

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm
on Monday, 24 October 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 Hammond, P Jennings, L Knight, H Lynch,
 S McGinty, J Sansom, K Tyler

Apologies: Councillor G Crookes

Public Business

30. **Declarations of Interest**

There were no disclosable pecuniary interests.

31. **Minutes of Previous Meeting**

The minutes of the meeting held on 26th September, 2016 were signed as a true record.

Further to Minute 21 relating to 'Internal Audit Annual Report 2015/16', the Committee noted that the report back on the moderate assurance rating of the adequacy and effectiveness of the Council's internal control environment had been included on the work programme.

32. **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 39 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.

33. **Internal Audit Plan 2016/17**

The Committee considered a report of the Executive Director of Resources, which set out the draft Internal Audit Plan for 2016-17, a copy of which was set out at an appendix to the report.

The draft Internal Audit Plan documented the outcome of the audit planning process for 2016-17 and provided a mechanism for allowing the Committee to discharge its responsibility to 'consider the Head of Internal Audit's Annual Report and Opinion and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance statement incorporated in the Annual Accounts'. The report also enabled the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed internal Audit Plan.

The Committee noted that normally the plan would be presented to them in April each year but that it had been delayed this year to enable a review of the Council's audit needs to be undertaken.

The report set out the planning process for the plan. The draft plan was based on an allocation of priorities against the current level of audit resource available. The Committee were informed that whilst the number of available days had reduced from 746 days in 2015-16 to 490 days in 2016-19, this impact had been managed through a more streamlined approach as follows:

- A more flexible approach to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role
- A risk based approach to the audit of schools based on links with School Finance
- As part of the process for identifying audit areas, senior officers had been consulted in relation to operational risks and whether other sources of assurance were available.

As a result it was believed that the Plan was sufficient for the work required to report on key risks and controls in the year and to prepare for the annual opinion and report. It wasn't anticipated that the review of the structure of the Internal Audit Service would have a significant impact on the Plan.

The report referred to the implications concerning corporate risks, corporate governance and contingency/ directorate risks.

The Plan set out the audit areas under the key driver headings of corporate risk, Council / audit priorities, financial systems, regularity and other. Against each of the audit areas, the level of risk was identified, along with the planned audit days.

The Committee sought clarification that the Department Risk Registers which fed into the Corporate Risk Register were up to date; enquired about the ICT audit which was to be undertaken by a third party auditor; sought assurance that the level of resource was sufficient to carry out all the necessary internal audits; and asked about what was covered under 'other'.

RESOLVED that the draft Internal Audit Plan for 2016-17 be approved.

34. Internal Audit Plan 2016-17 – Half Year Progress Report

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 September 2016, against the Internal Audit Plan 2016-17.

The Committee noted that the key target facing the Internal Audit Service was to complete 90% of its work plan by the 31st March 2017. As at the end of September 2016, the Service had completed 38% of the Audit Plan against a planned target of 40% and was broadly on track to meet its key target by the end of 2016-17.

The report included a table showing a summary of the performance of Internal Audit to date against five key performance indicators, with comparative figures for the previous year. The Committee were informed that there was one indicator, audit delivered within budget days, where the current performance was below expectations and management were taking targeted actions to make improvements as part of a continual focus to deliver greater efficiency in the Service. These included holding a team development session on the audit process, weekly progress meetings and an increased focus on time planning within individual audits.

Appendix one of the report submitted detailed the audits finalised between April and September 2016, along with the level of assurance provided. Appendix two provided a summary of findings from a selection of key audit reports completed and 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 outcomes reported to the Committee.

Discussion centred on the customer journey financial processes audit, the objective being to ensure that the Council had robust systems in place to oversee the payment and banking functions required both externally and internally by customers/service areas. The Committee sought further information about some of the areas identified for improvement including:

- Ensuring the procedures for handling and accounting for monies within the Customer Service Centre were fully complied with
- Enhancing control records maintained within the Customer Service Centre to ensure that monies could be fully reconciled and a complete audit trail maintained
- Ensuring that a receipt was obtained from all collections made by the Council's third party agent.

Clarification was also requested on the issue of card refunds in light of customers making duplicate payments in error. It was clarified that this had been as a result of a system error in the new technology used for customer self- service which had now been rectified.

RESOLVED that:

- 1. The performance as at quarter two against the Internal Audit Plan for 2016-17 be noted.**
- 2. The summary findings of the key audit reviews set out in Appendix Two to the report be noted.**

35. City Council Treasury Management Activity

The Committee considered a briefing note of the Executive Director of Resources which detailed the latest information in respect of the Council's treasury management activity. Appendices to the report detailed the Council's lending list along with the most recent list of investments held by the Council.

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 counterparty limits on the lending list. As a result of the large level of investment balances held in 2015/16, the standard counterparty limit was now £10m, except for institutions where schools held their current accounts. The limit for unrated Building Societies had stayed at £1m.

The report indicated that since the last update the treasury landscape had changed as a result of Brexit and the Bank of England cutting interest rates. This meant the interest rates on the Council's investments had similarly reduced.

The Committee were informed that two counterparties had been removed from the approved list, Standard Chartered Bank and Deutsche Bank. As the Deutsche Bank was such an important bank to the German economy, the decision had been taken locally to no longer lend to any German bank.

At the 7th October, 2016 the total level of investment balances held by the Council stood at £168.9m which compared to £136.9m at 9th October, 2015. This increase in investment balances was mainly due to the Council receiving a grant of £35m from the Department for Business, Energy and Industrial Strategy for the Whitley South Infrastructure Project which was still to be spent.

Members asked about the long term ratings system of the Institutions on the lending list and requested information on the outstanding project grants held by the Council and when it was anticipated that these works would be undertaken.

RESOLVED that:

- 1. The latest position in relation to the Council's treasury management activity be noted.**

- 2. A briefing note be circulated to Members detailing the outstanding project grants held by the Council and the anticipated timescales for the works to be undertaken.**

36. Information Management Strategy Update

Further to Minute 12/16, the Committee considered a report of the Executive Director of Resources concerning progress with the action plans developed to improve the Council's information management arrangements. Details of the progress being made was set out in appendices attached to the report. Councillor Duggins, Cabinet Member for Policy and Leadership attended the meeting for the consideration of this item.

The report referred to the audits undertaken by the Information Commissioner's Office (ICO) in relation to the Council's data protection arrangements and In-form Consult (IFC) in relation to Information Governance generally. Arising from the audits findings, action plans were developed to implement the recommended actions for improvements to be made.

At the Committee's meeting on 25th July the update given on progress reported that out of 77 actions from the ICO recommendations, 8 had been completed, 49 were in progress and 20 were yet to begin. Since this time a further 38 actions had been completed and work was well underway with 27 of the remaining 31 actions. It was anticipated that all actions would be complete significantly in advance of the return visit in March 2017. There were still 4 actions to begin, these actions related to the final stages of the plan and were dependent on other actions being completed before they could commence. The Committee were informed that in order for these actions to be completed, a Records Manager was required in the Information Governance Team and this position was now being recruited to.

The Committee noted that since their July meeting, some significant milestones had been achieved. A review policies and guidance had been completed and assembled into a 'handbook' to act as a single access point for staff across the council. The handbook was launched at the Council's Data Day event on 19th October, 2016. The event involved officers from across the council and was an opportunity to communicate with staff emphasising the importance of good information management practice, ensuring that risks and opportunities were better understood and managed. The mandatory e-learning on data protection had also been updated.

The Information Management Strategy aimed to ensure that the Council used the power of data and the opportunity this provided alongside the Digital Strategy to improve efficiency, customer experience and the ability to work with partners.

The In-Form Consult maturity assessment was intended to provide a road map to look beyond the ICO activities. These recommendations would be implemented over the next 12 months and would form an ongoing basis to ensure that the Council was able to keep abreast of new developments in the digital age to ensure that information remained secure in new media and new technology and would safeguard the Council into the future.

Councillor Duggins, Cabinet Member, outlined his support for the progress being made. Members asked about the development of the risk register and the risk policy and sought clarification as to when all the actions would be completed.

RESOLVED that:

- 1. The progress to date against the ICO and In-form Consult action plans be noted.**
- 2. Officers be requested to bring a further report back to the Committee on the outcome of the follow-up audit by the Information Commissioner.**
- 3. Officers be requested to submit a progress report on action plans to the February meeting of the Committee.**

37. 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.

RESOLVED that the work programme be noted and officers be requested to update the work programme to take account of the additional progress report on the action plans as detailed in Minute 36 above.

38. Any other items of public business - Local Government Audit Committee Forum

The Committee were informed that PricewaterhouseCoopers had organised a Local Government Audit Committee Forum to be held in Birmingham on 29th November, 2016 and up to three places were available for Coventry Members. Councillor Clifford expressed an interest in attending.

RESOLVED that:

- 1. Details of the Local Government Audit Committee Forum to be held on 29th November, 2016 be circulated to Members.**
- 2. Members to inform if they wish to attend the Forum.**

39. 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 26th September, 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.**
40. **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 additional items of private business.

(Meeting closed at 4.30 pm)