring that it obtained appropriate assurance that audit recommendations had been implemented, but done so in a way that allowed the Service to respond to new risks facing the Council. Where appropriate, Internal Audit defined within its audit reports the follow up process to those responsible for the system / area under review and a date was agreed of when this will take place.

There were currently three key considerations that determined the follow procedure adopted and these were set out within the report submitted and, in summary, were:

1. Whether the area audited was of such significance that it was subject to an annual review;
2. The level of assurance provided in the audit report;

3. 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 195 actions followed up, 71% had been implemented based on both the formal and self-assessment follow up method. When analysed by follow up method, there was a 71% implementation rate for formal follow up method and 70% implementation rate for the self-assessment method.

The Committee noted that, in relation to the self-assessment method, it had been expected that the rate would decrease from previous years in light of the reduced focus on school audits within the audit plan, where historically actions identified were likely to be straightforward, not time consuming and tended to focus on compliance rather than control issues.

After the follow up had been completed, the results were collated within Internal Audit. 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 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 the progress made in implementing audit recommendations and confirmed its satisfaction with the proposed action by the Acting Chief Internal Auditor for audits where actions remain outstanding.

83. Code of Corporate Governance

The Committee considered a briefing note of the Deputy Chief Executive (Place), which sought views on the proposed Code of Corporate Governance.

The Council first introduced a Code of Corporate Governance in 2009, based on best practice at the time. It was acknowledged that the context in which local government operated had changed significantly since then and in 2016, the Chartered Institute of Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) updated their guidance on Corporate Governance and published the new Delivering Good Governance in Local Government Framework. This provided a best practice framework for local authorities to help make sure that their resources were directed in accordance with agreed policy and according to priorities, that there was sound and inclusive decision-making and that there was clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities. It set out the principles that underpinned good governance and how local authorities could assure themselves and others that they were meeting them.

The Committee were advised that the Council had a range of measures to ensure that governance in the organisation was managed effectively and it worked hard to ensure that these arrangements were robust and met best practice. In reality this was achieved through a range of policies, plans, procedures such as the Constitution (including codes of conduct for Members and employees), the Council Plan, the Medium Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption and managing risk. The Code of Corporate Governance did not set out to list or replicate these. Instead it provided a framework against which these could be assessed to ensure that the principles of the code were being met, that there were systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance were identified and appropriate actions developed.

The revised Code now proposed reflected the new guidance, adopted the principles that it identified as underpinning good governance and set out how it could be used to strengthen corporate governance in the City Council and was set out at Appendix 2 of the report.

The Council would use the National Framework to support an annual review of how it was meeting the Code. As well as ensuring that the Council had the right policies, plans and procedures in place, it would also review the arrangements that were in place to measure their effectiveness. An example of how this would be used was set out in Appendix 1 of the report.

The Committee noted that local authorities were required to conduct a review at least once every financial year of the effectiveness of their systems of internal control and to report on this review with its Statement of Accounts. The Audit and Procurement Committee was responsible for approving the Annual Governance Statement alongside the Statement of Accounts and the Code of Corporate Governance and it was proposed that the annual review would inform this process.

Having considered the briefing note, the Committee stressed the importance of ensuring the proposed review process was robust in order for the Council to be able to assess itself effectively against both the principles of the Code and best practice identified in the National Framework. In addition, they sought assurance about how the review cycle would operate to identify gaps and deliver improvement and how progress would be reported and monitored. They also requested that the Cabinet Member for Policy and Leadership be made aware of their views when considering a report on the Code of Corporate Governance at his meeting scheduled for 13th April 2017.

RESOLVED that the Audit and Procurement Committee, having reviewed the draft Code of Corporate Governance and the review process appended to the report submitted, request that the Cabinet Member for Policy and Leadership be advised that the Committee:-

- 1. Stressed the importance of ensuring the proposed review process is robust in order for the Council to be able to assess itself effectively against the principles of the Code and best practice identified in the National Framework.**

2. Sought assurance about how the review cycle would operate to identify gaps and deliver improvement and how progress would be reported and monitored.

84. Review of the Council's Whistleblowing Policy

The Committee considered a report of the Deputy Chief Executive (Place) which set out proposed amendments to the Council's whistleblowing policy following a recent review.

The report had been considered by the Ethics Committee at their meeting on 17th March 2017, who had no comments for the Audit and Procurement Committee to consider. The report was also due to be considered by the Cabinet Member for Policy and Leadership on 13th April 2017.

The report indicated that the Council was not required by law to have a whistleblowing policy. However, it was recommended in government guidance and by Public Concern at Work that employers should, as a matter of best practice, have a whistleblowing policy as it showed the employer's commitment to listening to concerns and addressing them appropriately. Such a policy helped to foster an open culture where employees were encouraged to report concerns. It was best practice to have a whistleblowing policy in order to maintain high standards of openness and accountability and to encourage those with concerns to raise them using the policy.

The Committee were advised that the whistleblowing legislation was governed by the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). This legislation provided that certain individuals (employees, workers, agency workers) were protected from suffering any detriment i.e. any disadvantage because he/she had made a protected disclosure.

Under the Enterprise and Regulatory Reform Act 2013 a disclosure would only be a protected disclosure if the individual reasonably believed that the disclosure was in the public interest and that it related to one of the prescribed categories as specified under paragraph 7 of the draft policy, which was attached at Appendix 2 of the report.

The Committee noted that one of the key concerns raised in the Rotherham report was that the whistleblowing policy was inadequate and did not provide adequate protection to whistle-blowers. The review of the City Council's policy had sought to address these concerns through the use of safeguards and protections for individuals and, in addition, ensured that the policy was fit for purpose and complied with the legislative requirements.

It was recommended that Local authority schools should also review their Whistleblowing Policy in light of the Council's review and update their policy where appropriate. The Council would liaise with the governing bodies to ensure that they were aware of the amendments made.

RESOLVED that the Cabinet Member for Policy and Leadership be advised that the Audit and Procurement Committee indicated their support of the revised draft Whistleblowing Policy attached at appendix 2.

85. **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.

86. **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 24th October, 2016. Details of the latest positions in relation to individual matters were set out in an appendix to the report.

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 the format of the report at this time.**
87. **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 4.25 pm)