

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm
on Monday, 26 March 2018

Present:

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

Employees (by Directorate):

People A Mayes

Place P Jennings, M Salmon, K Tyler, A West

Others in Attendance: Mark Stocks (External Auditor)

Apologies: Councillor T Sawdon

Public Business

88. Declarations of Interest

There were no disclosable pecuniary interests.

89. Minutes of Previous Meeting

The minutes of the meeting held on 19th February 2018 were agreed and signed as a true record.

90. 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 97 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.

91. Outstanding Issues

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

Appendix 1 to the report provided details of an issue where a report back had been requested to a future meeting, along with the anticipated date for further consideration of the matter. Appendix 2 provided details of items where additional information had been requested outside of formal meetings, along with the date when this had been completed.

RESOLVED that the Audit and Procurement Committee notes the outstanding issues report and agrees that those issues that are complete can be discharged from the report.

92. **Work Programme 2017/18**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) that set out the Work Programme of scheduled issues for consideration by the Committee for the year 2017/2018.

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

RESOLVED that the Audit and Procurement Committee notes the work undertaken as scheduled on their Work Programme for 2017/2018 and agrees to the re-scheduling of the Internal Audit Plan Report to the first meeting of the Municipal Year 2018/2019.

93. **External Audit Plan**

The Audit and procurement Committee considered a report of the External Auditors, Grant Thornton, detailing the Audit Plan for year ending 31st March 2018.

The External Auditors were responsible for forming and expressing an opinion on the: financial statements (including the Annual Governance Statement) that had been prepared by management with the oversight of those charged with governance (the Audit & Procurement committee); and Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in its use of resources.

The audit of the financial statements did not relieve management or the Audit and Procurement Committee of their responsibilities. It was the responsibility of the Council to ensure that proper arrangements were in place for the conduct of its business, and that public money was safeguarded and properly accounted for. The External Auditors considered how the Council was fulfilling these responsibilities and their approach was based on a thorough understanding of the Council's business and was risk based.

As required by the Code and International Standards on Auditing (ISAs) (UK), 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 2018 and included:

- Significant Risks :Valuation of Property, Plant and Equipment; Valuation of Pension Fund Net Liability; Management Override of Controls
- Materiality

- Value for Money Arrangements
- Audit Logistics
- Independence
- Audit Report

A document headed 'Informing the Audit Risk Assessment for Coventry City Council' was appended to the report, the purpose of which was to contribute towards the effective two-way communication between the Authority's external auditors and the Authority's Audit and Procurement Committee, as 'those charged with governance'. The report covered some important areas of the auditor risk assessment where they were required to make inquiries of the Audit and Procurement Committee under auditing standards.

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors had specific responsibilities to communicate with the Audit and Procurement Committee. ISA(UK&I) emphasised the importance of two-way communication between the auditor and the Committee and also specified matters that should be communicated. This two-way communication assisted both in understanding matters relating to the audit and developing a constructive working relationship. It also enabled the auditor to obtain information relevant to the audit from the Committee and supported it in fulfilling its responsibilities in relation to the financial reporting process.

As part of the risk assessment procedures the External Auditor was required to obtain an understanding of management processes and the Audit and Procurement Committee's oversight of the following areas:

- Fraud
- Laws and Regulations
- Going Concern
- Accounting Estimates
- Related Parties

The report included a series of questions on each of these areas and the response received from the Authority's management. The Audit and Procurement Committee were asked to consider whether the responses were consistent with its understanding and whether there were any further comments it wished to make.

In relation to the fees, the Committee noted that the total audit fees for the Council Audit and Grant Certification would be no less than £173,460.

The Committee expressed their concern about the difficulties of financial planning given the many variables and unknowns that the City Council may face. The External Auditor clarified the process for financial planning which involved them working closely with the City Council's Director of Finance and Corporate Services to gain a thorough understanding of the Council's business and to make a judgement after careful consideration of known factors, proposed savings programmes, revenue streams, levels of reserves, past behaviours and service performance.

The Committee referred to the National Audit Office Report on Financial Sustainability. The Council's Finance Manager – Corporate Finance would provide Members with a link to a summary of the report, should Members wish to investigate this further.

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

94. **Internal Audit Recommendation Tracking Report**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) that provided an update on progress made in implementing internal audit recommendations since the last update in April 2017.

The Public Sector Internal Audit Standards required that the Chief Audit Executive must establish a follow up process to monitor and ensure that management actions had been effectively implemented or that senior management had accepted the risk of not taking action.

As reflected within its terms of reference, the Audit and Procurement Committee was required to receive reports on Internal Audit's follow up process and this report provided an update on progress in respect of the agreed management actions which had been followed up during the period April 2017 to February 2018.

Given the number of audits that the Internal Audit Service completed 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 did so in a way that allowed the Service to respond to new risks facing the Council.

Currently, there were three key considerations that determined the follow up procedure adopted:

- 1) Whether the area audited was of such significance that it was subject to an annual review.

Annual Audits were generally included in the Audit Plan on an annual basis because of the nature of the systems, and the fact they were corporate wide and had been identified as key in delivering the Council's objectives (e.g. financial systems, corporate risks).

- 2) The level of assurance provided in the audit report.

Any audit that received 'no' or 'limited' assurance was subject to a follow up review to assess improvements based on a timing agreed between Internal Audit and relevant management. In either of these circumstances, a formal follow up review would take place which involved Internal Audit assessing progress through audit testing to ensure that agreed actions had been implemented and were working effectively.

- 3) A self-assessment process for those reviews where neither of the points above applied, but a follow up review was necessary.

For all other audits, a process existed which was based on a self-assessment by relevant managers. This involved Internal Audit asking managers for an update on the action taken to implement audit recommendations. The response provided by managers was not subject to any independent validation by Internal Audit.

Overall, it was believed that the procedure achieved the right balance between ensuring action was taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks. This was particularly important given the reductions 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 indicating that of the 141 actions followed up, 72% had been implemented based on both the formal and self-assessment follow up method. When analysed by follow up method, the results were that formal follow up method had a 57% implementation rate and self-assessment follow up method had a 98% implementation rate.

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.

The Committee expressed concern regarding the issues identified in annual internal audits carried out in schools that resulted in High/Medium Risk Actions being required year on year. Members requested that officers gain a better understanding of these issues and investigate whether a resolution could be found to eliminate this repetition, they also requested that details of high risk actions be included in the next Tracking Report.

RESOLVED that the Audit and Procurement Committee notes the progress made in implementing audit recommendations and confirms its satisfaction with the proposed action by the Acting Chief Internal Auditor for audits where actions remain outstanding.

95. Code of Corporate Governance

The Audit and procurement Committee considered a report of the Deputy Chief Executive (Place) that summarised the outcome of the review work carried out during the last year which would inform the Annual Governance Statement which would be presented to the Audit and Procurement Committee in June 2018 as part of its consideration of the statement of accounts for 2017/18.

The Council approved a new Code of Corporate Governance in April 2017. The Code and associated guidance provided a framework to help ensure that the Council's governance arrangements were up to date and reflected best practice.

Audit and Procurement Committee reviewed a draft of the revised Code prior to its adoption and particularly considered the process for reviewing progress.

Coventry City Council had a range of measures in place to ensure that governance in the organisation was managed effectively and worked hard to ensure that these arrangements were robust and met best practice. This was achieved through 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.

In adopting the new Code, the Council introduced an annual review process to assess the Council's arrangements against examples of systems, processes, documentation and other evidence set out in the national framework. 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 the review with its Statement of Accounts. The Audit and Procurement Committee was responsible for approving the Annual Governance Statement alongside the Statement of Accounts. The Code of Corporate Governance and its annual review would inform this process.

Strategic leads for areas including HR, Audit, Procurement, Finance, Governance and Legal Services had reviewed and updated progress since the Code was introduced and progress made on strengthening the Council's governance arrangements and meeting the standards set out in the Code during the last year included the introduction of: a revised Whistleblowing Policy; a new Member Officer Protocol; a revised Risk Management Policy, Strategy and Framework; a new annual report from Ethics Committee to Council; and a comprehensive Leadership Management Framework. The report set out a number of actions identified as part of the review that would help to strengthen the Council's corporate governance arrangements over the coming year.

The Committee discussed Members, officers and external service providers understanding and demonstrating the ethical values of the Council and commitment to the rule of the law. They also sort clarification of Member/Officer Protocol and noted that the Council at its meeting on 5th December 2017 (their minute 66/17 referred) had approved and adopted a Member/Officer Protocol, which was now included in the Council's Constitution, the purpose of which was to set out for both members and officers what was expected of them in their respective roles and what they could expect from each other.

RESOLVED that the Audit and Procurement Committee notes the outcomes of the review of corporate governance.

96. **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.

97. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (People), that provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 19th February 2018 (Minute 86/17 refers). Details of the latest positions in relation to individual matters were set out in the Appendix to the report.

Members expressed their concerns relating to cyber security. Acknowledging that cyber-attacks were continually evolving, they requested that information be forwarded onto them detailing the arrangements that had been put in place for the Local Authority in relation to possible future cyber-attack issues.

RESOLVED that the Audit and Procurement Committee:-

- 1) **Notes the current position in relation to the Commissioning and Procurement Services.**
- 2) **Agrees that there are no recommendations to be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

98. **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.

As this was the last meeting of the Audit and Procurement Committee for the Municipal Year 2017/2018, the Chair, Councillor S Bains, thanked Members for their work on the Committee for the year and Members also thanked Councillor Bains for his work as the Chair.

(Meeting closed at 5.00 pm)