

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee**  
**held at 3.00 pm on Monday, 26 June 2017**

Present:

Members:                   Councillor S Bains (Chair)  
                                Councillor R Brown  
                                Councillor L Harvard  
                                Councillor R Singh  
                                Councillor H Sweet

Employees (by Directorate):

People                       M Burn

Place                        P Baggott, P Jennings, L Knight, K Tyler

Apologies:                Councillor K Taylor

### **Public Business**

1.       **Declarations of Interest**

There were no disclosable pecuniary interests.

2.       **Minutes of Previous Meeting**

The minutes of the meeting held on 3<sup>rd</sup> April 2017 were agreed and signed as a true record.

Further to Minute 77/16, the Committee were advised that the Record Manager was now in post.

3.       **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 12 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.**

4.       **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.

**RESOLVED that the Audit and Procurement Committee note the outstanding issues report.**

**5. Work Programme 2017/18**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the work programme for the Committee for the coming year.

**RESOLVED that the Audit and Procurement Committee approve the work programme for 2017/18.**

**6. Internal Audit Annual Report 2016/17**

The Committee considered a report of the Deputy Chief Executive (Place) which summarised the Council's Internal Audit activity for the period April 2016 to March 2017 against the agreed Audit Plan for 2016/17. The report also provided the Committee with the Acting Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment.

The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2016/17 at its meeting on 24<sup>th</sup> October 2016. The report submitted detailed the performance of the Internal Audit Service against the Plan for 2016/17, which was presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference.

The key target for the Internal Audit and Risk Service is to complete 90% of its agreed work plan by the 31st March 2017 and the report indicated that this target was met. In addition to the delivery of the Plan, the Service had a number of other key performance indicators (KPIs) which underpinned its delivery. These KPIs were aimed at ensuring that the audit process was completed on a timely basis. The report provided details of the performance of Internal Audit against the KPIs for 2016/17, compared with performance in 2015/16.

Appendix One of the report detailed the audit reviews that had been carried out in the financial year 2016/17, along with the level of assurance provided. A summary of the findings of key audits that had not already been reported to the Committee during 2016/17 were included at Appendix Two. In all cases, the relevant managers had agreed to address the issues raised in line with the timescale stated. These reviews would be followed up in due course and the outcome reported to the Audit and Procurement Committee. In addition, the report provided an update on those disclosures made by the Internal Audit Annual Report 2015/16 where it was believed that significant control improvements were required.

The Committee noted that the Public Sector Internal Audit Standards (PSIAS) highlighted that a key responsibility of Internal Audit was to provide an objective evaluation of, and assurance on, the effectiveness of the organisation's risk management, control and governance arrangements. It required that the annual internal audit opinion provided by the Acting Chief Internal Auditor was a key element of the framework of assurance that informed the Annual Governance Statement.

In the Acting Chief Internal Auditor's view, sufficient assurance work had been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment. It was the Acting Chief Internal Auditor's opinion that that moderate assurance could be provided that there was generally a sound system of internal control in place designed to meet the Council's objectives. This meant that there was generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level.

In giving this opinion, the Committee acknowledged that assurance could never be absolute as the system of internal control was designed to manage risk to a reasonable level. It could not eliminate all risk and could therefore only provide reasonable and not absolute assurance of effectiveness.

In undertaking the assessment of the Council's internal control environment, the Acting Chief Internal Auditor had identified a number of areas that, in her opinion, needed to be considered when the Council produced its Annual Governance Statement for 2016-17. These related to the delivery of the Workforce Strategy and Adult Social Care and report provided detail on the reasons for their consideration.

Having considered the content of the report, the Committee sought assurance in relation to the checks and balances in place regarding the maintenance of Council vehicles and fuel consumption and requested that information on this matter be forwarded to Committee Members.

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

- 1. The performance of Internal Audit against the Audit Plan for 2016/17.**
- 2. The summary findings of key audit reviews, attached at appendix two, that have not already been reported to Audit and Procurement Committee during municipal year 2016/17 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 3. The opinion of the Acting Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 4. That information be forward to Committee Members in relation to the checks and balances in place regarding maintenance of Council vehicles and fuel consumption.**

## 7. **Annual Governance Statement 2016/17**

The Committee considered a report of the Deputy Chief Executive (Place), which sought approval of the Annual Governance Statement, which formed part of the Statement of Accounts for 2016/17.

The Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To demonstrate such arrangements, the Council had adopted a Code of Corporate Governance. The Code was reviewed during 2016/17 and a revised Code of Corporate Governance was approved, which was consistent with the principles reflected in the CIPFA / SOLACE framework and guidance 'Delivering Good Governance in Local Government (2016).

The Annual Governance Statement ('AGS') explained how the Council had complied with the Code and in doing so, reflected the requirements of the Accounts and Audit Regulations 2015, which required all relevant bodies to prepare an Annual Governance Statement. The AGS also detailed key governance / control issues identified through the assessment that the Council faced in the coming year.

The AGS, attached at Appendix One, highlighted those areas that the Council considered required internal control / governance improvements. This assessment was co-ordinated by the Acting Chief Internal Auditor, but also incorporated the views and opinions of senior officers.

Key disclosures come from a review of progress against disclosures highlighted in the Annual Governance Statement 2015/16 and new disclosures identified as part of the assessment process. A review of the seven disclosures highlighted in the Annual Governance Statement 2015-16 found that the disclosures fell into two categories, namely 'closed from 2014/15 Statement' and 'carry forward to the 2015/16 Statement'. The report detailed the specific matters in each of the categories and provided an update on the current position. Two new disclosures were identified for the 2016/17 Statement. The first related to the long term sustainability of adult social care in the context of financial and demand issues and the second to the delivery of the Workforce Strategy.

**RESOLVED that the Audit and Procurement Committee approve the Annual Governance Statement, attached at Appendix One, which accompanies the 2016/17 Statement of Accounts.**

## 8. **Internal Audit Plan 2017/18**

The Committee considered a report of the Deputy Chief Executive (Place), which outlined the draft Internal Audit Plan for 2017-18, 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 2017-18 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 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 the resources available for audit and corporate fraud work was 550 days. This was an increase of approximately 60 days when compared with 2016/17 and reflected that the Service was no longer impacted by long term absence. In focussing the resources to meet the needs of the Council, the following approach was taken:-

- An exercise was undertaken in 2016-17 to identify the Council's audit universe and establish what sources of assurance existed in relation to this and upon which the organisation could place reliance. This was used to establish priorities in those areas where other sources of assurance were not available.
- A risk based approach to the audit of schools based on links with School Finance rather than a fixed programme of audit work.
- A flexible and responsive approach to issues highlighted by Senior Officers with on-dialogue to ensure resources were directed in accordance with their priorities.
- A more flexible response to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.

As a result it was believed that the draft Audit 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.

The report also 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.

**RESOLVED that the Audit and Procurement Committee approve the draft Internal Audit Plan 2017/18.**

## 9. **Unaudited Statement of Accounts 2016/17**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the unaudited statement of accounts for 2016/17.

In addition to the report, the Committee received a presentation setting out the key elements of the statement of accounts and issues to be aware of. These included:

- End of Year Financial Reporting
- Narrative Statement
- Comprehensive Income and Expenditure Statement vs Outturn
- Reserves Trend
- The Balance Sheet
- Fall in Fixed Asset Value
- Contingent Liabilities
- Long Term Investments
- Pensions
- Pensions Liability
- Officers Remuneration
- Other Items Within the Accounts
- Highways Assets Accounting

Having considered the report and presentation, the Committee noted that following comments made during consideration of the 2015/16 Statement of Accounts, the Council's reserves had been broken down to clearly identify usable and unusable reserves and those reserves which the Council held in relation to Schools.

**RESOLVED that the Audit and Procurement Committee note the Unaudited Statement of Accounts 2016/17.**

## 10. **Revenue and Capital Outturn 2016/17**

The Committee considered a report of the Director of Finance and Corporate Services, which set out the final revenue and capital outturn position for 2016/17 and reviewed treasury management activity and 2016/17 Prudential Indicators under the Prudential Code for Capital Finance.

The Committee noted that the Cabinet had also considered the report at their meeting on 13th June 2017.

The report indicated that the overall financial position included a revenue overspend of £0.7m, which was required to be funded by a contribution from the Council reserves. At quarter 3 there had been a projected overspend of £4.8m and the report identified the underlying movements between quarter 3 and outturn which had resulted in an overall underlying net underspend of £4.1m in the final quarter and led to the overall overspend of £0.7m.

The Committee were advised that, consistent with the approval of the programme of staffing reductions approved by the Cabinet in November 2015, £6.7m of costs had been incurred as a result of early retirement and voluntary redundancy decisions.

There had been Capital Programme expenditure of £71m, which was £52m less than envisaged at the start of the year. The quarter 3 monitoring report to Cabinet on 21st February 2017 approved a revised capital budget of £81m for 2016/17. Since then, there had been a net programme increase of £1.3 giving a final budget for the year of £82.3m. Since February, a total of £12.5m net rescheduled spending had arisen on directorate capital programmes. The report provided a scheme by scheme analysis of the rescheduling and accelerated spend.

The Committee were advised that the Cabinet had given retrospective approval for a change to the Capital Programme, reflecting final scheme costs on the completed Whitley Infrastructure, Friargate Bridgedeck and South West Coventry Junction Improvement schemes delivered by Costain.

There was also a reduction in the level of Council revenue reserves from £57m to £51m and an increase in balances held relating to capital grants and capital receipts to fund future projects from £12m to £30m. Table 2 of the report provided a summary of reserve movements during the year.

In relation to Treasury Management Activity, the report indicated that political uncertainty had been the main driver of the economic landscape during 2016/17. Uncertainty over the outcome of the US Presidential election and the UK's future relationship with the EU resulted in significant market volatility during the year. UK Inflation continued to be subdued in the first half of 2016/17, however, a sharp fall in the Sterling exchange following the EU referendum had an impact on import prices which resulted in inflation rising from 0.3% in April 2016 to 2.3% in March 2017. Despite this uncertainty, the UK GDP grew steadily during the year and the unemployment rate dropped to 4.7% in February, its lowest level in 11 years. The fallout from the EU Referendum also caused the Bank of England Base rate to be cut to 0.25% from 0.5%. Current forecasts expected the base rate to stay at 0.25% until at least June 2020, with a further reduction to close to zero more likely than a rate rise in the meantime.

Given the interest rates provided by the Public Works Loans Board, it continued to be cheaper for local authorities to use short rather than long term funds for financing. At outturn, the Capital Financing Requirement, which indicated the authority's underlying need to borrow for capital purposes, had reduced by £11m. No new long term borrowing was taken out during 2016/17, however, some borrowing would be required in the future to support current expenditure plans and the need for any such borrowing would be kept under review in 2017/18.

Appendix 3 of the report submitted set out the ratio of financing costs to Net Revenue Stream, highlighting the revenue impact of the capital programme. This showed the Council's revenue costs of financing its capital expenditure as a proportion of its income from Government grant and Council Tax. The actual was 13.09% against a forecast of 14.03% in the Treasury Management Strategy. This reflected a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances. The Appendix also provided Capital and Treasury Management Related Prudential Indicators, including authorised limit for external debt; operational boundary for external debt; gross debt v "Year 3" capital financing requirement; and debt maturity structure, interest rate exposure and investments longer than 364 days.

**RESOLVED that, having considered the contents of the report, the Audit and Procurement Committee determine that there were no specific issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.**

11. **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.

12. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Deputy Chief Executive (People) which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 3<sup>rd</sup> April 2017. Details of the latest positions in relation to individual matters were set out in an appendix to the report.

Having considered the report, the Committee requested information on the timescales for the completion of the City's 50m swimming pool.

**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.**
  4. **That information on the timescales for the City's 50m swimming pool be forwarded to the Committee Members.**
13. **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 5.45 pm)