



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 26th March, 2018

Place

Committee Room 2 - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 12)
To agree the minutes of the meeting held on 19th February 2018
4. **Exclusion of Press and Public**
To consider whether to exclude the press and public for the item(s) of business for the reasons shown in the report.
5. **Outstanding Issues** (Pages 13 - 20)
Report of the Deputy Chief Executive (Place)
6. **Work Programme 2017/18** (Pages 21 - 22)
Report of the Deputy Chief Executive (Place)
7. **External Audit Plan** (Pages 23 - 62)
Report of the External Auditors, Grant Thornton
8. **Internal Audit Recommendation Tracking Report** (Pages 63 - 72)
Report of the Deputy Chief Executive (Place)
9. **Code of Corporate Governance** (Pages 73 - 82)
Report of the Deputy Chief Executive (Place)
10. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Private business

11. **Procurement and Commissioning Progress Report** (Pages 83 - 90)

Report of the Deputy Chief Executive (People)

(Listing Officer: M Burn, tel: 024 7683 3757)

12. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Martin Yardley, Deputy Chief Executive (Place), Council House, Coventry

Friday, 16 March 2018

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon

Membership: Councillors S Bains (Chair), R Brown, L Harvard (Deputy Chair), T Sawdon, R Singh, H Sweet and K Taylor

Please note: a hearing loop is available in the committee rooms

If you require a British Sign Language interpreter for this meeting
OR if you would like this information in another format or
language please contact us.

Lara Knight / Michelle Salmon

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Public Document Pack Agenda Item 3

Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 19 February 2018

Present:

Members: Councillor S Bains (Chair)
Councillor L Harvard
Councillor T Sawdon
Councillor P Seaman (substitute for Councillor Brown)
Councillor R Singh
Councillor H Sweet
Councillor K Taylor

Employees (by Directorate):

People: D Ashmore, A Bellingeri, M Burn, L Draycott, J Sansom
Place: S Harriott, A Harwood, B Hastie, P Jennings, L Knight,
S Lock, K Tyler, A West

Apologies: Councillor R Brown

Public Business

74. Declarations of Interest

There were no disclosable pecuniary interests.

75. Minutes of Previous Meeting

The minutes of the meeting held on 22nd January 2018 were agreed and signed as a true record. There were no matters arising.

76. 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.

77. Work Programme 2017/18

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) which set out the Work Programme of scheduled issues for consideration by the Committee for the year 2017/18.

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

78. Outstanding Issues Report

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which 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.

Following publication of the agenda, as requested, additional information was circulated to Members of the Committee in relation to the following items on Appendix 2 and it was agreed that these matters could now be considered completed:-

- Item 3 Information Governance Annual Report 2016/17 – arrangements for annual mandatory training for all Members on Data Protection
- Item 4 2017/18 Second Quarter Financial Monitoring Report (to September 2017) – Details of the grant funding provided and costs to the Council in supporting Unaccompanied Asylum Seeking Children National Transfer Scheme
- Item 5 Procurement and Commissioning Progress Report – a breakdown of costs for window cleaning services for council buildings.

Following further discussions in relation to the Unaccompanied Asylum Seeking Children National Transfer Scheme, the Committee requested a further briefing note in light of the costs of accommodating children being in excess of the grant allocated.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the outstanding issues report.**
- 2. Note the update provided by officers in relation to matters on Appendix 2 of the report and agree that these matters can now be considered as completed.**
- 3. That a briefing note be submitted in relation to supporting Unaccompanied Asylum Seeking Children under the National Transfer Scheme.**

79. **Certification Work for Coventry City Council for Year Ended 31st March 2017**

The Audit and Procurement Committee considered a report of the External Auditors (Grant Thornton), which set out the certification work undertaken during year ending 31st March 2017.

The External Auditors were required to certify the Housing Benefit subsidy claim submitted by the Council. This certification work typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

The report indicated that during the 2016/17 financial year the Housing Benefit subsidy claim had been certified relating to expenditure of £122.7m and further details were provided in Appendix A to the report. Two issues were identified from the certification work which related to the use of incorrect rent to calculate benefit entitlement and the misclassification of rent allowance overpayments.

In relation to the incorrect rent used to calculate benefit entitlement, one case was identified to a value of £1,266 from a sample of 60 cases. This resulted in an extrapolated error of £607,106. The Council provided the External Auditor with a letter to the DWP setting out why they believed this error was not representative of the full population of relevant rent allowance cases.

With regard to the misclassification of rent allowance overpayments, one case was identified to a value of £632 from a sample of 60 cases, where the overpayment had been misclassified as being eligible when it arose from local authority error. This resulted in an extrapolated error of £86,471.

The Committee were advised that, in both instances, the External Auditor would be required to perform specific testing in respect of the issues as part of their certification work for 2017/18. In addition, they had recommended that the Council, as part of its internal quality assurance process, increase its focus on level of testing in respect of the areas where errors had been identified.

The report provided further information on the indicative fee for 2016/17, which was based on the final 2014/15 certification fee and reflected the amount of work required by the auditor to certify the Housing Benefit subsidy claim in that year. The indicative scale fee set by the Public Sector Audit Appointments for the Council for 2016/17 was £15,698 and further information was provided at Appendix B.

Having considered the information provided, the Committee requested that a briefing note be provided on how the sampling for the certification work is undertaken.

RESOLVED that:

- 1. The certification work for the City Council for year ending 31st March 2016 be approved.**

2. A briefing note be provided on how the sampling for the certification work is undertaken.

80. 2017/18 Third Quarter Financial Monitoring Report (to December 2017)

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which set out the forecast outturn position for revenue and capital expenditure and of the Council's treasury management activity as at the end of December 2017.

The Committee noted that the report had also been considered by the Cabinet at their meeting held on 13th February 2018.

The headline revenue forecast for 2017/18 was an overspend of £1.8m. This had decreased since the Quarter 2 position, when it stood at £3.1m. At the same point in 2016/17, there was a projected overspend of £4.8m. Notwithstanding the relative improvement since Quarter 2, and the equivalent position last year, the reasons for the overspend represented some concerning trends for the Council. At a time of continued tightening of local authority resources, the current position still represented one that demanded a strong focus on addressing the underlying issues. However, it was still anticipated that tight budgetary control and utilisation of any one-off areas of flexibility would reduce the projected overspend and achieve a near balanced position by year-end.

The current position continued to reflect areas of budgetary overspend reported previously, including services for looked after children and the costs of homelessness. In addition, a shortfall existed in delivering savings targets set in previous budgets. Where relevant, the likely anticipated cost of these pressures would be incorporated into the forthcoming 2018/19 budget report.

The report indicated that it was proposed to allocate a 2017/18 windfall Coventry and Solihull Waste Disposal Company dividend of £1.8m to Council reserves to part meet the Council's commitment to fund UK City of Culture 2021 costs.

The Committee were advised that the Council's Capital spending was projected to be £121.0m for the year, a net increase of £1.1m on the position reported at Quarter 2. Appendix 3 of the report submitted provided an analysis by directorate of the movement since Quarter 2.

The report also set out the current position in relation to treasury management activity in 2017/18, including interest rates; long term (capital) borrowing; short term (temporary) borrowing; external investments and the prudential indicators and prudential code.

In considering the report, the Committee expressed concern at the level of funds spent on agency staffing and requested that a briefing note be prepared in relation to this matter, to include a rationale on the decision not to pursue the establishment of an arms-length agency, the cost difference had staff been permanently employed and the number of vacancies being held.

RESOLVED that the Audit and Procurement Committee note the 2017/18 third quarter financial monitoring report (to December 2017) and request that a briefing note be prepared in relation to agency staffing as indicated above.

81. Quarter Three Internal Audit Progress Report 2017-2018

The Committee considered a report of the Deputy Chief Executive (Place), which provided an update on the internal audit activity for the period April to December 2017 against the Internal Audit Plan for 2017/18.

The report indicated that the key target facing the Internal Audit Service was to complete 90% of its work plan by the 31st March 2018. At the end of December 2017, the Service had completed 68% of the Audit Plan against a planned target of 70%. Whilst the annual target was to complete 90% of the work plan, the quarterly targets set for quarters one, two and three were based on completing 100% of the Plan, however 100% was generally unfeasible in light of customers requesting a change in the timing of their reviews or the focus of a review being super-ceded by other events. The Committee noted that whilst the Service was slightly behind the quarter three target, it remained broadly on track to achieve the formal annual target of 90% by the end of 2017/18.

Table one in the report provided a summary of the performance of Internal Audit for 2017/18 to date against five key performance indicators (KPIs) with comparative figures for the previous year. Performance against one indicator was currently below expectations (audit delivered within budget days) and targeted actions to make improvements were ongoing.

Table two provided a list of the audits finalised between October and December 2017, along with the level of assurance provided. The audits currently in progress were highlighted in the report. Appended to the report was a summary of findings from key audit reports completed and, in all cases, 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 the outcomes reported to the Committee.

RESOLVED that, the Audit and Procurement Committee, having considered the summary findings of the key audit reviews set out at Appendix One, note the performance as at quarter three against the Internal Audit Plan for 2017-18.

82. Information Commissioner's Office - Data Protection Audit November 2017

The Committee considered a Briefing Note from the Members and Elections Team Manager which provided an update on the findings of the Information Commissioner's Office following a re-audit of the Council's governance arrangements in November 2017.

In October 2015, the Information Commissioner's Office (ICO) carried out a data protection audit into the City Council's governance arrangements, training and awareness and data sharing arrangements. In addition to meeting with officers responsible for corporate arrangements, it spoke to staff in Children's Social Care and the Revenues and Benefits service.

The audit concluded that there was “very limited assurance that processes and procedures were in place and delivered data protection compliance.” It made 77 recommendations for the Council to strengthen its arrangements which the City Council implemented as part of a significant programme of work to strengthen its approach to information governance. The Audit and Procurement Committee had received regular reports on progress against the ICO’s recommendations since then.

In November 2017, the ICO revisited the authority to carry out a further data protection audit. It followed exactly the same scope, looking at governance arrangements, training and awareness and data sharing arrangements corporately and in Children’s Social Care and the Revenues and Benefits service. As previously, the audit provided a snapshot of assurance levels at a moment in time rather than specifically looking at the direction of travel or progress since the previous audit.

The outcome of the November 2017 audit was that the ICO had raised their overall opinion level to “limited assurance”. This reflected progress in both the overall rating and the three areas reviewed by the ICO.

The ICO report made 141 detailed recommendations for the Council to consider, some of which were duplicated. Of these recommendations, 18 were rejected as arrangements were already in place to address the issues raised; 32 had already been completed as they proposed only very minor amendments to processes or documents; and 91 fell into three main areas where the Council had further work to do. Many of them support existing planned action, particularly work being undertaken to ensure the City Council was ready for the introduction of the General Data Protection Regulation in May 2018.

The Committee noted that the Council had developed its own action plan in response to the recommendations by the ICO and this was set out at Appendix 1. In addition, the Executive Summary of the ICO audit report was provided at Appendix 2.

Having considered the matters detailed and the recommendations of the ICO, the Committee requested that a further update report be submitted during the 2018/19 municipal year.

RESOLVED that, the Audit and Procurement Committee:-

- 1. Note the outcome of the ICO audit.**
- 2. Note the actions taken and planned in response to the audit.**
- 3. Request feedback on progress against actions arising from the audit.**
- 4. Agreed that there were no specific recommendations to the Cabinet Member for Policy and Leadership who is the portfolio holder for information management and governance.**

83. Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA)

The Committee considered a report of the Deputy Chief Executive (Place), which reported on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA). RIPA governed the acquisition and disclosure of communications data and the use of covert surveillance by local authorities.

The report indicated that the Council's used powers under RIPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more, or were related to the underage sale of alcohol and tobacco. There were three powers available to local authorities under RIPA: the acquisition and disclosure of communications data; directed surveillance; and covert human intelligence sources ("CHIS").

The Committee noted that the Act set out the procedures that the City Council must follow if it wished to use direct surveillance techniques or acquire communications data in order to support core function activities (e.g. typically those undertaken by Trading Standards, Environment Health and Benefits). The information obtained as a result of such operations could later be relied upon in court proceedings providing RIPA was complied with.

The Home Office Code for Covert Surveillance Property Interference recommended that elected members, whilst not involved in making decisions or specific authorisations for the local authority to use its powers under Part II of the Act, should review the Council's use of the legislation and provide approval to its policies. The Council adopted this approach for oversight of the authority's use of Parts I and II of the Act.

The Committee noted that on the 1st September 2017, the Office of Surveillance Commissioners (OSC) and the Interception of Communications Commissioners (ICCO) were abolished by the Investigatory Powers Act 2016. The Investigatory Powers Commissioner's Office (IPCO) was now responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.

The Committee further noted that the Assistant Surveillance Commissioner, Sir David Clarke inspected the Council's RIPA arrangements in respect of directed surveillance on 8th December, 2016. He found that the Council's arrangements were 'generally in good order' and 'the use by the Council of its statutory powers is appropriate' and that the 'quality of authorisations is good'. One of the recommendations he made was that Coventry City Council's Policy and Guidance be further revised. A revised policy was being finalised and would go to a future Information Management Strategy Group and then to the Audit and Procurement Committee.

The report indicated that for the period 1 April 2016 to 31 March 2017, as reported to the Office of Surveillance Commissioners (OSC), three direct surveillance applications were granted and three authorisations were granted by the Magistrates. For the period 1st April 2017 to 31st December, 2017 one direct surveillance applications was granted and one authorisations was granted by

Magistrates. There were no reported instances of the Council having misused its powers under the Act.

The Committee noted that no applications for the disclosure of communications data had been made during 2017.

Having considered the report submitted, the Committee were of the view that there were no specific comments or recommendations to forward to the Cabinet Member for Policing and Equalities.

RESOLVED that, the Audit and Procurement Committee note the Council's use and compliance with RIPA.

84. **Customer Services Update**

The Committee considered a briefing note of the Director of Customer Services and Transformation, which provided an update on Customer Services, including performance and customer satisfaction.

In 2015 the Customer Journey programme brought together initial customer contact into one service area and achieved target savings of £500k. The programme implemented a number of changes to improve the customer experience when contacting the Council, including:

- The creation of a My Account area on the Council's website, enabling customers to request service 24/7.
- The introduction of a new phone system to help manage calls more effectively.
- The delivery of the Customer Service Centre in Broadgate House, bringing together all the city centre reception points into one place.

The Committee were advised that Customer Services now dealt with initial customer enquiries relating to services across the Council such as Council Tax, Housing and Homelessness, Housing Benefits, Parking Services, Highways, Electoral Services, Waste Services, Adult Services, Blue Badges, Register Office, Pest Control and Street Scene.

In July 2016 Business Services (the administrative support for the organisation) joined Customer Services under one Head of Service. The service had a target saving of £1.75m. To date £1.12m had been delivered (£1.2m full year effect). There was an ongoing programme of transformation to continue to drive the changes necessary to both achieve the remaining savings and deliver an improved service.

In terms of performance, the note indicated that, following the creation of My Account and increased availability of self-service options for customers, there had been a change in how customers contacted the Council. In 2013 less than 1% of all customer contact was self-service, compared to 31% in 2017.

In Customer Services during 2017/18 to date, approximately 25,100 more calls had been answered than were answered during the previous financial year with the call answer rate increasing from 59% to 72%. Approximately 260,000 calls had been answered from April 2017 to January 2018 and the answer rate had increased by 13%. The average wait time to answer had fallen from 06:49 to 05:40 – an improvement of 1 minute 19 seconds.

Customer Services General Enquiries (formerly Coventry Direct), had answered over 22,300 more calls than the previous year, and the current answer rate of 70% was an improvement of 18% over the same period last year. So far during 2017/18, 113,682 calls had been answered, whereas just over 91,300 calls were answered by this time last year. Wait times had dropped by over 2 minutes. The average wait time so far during the year was 04:48, which was much improved over last January when the average wait time was 06:50.

Council Tax had also shown significant improvement, and call answer rates had increased from 48% at this time in 2016/17 to 63% for 2017/18. Approximately 7,000 more calls had been answered since the start of the financial year. From April 2017 to January 2018, approximately 54,000 were answered, which marked a 15% increase over the 47,000 that were answered by this time last year. Wait time to answer had fallen by more than 3 minutes, from 13:24 last year to 10:15 so far this financial year.

The Committee acknowledged that the Council recognised the importance of using performance measures in conjunction with customer feedback to identify the things it was doing well, and to highlight the areas where development was required. As such, various forms of customer feedback had been collected over the past few years to inform the improvement programme. The note set out the various customer surveys that had been undertaken since the Customer Service Centre opened. The last survey was undertaken in August 2017 with face to face and telephone service customers. Satisfaction levels were higher than at the one-year anniversary survey, with an overall satisfaction score of 4.68 and an overall positive response of 97%.

The future programme of change would include more online services available to customers over the coming months; a focus on refining processes to save organisational effort and improve customers' experience when dealing with the council; and monitoring feedback about online services and identify where these could be improved for customers.

There remained a commitment to improve performance based on feedback received from customers and, at the same time, maintaining a focus of evolving the service offer to allow the Council to exploit technology and achieve efficiency.

In considering the information provided, the Committee expressed their concern that the call waiting times were still significantly longer than they felt it was reasonable for customers to wait. They were advised that the Finance and Corporate Services Scrutiny Board (1) had been looking at the work of the Customer Service Centre and the Committee recommended that the Board continue to monitor this service area.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the content of the briefing note.**
- 2. Recommend that the Finance and Corporate Services Scrutiny Board (1) continue to monitor the work of the Customer Service Centre.**

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 Audit and Procurement 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 22nd January 2018 (Minute 72/17 refers). Details of the latest positions in relation to individual matters were set out in the Appendix to the report.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the current position in relation to the Commissioning and Procurement Services.**
- 2. Agree 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.**

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 5.05 pm)

Audit and Procurement Committee

26th March 2018

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

N/A

Title:

Outstanding Issues

Is this a key decision?

No

Executive summary:

This report is to identify those issues on which further reports / information has been requested or are outstanding so that Members are aware of them and can monitor their progress.

Recommendations:

The Committee is recommended to:-

1. Consider the list of outstanding items as set out in the Appendices, and to ask the Deputy Chief Executive concerned to explain the current position on those items which should have been discharged.
2. Agree that those items identified as completed within the Appendices be confirmed as discharged and removed from the outstanding issues list.

List of Appendices included:

Appendix 1 - Further Report Requested to Future Meeting
Appendix 2 - Additional Information Requested Outside of Meeting

Other useful background papers:

None

Has it or will it be considered by scrutiny?

N/A

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

**Report title:
Outstanding Issues**

1. Context (or background)

- 1.1 In May 2004, the City Council adopted an Outstanding Minutes system, linked to the Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.
- 1.2 At their meeting on 25th January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, that a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside of the formal meeting.
- 1.3 Appendix 1 to the report outlines items where a report back has been requested to a future Committee meeting, along with the anticipated date for further consideration of the issue.
- 1.4 In addition, Appendix 2 sets out items where additional information was requested outside of the formal meeting along with the date when this was completed.
- 1.5 Where a request has been made to delay the consideration of the report back, the proposed revised date is identified, along with the reason for the request.

2. Options considered and recommended proposal

- 2.1 N/A

3. Results of consultation undertaken

- 3.1 N/A

4. Timetable for implementing this decision

- 4.1 N/A

5. Comments from Executive Director of Resources

- 5.1 Financial implications

N/A

- 5.2 Legal implications

N/A

6. Other implications

- 6.1 How will this contribute to achievement of the Council's Plan?**

N/A

- 6.2 How is risk being managed?**

This report will be considered and monitored at each meeting of the Cabinet

6.3 What is the impact on the organisation?

N/A

6.4 Equalities / EIA

N/A

6.5 Implications for (or impact on) the environment

N/A

6.6 Implications for partner organisations?

N/A

Report author(s):

Name and job title:

Lara Knight
Governance Services Co-ordinator

Directorate:

Place

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Names of approvers: (officers and Members)				

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Appendix 1

Further Report Requested to Future Meeting

	Subject	Minute Reference and Date Originally Considered	Date For Further Consideration	Responsible Officer	Proposed Amendment To Date For Consideration	Reason For Request To Delay Submission Of Report
1.	<p>Complaints to the Local Government and Social Care Ombudsman 2016/17</p> <p>Report on the way in which the authority communicates with the public and Councillors, to include Coventry Direct, and how this may be improved.</p>	69/17 22 nd January 2018	March 2018	David Ashmore		In light of the detailed content of the briefing note submitted on 19 th February 2018 and the Committee's recommendation that the Finance and Corporate Services Scrutiny Board (1) continue to monitor the situation within Customer Services (previously Coventry Direct), it is proposed that this matter be considered as complete and be removed from the outstanding issues list.
2.	<p>Information Governance Annual Report 2016/17</p> <p>Report on the General Data Protection Regulations</p>	23/17 24 th July 2017 (see note 3 in Appendix 2) 66/17 (Outstanding Issues) 22 nd January 2018	March 2018	David Ashmore Karen Tyler	First meeting of 2018/19 Municipal Year (date to be confirmed)	Work is ongoing across the Council in relation to General Data Protection Regulations and will be picked up through work being undertaken by the Internal Audit Team.
3.	<p>Information Commissioner's Office – Data Protection Audit November 2017</p> <p>Report to provide an update on Progress</p>	82/17 19 th February 2018	October 2018	Adrian West		

Appendix 2

Additional Information Requested Outside of Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Internal Audit Annual Report 2016/17	Minute 6/17 26 th June 2017	That information be forwarded to the Committee in relation to the checks and balances undertaken regarding maintenance of vehicles and fuel consumption.	Karen Tyler	16 th October 2017
2.	Procurement and Commissioning Progress Report	Minute 12/17 26 th June 2017	The Committee requested information on timescales for the City's 50m swimming pool.	Mick Burn	24 th July 2017
3.	Information Governance Annual Report 2016/17	Minute 23/17 24 th July 2017	The Committee requested that arrangements be made for annual mandatory training on Data Protection for all members.	Sharon Lock	19 th February 2018
4.	2017/18 Second Quarter Financial Monitoring Report (to September 2017)	Minute 58/17 18 th December 2017	Details of the Grant Funding provided and the costs to the City Council in supporting the Unaccompanied Asylum Seeking Children National Transfer Scheme to be circulated to Members of the Committee.	Paul Jennings	19 th February 2018
5.	Procurement and Commissioning Progress Report	Minute 61/17 18 th December 2017	A breakdown of the costs of Window Cleaning Services for Council Buildings to be circulated to Members of the Committee.	Mick Burn	19 th February 2018

6.	Half Yearly Fraud Update 2017 – 2018	Minute 69/17 22 nd January 2018	A press release be prepared highlighting the work undertaken, particularly data matching through NFI, to identify attempts to commit fraud.	Karen Tyler / Nigel Hart	
7.	Certification Work for Coventry City Council for Year Ended 31 st March 2017	Minute 79/17 19 th February 2018	The Committee requested information on how sampling for the certification work is undertaken.	Joan Barnett (External Auditor)	
8.	2017/2018 Third Quarter Financial Monitoring Report (to December 2017)	Minute 80/17 19 th February 2018	The Committee requested information on agency staff costs, to include rationale for decision to not pursue establishing own arms-length agency, cost difference if staff permanently employed, and number of vacancies being held.	Paul Jennings	
9.	Grant Funding and Costs to the Council in Supporting Unaccompanied Asylum Seeking Children under the National Transfer Scheme	78/17 (Outstanding Issues) 19 th February 2018	The Committee requested further information on this matter in light of the cost of accommodating children being in excess of the grant allocated	Paul Jennings	

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Audit and Procurement Committee

Work Programme 2017-18

26th June 2017

Revenue and Capital Out-turn 2016-17
Draft Statement of Accounts 2016-17
Annual Governance Statement 2016-17
Internal Audit Annual Report 2016-17
Internal Audit Plan 2017-18
Procurement Progress Report (Private)

24th July 2017

Audit Findings Report 2016-17 (Grant Thornton)
Statement of Accounts 2016-17
Audit Committee Annual Report 2016-17
Information Governance Annual Report 2016/17
Procurement Progress Report (Private)

11th September 2017

Audit Findings Report 2016-17 (Grant Thornton)
Statement of Accounts 2016-17
Quarter One Revenue and Corporate Capital Monitoring Report 2017-18
Fraud Annual Report 2016-17
Procurement Progress Report (Private)

13th November 2017

Annual Audit Letter 2016-17 (Grant Thornton)
Half Year Internal Audit Progress Report 2017-18
Payment Audit
Treasury Management Update
Procurement Progress Report (Private)

18th December 2017

Quarter Two Revenue and Corporate Capital Monitoring Report 2017-18
Corporate Risk Register Update
Procurement Progress Report (Private)

22nd January 2018

Half Yearly Fraud Update 2017-18
Ombudsman Complaints Annual Report 2016-17
Whistleblowing Policy Annual Report 2016/17
Contract Management Review

19th February 2018

Grant Certification Report (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2017-19
Quarter Three Internal Audit Progress Report 2017-18
Information Management Strategy Update including result of follow up audit by ICO
RIPA (Regulation of Investigatory Powers Act) Annual Report 2016-17
Procurement Progress Report (Private)

26th March 2018

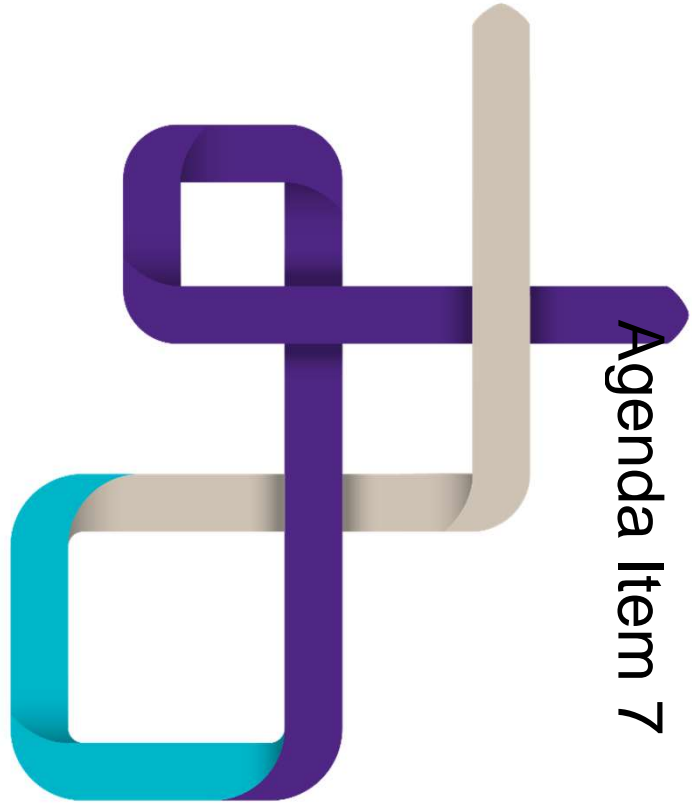
Annual Audit Plan (Grant Thornton)
Internal Audit Recommendation Tracking Report
Internal Audit Plan 2018-19
Procurement Progress Report (Private)
Code of Corporate Governance (Adrian West)

Dates to be confirmed

External Audit Plan

Year ending 31 March 2018

Coventry City Council
March 2018





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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Coventry City Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Coventry City Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have 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 your use of resources.

The audit of the financial statements does not relieve management or the Audit & Procurement Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of property, plant and equipment
- Valuation of pension fund net liability
- Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality for the Council and the group to be £13.498m (PY £13.267m), which equates to 1.8% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.675m (PY £0.633m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks: In response to this risk we will assess whether the Council is:

- planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions including how you are financing redevelopment programmes, your use of investment vehicles, and the action being taken to manage social care and temporary housing expenditure.

Audit logistics

We have completed our initial interim visit. Our second interim visit will take place in March 2018 and our final visit will take place in May and June. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be no less than £173,460 (PY: £173,460) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Audit Report

Coventry City Council has approximately £12m of debt listed on the London Stock Exchange. An entity with listed debt is a Public Interest Entity (PIE), which has enhanced audit reporting requirements under ISA (UK) 700. Further details are set out in appendix A.

Deep business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.

You have a significant redevelopment programme for the area and have recently invested in a local hotel as part of your income generation strategy.

Devolution

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas.

The Council is a leading member of the West Midlands Combined Authority.

The first Mayor for the West Midlands was elected in May 2017, and senior officers and Council Members are working closely with him.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

In 2017/18 we reported issues relating to your valuation of investment properties and classification of leases.

Key challenges

Financial pressures

Financial management within the Council is strong, with a history of delivering the budget, including challenging financial savings. The budget is derived from annually from the Medium Term Financial Strategy (MTFS).

The Council is currently forecasting a balanced budget for the two-year period to 2019/20. The Council faces difficulties in balancing its finances from 2020/21 onwards. It has identified a funding gap of £20.7m for that financial year, and acknowledges that the uncertainty with Local Government funding from 2020/21 onwards poses further difficulties in its work to deliver a balanced position.

You continue to face pressures on social care and temporary housing expenditure.

City of Culture 2021

In December 2017 it was announced that Coventry had been named the UK City of Culture for 2021.

The activity is being run and organised by the Coventry City of Culture Trust which was setup specifically to manage the process.

The Council will need to work closely with the Trust and other supporters to ensure that the event is a success.

Our response

- We will consider your arrangements for managing and reporting your financial resources, including your redevelopment programme, use of investment vehicles, and social care and temporary housing expenditure as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code. We will also consider your classification of leases and your valuation on investment properties.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Coventry City Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Coventry City Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Page 8 Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Consideration of the competence, expertise and objectivity of the Council's internal valuer. Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration and a key audit matter for the audit.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2018.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • obtain year-end payroll reconciliation and ensure amount in accounts can be reconciled to ledger and through to payroll reports and investigate any significant adjusting items; • agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimates for reasonableness;
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • document the accruals process and the controls management have put in place; • obtain a listing from the cash book of non-pay payments made in April and ensure that they have been charged to the appropriate year; • obtain a listing of creditors and test a sample of item to supporting evidence; • obtain listing of payments from new year cash book and test a sample to ensure that any which should have been accrued have been accrued.

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of the gross revenue expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality for the Council and the group (the financial statements materiality determined at the planning stage of the audit) to be £13.498m (PY £13.267m), which equates to 1.8% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

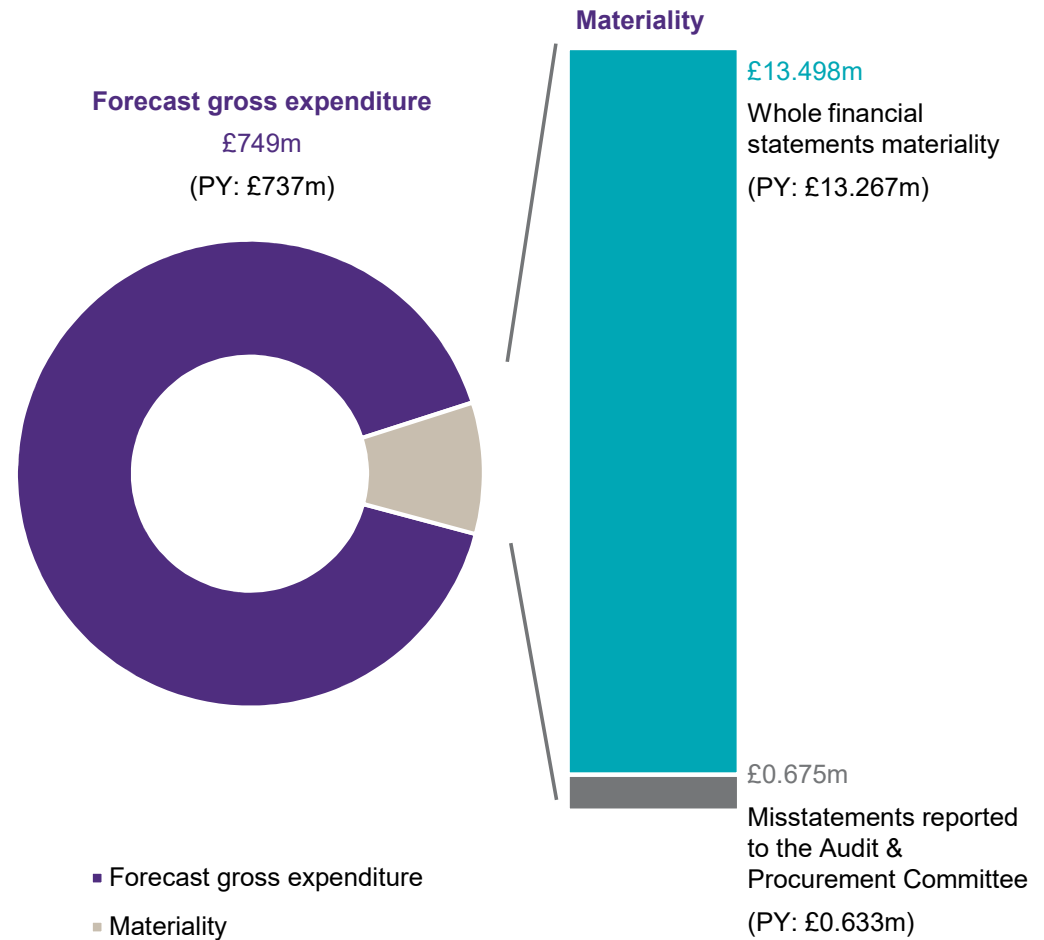
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

A (UK and Ireland) 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have decided to have a lower level of materiality for £100k for the senior officer remuneration disclosures due to the public interest in these disclosures and the statutory requirement for these to be made.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit & Procurement Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.675m (PY £0.633m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit & Procurement Committee to assist it in fulfilling its governance responsibilities.



Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Coventry and Solihull Waste Disposal Company Limited	Yes	Targeted	Investments carrying value	Review and testing of arrangements in place to produce group accounts.
Coventry North Regeneration Limited	No	Analytical	None	Analytical procedures at the Group level
North Coventry Holdings Limited	No	Analytical	None	Analytical procedures at the Group level
Coombe Abbey Park Limited	No	Targeted	First time consolidation of component and the carrying value of the hotel.	Review and testing of arrangements in place to produce group accounts.

Key changes within the group:

- During the year Coventry City Council acquired 100% of the shares in Coombe Abbey Park Limited. This company operates the Coombe Abbey Hotel.

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of the component auditors will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor audit documentation and meeting with appropriate members of management.

Value for Money arrangements

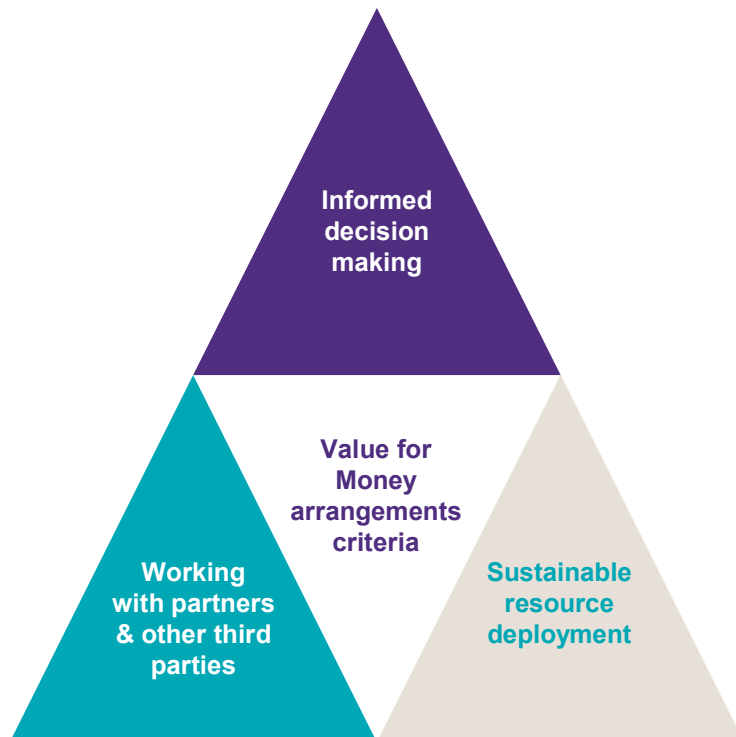
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:



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Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



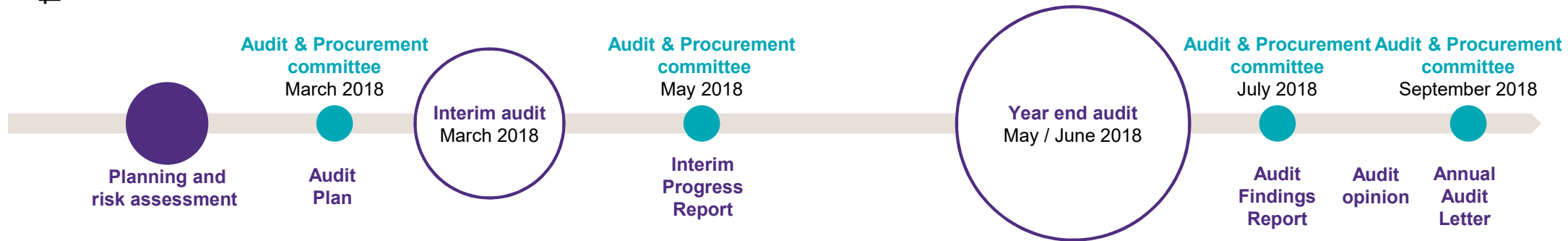
Medium Term Financial Sustainability

The Council is currently forecasting a balanced budget for the two-year period to 2019/20. The Council faces difficulties in balancing its finances from 2020/21 onwards. It has identified a funding gap of £20.7m for that financial year, and acknowledges that the uncertainty with Local Government funding from 2020/21 onwards poses further difficulties in its work to deliver a balanced position.

In response to this risk we will assess whether the Council is:

- planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions including how you are financing redevelopment programmes, your use of investment vehicles, and the action being taken to manage social care and temporary housing expenditure.

Audit logistics, team & audit fees



Mark Stocks, Engagement Lead

Overall quality control; accounts opinions; final authorisation of reports; attendance at Audit Committee.



Joan Barnett, Audit Manager

Overall audit management; consideration of VFM work; quality assurance of audit work and outputs.



Paul Harvey, Audit Incharge

Management of audit fieldwork, including accounts; coordination of work completed by CAST and audit assistants; coordination of work of specialists and advisors where delegated by the Assistant Manager; and

Audit fees

The planned audit fees are no less than £173,460 (PY: £173,460) for the financial statements audit and £14,020 for grant certification. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	14,020	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,020 in comparison to the total fee for the audit of £173,460 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Opportunity West Midlands Training Programme	15,000	None identified	N/A

Independence & non-audit services

Service	£	Threats	Safeguards
Non-audit related (cont)			
CFO Insights	10,000	The fee is a recurring subscription and, therefore, there is a self-interest threat. The tool provides information that will help inform decision making by informed management. The scope of our service does not include making decisions on behalf of management or recommending a particular course of action.	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £173,460 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of 2016/17 Teachers Pension Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £173,460 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Procurement Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Key Audit Matters (KAM)	We will be required to include matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters will be selected from those matters communicated with those charged with governance. The auditor's report will include a description of the KAM, our response and key observations.
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none"> • The directors use of the going concern basis of accounting is appropriate • The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none"> • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Other matters which we are required to address	We will be required to include details of who appointed us, date of appointment, period of uninterrupted engagement, non-audit services, and that the audit opinion is consistent with the Audit Findings Report.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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Informing the audit risk assessment for Coventry City Council

Year ended 31 March 2018

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Purpose

The purpose of this report is 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 covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit & Procurement Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit and Procurement Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit and Procurement Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Procurement Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Procurement Committee and supports them in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are 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.

This report includes a series of questions on each of these areas and the response we have received from the Authority's management. The Audit and Procurement Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Procurement Committee and management. Management, with the oversight of the Audit and Procurement Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As the Authority's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit and Procurement Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Procurement Committee oversees the above processes. We are also required to make inquiries of both management and the Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Authority's management.

Fraud risk assessment

Question	Management response
<p>Has the Authority assessed the risk of material misstatement in the financial statements due to fraud or error? What are the results of this process?</p>	<p>The authority's assessment is that this risk of material misstatement is low. The financial statements are subject to internal quality assurance control checks including : i) checks for high risk activities and ii) analytical reviews with the objective of identifying any significant year on year variances. Further risk assessment processes related to the preparation of accounts will be completed based upon any audit issues raised by both Internal and External Audit. The quarterly monitoring of service revenue and capital budgets will identify any risk of material misstatements.</p>
<p>What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>All suspected cases of fraud, theft, corruption should be notified to Acting Chief Internal Auditor. Anti Fraud & Corruption and Whistle Blowing Policies in place.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>Investigations of suspected fraud, as a result of cases brought to the attention of the Acting Chief Internal Auditor, are carried out by the Internal Audit team. No Significant Fraud risk identified. Locations handling income, particularly in the form of cash, are more likely to be at risk of fraud. However, as noted above, these are not significant.</p>

Fraud risk assessment continued

Question	Management response
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Sound systems of internal control with roles and responsibilities are defined in various places such as the Constitution and the Rules for Contracts or enforced through ICT system controls and monitoring. The role of internal audit provides assurance that the Council's Internal Controls are in place and operating effectively. Where areas for improvement are identified these are included in internal audit reports. Annually, the Chief Internal Auditor provides an opinion on the Council's control environment. Services controls e.g. segregation of duties of officers to mitigate fraud, are in place to support the Council's Anti-Fraud and Corruption Strategy and Whistle Blowing Policy.</p>
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets) ?</p>	<p>None known.</p>
<p>Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process ?</p>	<p>None known.</p>
<p>How does the Audit and Procurement Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What arrangements are in place to report fraud issues and risks to the Audit and Procurement Committee?</p>	<p>The Audit and Procurement Committee receive quarterly IA progress reports and half yearly reports on corporate fraud and the corporate risk register. The current corporate risk register was reported to the Committee in December 2017 and the type of risks that exist are also subject to regular reports to senior officers and Councillors.</p>

Fraud risk assessment continued

Question	
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	Council policies for business practices and ethical behaviour are on the council's intranet site. When these have been updated / revised this is highlighted in the daily beacon emails to all staff.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported ?	Employees should be aware of the anti-fraud and corruption strategy, details are available on the Intranet and induction training for all new staff covers fraud and corruption awareness. The Acting Chief Internal Auditor investigates all cases of suspected fraud.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud ?	Most of the related party transactions that could give rise to potential fraud are those in which Councillors have a direct interest. Risks are mitigated by Councillors' declaration of interests and non-participation in debates. Officers are also expected to declare any potential interest or conflict.
Are you aware of any instances of actual, suspected or alleged fraud, either within the Authority as a whole or within specific departments since 1 April 2017 ?	No.
Are you aware of any whistleblower reports or reports under the Bribery Act since 1 April 2017 ? If so, how has the Finance and Audit and Scrutiny Committee responded to these ?	No.

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Procurement Committee, is responsible for ensuring that the Authority's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Procurement Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations ?	<p>The Monitoring Officer and the Council's legal team advise the Council's Leadership, Councillors and departments on changes to the legal and regulatory environment that impact on the Council.</p> <p>Employees are expected to keep themselves updated of laws and regulations related to their area of work.</p> <p>Suspected non-compliances with laws and regulations will be investigated.</p>
How does management gain assurance that all relevant laws and regulations have been complying with?	<p>Through effective governance processes and review mechanisms such as internal audit.</p> <p>The Monitoring Officer and the Council's legal team advise the Council's Leadership, Councillors and departments on changes to the legal and regulatory environment that impact on the Council.</p>
How is the Finance and Audit Scrutiny Committee provided with assurance that all relevant laws and regulations have been complied with ?	<p>Statement of assurance which is reported to Audit and Procurement Committee.</p>
Have there been any instances of non-compliance or suspected non-compliance with laws and regulations since 1 April 2017, or earlier with an on-going impact on the Authority's 2017/18 financial statements ?	<p>No.</p>
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims ?	<p>Corporate finance undertake a review of all litigation claims at the year end with discussions with legal.</p>
Are there any actual or potential litigation or claims that would affect the financial statements ?	<p>In September 2017 the Court of Appeal granted Sisu permission to appeal the decision which had previously denied it the opportunity to challenge the sale of shares in ACL to by the Council to Wasps RFC.</p>

Impact of laws and regulations (continued)

Question	Management response
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance ?	No.

Going Concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Authority have procedures in place to assess the Authority's ability to continue as a going concern ?	Going concern is considered on an annual basis as part of the preparation of the financial statements. This review considers key areas that impact on the Council's ability to continue as a going concern, e.g. financial resilience, contingent liabilities, budgets and medium term financial forecasts. The current settlement figures give a degree of certainty for the next two years and the Council is projecting a broadly balanced budget position for the next 2 years.
Is management aware of the existence of other events or conditions that may cast doubt on the Authority's ability to continue as a going concern ?	The Council's balanced budget position is predicated on the delivery of c£10m of savings although firm plans are in place to deliver the large majority of these. The Council will need to pursue a future strategy that includes new transformation savings and other more innovative approaches to enable it to ensure future service provision.
Are arrangements in place to report the going concern assessment to the Audit and Procurement Committee?	The financial projections and liabilities are reported to the Executive. These reports are scrutinised by the Finance and Corporate Services Scrutiny Board.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Authority's Business Plan and the financial information provided to the Authority throughout the year ?	Yes, but assumptions will need to change over the year, as the MTFS is a living document. Any changes to assumptions are explained within the reports to Executive.
Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern ?	Yes. All known changes which impact upon the financial projections will be factored in.

Going concern considerations (continued)

Question	Management response
<p>Have there been any significant issues raised with the Audit and Procurement Committee during the year which could cast doubts on the assumptions made ? (Examples include adverse comments raised by Internal Audit regarding financial performance or significant weaknesses in systems of financial control).</p>	<p>No.</p>
<p>Does a review of available financial information identify any adverse financial indicators including negative cash flow ? If so, what action is being taken in improve financial performance ?</p>	<p>No.</p>
<p>Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Authority's objectives ? If not, what action is being taken to obtain those skills ?</p>	<p>Sufficient staff in post with the appropriate skills and experience.</p>

Related Parties

Issue

Matters in relation to Related Parties

Local Authorities are required to comply with IAS 24 and disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Authority perspective but material from a related party viewpoint then the Authority must disclose it.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Question	Management response
What controls does the Authority have in place to identify, account for and disclose related party transactions and relationships ?	Officers and Councillors do not participate in decisions where they are a related party. Annual accounts disclosures for related parties and transactions are reviewed for completeness by the General Fund Accountant.

Accounting estimates

Issue

Matters in relation to accounting estimates

Local Authorities apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

Under this standard we have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority is using as part of its accounts preparation; these are detailed in appendix 1 to this report. The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

We would ask the Audit and Procurement Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Question

Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable ?

Management response

Yes. Where estimation is necessary, appropriate estimating methodology is utilised. Estimates will be prepared by those best qualified, e.g. Pension Fund Actuary to supply estimates relating to IAS 19 – Employee Benefits, assets are professionally valued.

Accounting estimates cont..

Question	Management response
How is the Audit and Procurement Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details of estimates disclosed in accounting policies within Accounts. Audit and Procurement Committee consider this document prior to sign off by the Director of Finance & Corporate Resources.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property Valuations	Property valuations are made by the Head of Property (RICS qualified) from the Commercial Property department.	Valuer notified of changes to the estate from the prior year	Use of internal valuers (RICS qualified) from Commercial Property department for PPE.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Estimated remaining useful Lives of PPE	Assets are assigned to asset categories with appropriate asset lives.	Consistent asset lives applied to each asset category.	Use of internal valuers (RICS qualified) from Commercial Property department	The useful lives of property are recorded in accordance with the recommendations of the internal RICS qualified valuer.	No
Depreciation	Depreciation is provided for on property plant and equipment with a finite useful life on a straight-line basis	Consistent application of depreciation method across assets	No	The length of the life is determined at the point of acquisition or revaluation.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired.	Use of internal valuers (RICS qualified) from Commercial Property department for PPE.	Valuations are made in-line with the CIPFA Code of Practice guidance - reliance on expert	No
Provision for doubtful debts	A provision is estimated using a proportion basis of an aged debt listing.	The corporate finance team calculate the provision.	No	Consistent proportion used across debt.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Measurement of Financial Instruments	Measurements are obtained from appropriate sources. The Authority follows the requirements of the CIPFA Code of Practice.	The financial instruments are measured and recorded by the Corporate Finance Team.	No	The measurements are based upon the best information held at the current time and are provided by experts in their field.	No
Creditor accruals	Accruals are estimated by reviewing goods and services received prior to the end of the financial year for which an invoice has not been received.	The date of receipt of the goods and services is used in the estimation of the accrual.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Pension Fund Actuarial gains/losses	The actuarial gains and losses figures are calculated by the actuarial experts(Barnett Waddingham) These figures are based on making % adjustments to the closing values of assets/liabilities.	For the LGPS the Authority responds to queries raised by the administering authority City of Wolverhampton Council.	The Authority are provided with an actuarial report by Barnett Waddingham (LGPS) .	The nature of these figures forecasting into the future are based upon the best information held at the current time and are developed by experts in their field.	No
Overhead allocation	The accountants apportion central support costs to services based on appropriate bases.	All support service cost centres are allocated according to the agreed processes.	No	Appropriate bases are reviewed each year to ensure equitable.	No



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Coventry City Council

Public report

Report to

Audit and Procurement Committee

26th March 2018

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Internal Audit Recommendation Tracking Report

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the progress made in implementing internal audit recommendations since the last update in April 2017.

Is this a key decision?

No

Recommendations:

The Audit and Procurement Committee is recommended to note the progress made in implementing audit recommendations and confirm its satisfaction with this and the proposed action by the Acting Chief Internal Auditor for audits where actions remain outstanding.

List of Appendices included:

Appendix One – Results of Formal Follow up Exercise

Appendix Two – Results of Self-Assessment Follow up Exercise

Background papers:

None

Other useful documents:

None

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Internal Audit Recommendation Tracking Report

1. Context (or background)

- 1.1 The Public Sector Internal Audit Standards requires that “the Chief Audit Executive (i.e. Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action”.
- 1.2 As reflected within its terms of reference, the Audit and Procurement Committee is required to receive reports on Internal Audit’s follow up process. This report provides an update as to progress in respect of the agreed management actions which have been followed up during the period April 2017 to February 2018.

2. Options considered and recommended proposal

- 2.1 **Follow Up Procedure** - Given the number of audits that the Internal Audit Service completes every year, it is critical that it has a robust procedure in place for ensuring that it obtains appropriate assurance that audit recommendations have been implemented, but does so in a way that allows the Service to respond to new risks facing the Council. Where appropriate, Internal Audit defines within its audit reports the follow up process to those responsible for the system / area under review and a date is agreed of when this will take place.

Currently, there are three key considerations that will determine the follow up procedure adopted, namely:

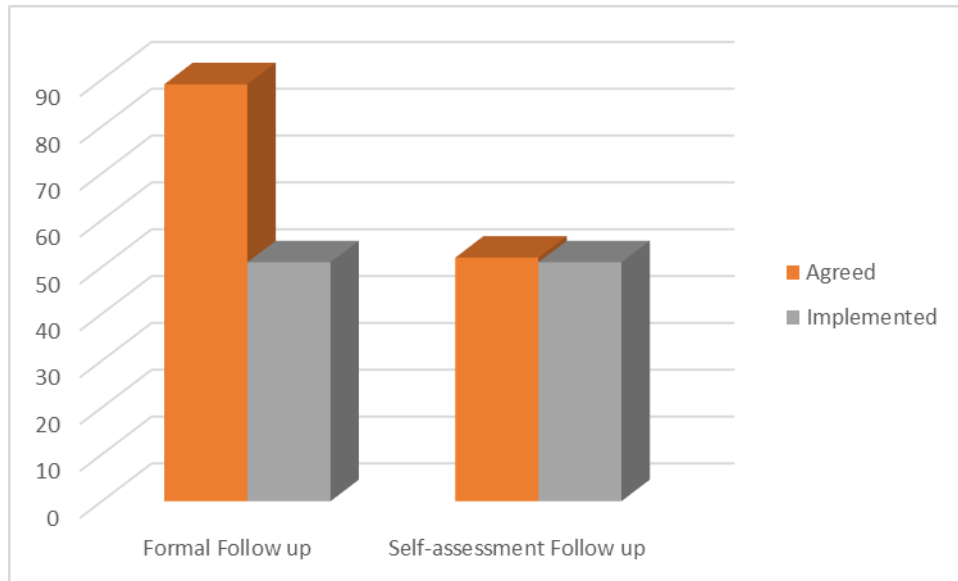
- 1) Whether the area audited is of such significance that it is subject to an annual review.
- 2) The level of assurance provided in the audit report.
- 3) A self-assessment process for those reviews where neither of the points above apply, but a follow up review is necessary.

- 2.2 These considerations are expanded upon below:

- **Annual Audits:** These audits are generally included in the Audit Plan on an annual basis because of the nature of the systems, and the fact they are corporate wide and have been identified as key in delivering the Council's objectives (e.g. financial systems, corporate risks).
- **Level of Assurance:** Any audit which receives '*no*' or '*limited*' assurance is 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 will take place which involves Internal Audit assessing progress through audit testing to ensure that agreed actions have been implemented and are working effectively.
- **Self-Assessment Process:** For all other audits, a process exists which is based on a self-assessment by relevant managers. This involves Internal Audit asking managers for an update on the action taken to implement audit recommendations. The response provided by managers is not subject to any independent validation by Internal Audit.

2.3 Overall, we believe that the procedure achieves the right balance between ensuring action is taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks. This is particularly important given the reductions in the size of the audit team over the last few years.

2.4 **Results** – The results of the latest follow up exercise are attached at Appendix One and Two and are summarised in the graph below.



Of the 141 actions followed up, 72% have been implemented based on both the formal and self-assessment follow up method. When this is analysed by follow up method the results are:

- Formal follow up method – 57% implementation rate.
- Self-assessment follow up method – 98% implementation rate.

In terms of the specific results, the following points should be considered:

- Formal follow up – The implementation rate of 57% is comparable with results achieved over the last three years where implementation rates ranged from 57% to 71%. It is difficult to reach any specific conclusions on the implementation rate, although it should be pointed out that this does not mean that the recommendations outstanding are not subsequently implemented.
- Self-assessment – The implementation rate of 98% is higher than that achieved over the last three years (i.e. ranging from 70% to 95%) and in comparison to the formal follow up method. This does question the value of asking managers to self-assess whether they have implemented audit recommendations. Consequently, it is intended that the Internal Audit Service will apply a more rigorous approach around this in 2018/19 by carrying out sample checks on the validity of responses.

2.5 Two planned formal follow ups (Direct Payments, Payroll - The Grange) were delayed during 2017/18 due to operational issues / changes within the service area and will now be carried out as part of the 2018-19 Audit Plan.

- 2.6 **Proposed Way Forward for Dealing with Outstanding Actions** - After the follow up has been completed, the results are collated within Internal Audit. If progress is not consistent with expectations, audit management will determine the next course of action.

Based on the reasons for the lack of progress, the following courses of action are available:

- Revised implementation dates are agreed for outstanding actions.
- Concerns raised through the management structure to ensure senior managers are aware of both the lack of progress made and the risks still facing a service.
- As a last resort, to ask the Audit and Procurement Committee to intervene and seek prompt action from the relevant manager.

Our proposed actions for the audits where recommendations remain outstanding are highlighted within Appendices One and Two.

3. Results of consultation undertaken

- 3.1 None

4. Timetable for implementing this decision

- 4.1 There is no implementation timetable as this is a monitoring report.

5. Comments from the Director of Finance and Corporate Services

- 5.1 Financial Implications

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

- 5.2 Legal implications

Reporting on progress in implementing audit recommendations ensures that the Council meets its statutory obligations in respect of maintaining an effective internal audit function and represents good governance.

6. Other implications

- 6.1 **How will this contribute to achievement of the Council Plan?**

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis, and reflected in the annual Internal Audit Plan.

6.2 How is risk being managed?

In terms of risk management, there are two focuses:

- Internal Audit Service perspective - The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e. planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee.
- Wider Council perspective - The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit and Procurement Committee. Where progress has not been made, further action is agreed and overseen by the Audit and Procurement Committee to ensure action is taken.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

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Place

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Names of approvers: (Officers and Members)				
Barry Hastie	Director of Finance and Corporate Services	Place	5/3/18	5/3/18
Adrian West	Member and Elections Team Manager	Place	5/3/18	6/3/18

This report is published on the council's website: www.coventry.gov.uk/meetings

Appendix One – Results of Formal Follow Up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Processing of Energy Bills	2	0	2	0	Will be subject to a further formal follow up review
Potters Green Primary School	1	1	6	5	The outstanding action has been followed up through self-assessment process – see Appendix Two for results
Card Refunds	1	1	4	3	The outstanding action has been followed up through self-assessment process – see Appendix Two for results
Management of Plant and Equipment	3	0	2	2	Will be subject to a further formal follow up review
Data Protection	4	2	7	4	
ICT Reviews – follow up			43	27	
Accounts Payable			3	1	
Accounts Receivable	1	0	2	1	
Business Rates			4	1	
Council Tax	1	1	3	2	

Unless stated otherwise – any outstanding actions will now be followed up through self-assessment process / next annual review

ICT Reviews – a specific exercise was undertaken around a number of ICT audits which covered the following reviews: Caredirector application review, IT security, Protocol application review, ICT change requests, Agresso application review, IT Cloud review, Major incident reviews follow up.

Appendix Two – Results of Self-Assessment Follow up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Job Shop	1	1	3	2	One medium risk superseded
Broad Heath Primary School			3	3	
Bereavement Hub – Governance Arrangements			3	3	
Job Shop Evolutive System			2	2	
FACE	2	2	1	1	
Highways Operations – Road Marking and Gully Cleansing Team			4	4	
Aldermans Green Primary School	1	1	3	3	
Housing Benefits – Hostels and Supported Accommodation	1	1	3	3	
Purchasing Cards			1	1	
Business Continuity	2	2			
Card Refunds			1	1	
Leigh CoE Primary School	1	1	5	5	
Potters Green Primary School			1	1	
Gifts and Hospitality	2	2	2	2	
Whitmore Park Primary School			7	7	
Civil Engineering Support Framework Contract			2	2	
Provider Services Units – Cash Handling			1	1	

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Audit and Procurement Committee

26 March 2018

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Cllr G Duggins

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

N/A

Title:

Code of Corporate Governance

Is this a key decision?

No

Executive Summary:

The Council approved a new Code of Corporate Governance in April 2017. The Code and associated guidance provides a framework to help ensure that the Council's governance arrangements are up to date and reflect 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. This report summarises the outcome of the review work carried out during the last year which will inform the Annual Governance Statement which will be presented to the Audit and Procurement Committee in June as part of its consideration of the statement of accounts for 2017/18.

Recommendations:

The Audit and Procurement Committee is recommended to note the outcomes of the review of corporate governance arrangements and make any recommendations for consideration as part of the development of the Annual Governance Statement.

List of Appendices included:

Appendix 1: Code of Corporate Governance

Other useful background papers:

Delivering Good Governance in Local Government: Framework (2016 edition)
Delivering Good Governance in Local Government: Guidance for English Local Authorities (2016 edition)
(Governance Services, Room 79, Council House)

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report title: Code of Corporate Governance

1. Context (or background)

- 1.1 Coventry City Council has a range of measures in place to ensure that governance in the organisation is managed effectively and works hard to ensure that these arrangements are robust and meet best practice. In reality this is 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.
- 1.2 The Council updated its Code of Corporate Governance in April 2017 to reflect national guidance and best practice. The Code provides a framework against which the organisation's governance arrangements can be assessed to ensure that the principles of the code are being met, that there are systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance are identified and appropriate actions developed.
- 1.3 In adopting its 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 are 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 is responsible for approving the Annual Governance Statement alongside the Statement of Accounts. The Code of Corporate Governance and its annual review will inform this process.

2. Options considered and recommended proposal

- 2.1 Strategic leads for areas including HR, Audit, Procurement, Finance, Governance and Legal Services have reviewed and updated progress since the Code was introduced. Progress made on strengthening the Council's governance arrangements and meeting the standards set out in the Code during the last year has 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;
 - a comprehensive Leadership Management Framework.

2.2 The review has also identified a number of actions that will help to strengthen the Council's corporate governance arrangements over the coming year and these include:

Action	Lead Officer	For consideration/oversight by
Introduction of a Monitoring Officer Protocol	Monitoring Officer	Ethics Committee
Review and update the Code of Good Planning Practice for Members and Employees Dealing with Planning Matters	Planning/ Legal/ Governance Services	Constitutional Advisory Committee, Cabinet Member Policing and Equalities, Planning Committee and Council
Establishing a counter fraud framework including updating the Fraud and Corruption Strategy*	Chief Internal Auditor	Audit and Procurement Committee
Review and update the terms of reference for the Audit and Procurement Committee	Chief Internal Auditor	Constitutional Advisory Committee, Cabinet Member Policing and Equalities, Audit and Procurement Committee and Council
Commission an independent assessment of the Audit and Procurement Committee	Chief Internal Auditor	Audit and Procurement Committee
Review of the rules of contract and procurement governance arrangements	Head of Procurement and Commissioning	Procurement Board
Implement the Workforce Strategy*	Head of HR and OD	Strategic Management Board and Council
Review and update employment policies	Head of HR and OD	Strategic Management Board and Council
Continued implementation of the Leadership Development Framework	Head of HR and OD	Strategic Management Board
Development of a Communications Strategy	Head of Communications	Strategic Management Board
Implementation of the action plan developed in response to the Audit carried out by the Information Commissioner's Office*	Head of Information Governance	Audit and Procurement Committee and Cabinet Member Policy and Leadership
Develop and implement procedure to record and publish relevant decisions by officers	Members and Elections Team Manager	Constitutional Advisory Committee, Cabinet Member Policing and Equalities, Audit and Procurement Committee and Council
Implementation of Partnership Working governance principles	Deputy Chief Executive, People	Local Public Service Board
Strengthen corporate arrangements for the co-ordination of consultation, engagement and equalities activities for formal decision making processes	Insight Manager (Engagement)	Strategic Management Board

* Actions marked relate to significant governance issues highlighted in last year's annual governance statement.

3. Results of consultation undertaken

3.1 No consultation has been undertaken.

4. Timetable for implementing this decision

4.1 Reviewing the Council's progress against the Code supports the development of the Annual Governance Statement. The Statement will detail key governance and control issues facing the Council in the coming year and will be considered by the Audit and Procurement Committee in June.

5. Comments from Director of Finance and Corporate Resources

5.1 Financial implications

There are no direct financial implications arising from this report. Ensuring that the Code is up to date and reflects best practice will support robust internal control and strong financial management.

5.2 Legal implications

The Accounts and Audit Regulations 2015 require that local authorities produce an Annual Governance Statement as part of their Statement of Accounts but there are no direct legal implications arising from this report.

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

The Code is an important part of the framework and assurance process that helps to ensure that governance arrangements for decision-making and implementation of the Council's policies, plans and procedures are effective.

6.2 How is risk being managed?

Robust internal control, including ensuring effective arrangements for risk management, is a principle of the Code. Building the Code into the annual cycle for reviewing governance and internal control will help to ensure that any risks that could impact on effective corporate governance are identified and addressed

6.3 What is the impact on the organisation?

The Code provides the framework for the key policies, plans, protocols and systems which support good governance across the Council. Using the Code as the basis for a programme of regular review and developing appropriate actions to meet any gaps will over time strengthen governance arrangements throughout the organisation.

6.4 Equalities / EIA

One of the principles of the Code is that the rule of law is respected and it provides a further check that equalities legislation is being adhered to.

6.5 Implications for (or impact on) the environment

One outcome of the recent revisions to the national guidance was to build sustainable economic, social and environmental benefits into the framework and this has been incorporated into Coventry's Code.

6.6 Implications for partner organisations?

Ensuring openness and comprehensive stakeholder engagement is one of the key principles of the Code and will support effective partnership working.

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Coventry City Council

Code of Corporate Governance

Introduction

Governance is about the arrangements that organisations put in place to make sure that their aims are defined and achieved. For local authorities it is also about making sure that councils act in the public interest.

Coventry City Council works hard to ensure that its arrangements for governance are robust and meet good practice. This Code of Corporate Governance sets out the Council's commitment to the principles of good governance and how it ensures that they are being followed.

Good Corporate Governance

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 produced published the new *Delivering Good Governance in Local Government Framework*. This provides a best practice framework for local authorities to help make sure that their resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision-making and that there is clear accountability for the use of those resources in order to achieve the desired outcomes for service users and communities. It sets out the principles that underpin good governance and how local authorities can assure themselves and others that they are meeting them.

Coventry City Council's Code of Corporate Governance

Coventry City Council's Code of Corporate Governance adopts the principles set out in the new CIPFA/SOLACE Framework and explains what these mean for the way the Council operates. The Code provides the framework for the key policies, plans, protocols and systems which support good governance across the Council.

Demonstrating the principles of good Corporate Governance

Principles	Sub principles	The Council does this by
A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Behaving with integrity	Ensuring members and officers behave with integrity and creating a culture which focuses on acting in the public interest.
	Demonstrating strong commitment to ethical values	Ensuring that Members, officers and external service providers understand and demonstrate the ethical values of the Council, which are set out in our policies and procedures.
	Respecting the rule of Law	Ensuring members and officers demonstrate a strong commitment to the rule of the law and adhere to relevant laws and regulations.
B: Ensuring openness and comprehensive stakeholder engagement	Openness	Ensuring an open, accessible and transparent culture which underpins decision-making.
	Engaging with citizens and stakeholders	Effectively engaging with citizens, service users and stakeholders, ensuring that communication and engagement methods are effective and that feedback mechanisms are in place.
C: Defining outcomes in terms of sustainable economic, social, and environmental benefits	Defining outcomes	The Council has a clear vision which sets out what it is planning to achieve and how it will monitor and report progress.
	Sustainable economic, social and environmental benefits	Considering and balancing the combined economic, social and environmental impacts of policies, plans and decisions and ensure fair access to services.
D: Determining the interventions necessary to optimise the achievement of the intended outcomes	Identifying the right course of action	Ensuring decision makers have the information they need.
	Planning action	Establishing and implementing robust planning and performance cycles, underpinned by effective resource planning.
	Maximising outcomes	Ensuring that resources are used in the most effective way to support the Council's priorities

Principles	Sub principles	The Council does this by
E: Developing the Council's capacity including the capability of its leadership and the individuals within it.	Developing capacity	Maximising the capacity of the Council by making sure its assets, resources, partnerships and employees are as effective as possible.
	Developing strong leaders	Developing the leadership skills and capacity of members, senior managers and employees to meet the challenges facing the Council.
F: Managing risks and performance through robust internal control and strong public financial management	Managing risk	Recognising that risk management is an integral part of Council business and decision-making.
	Managing performance	Monitoring service delivery effectively and ensuring an effective scrutiny function is in place to provide constructive challenge.
	Robust internal control	Ensuring effective arrangements for risk management, counter fraud and anti-corruption arrangements are in place and that the Audit and Procurement Committee provides effective assurance.
	Managing data	Ensuring effective arrangements are in place to identify information assets and risks and for the safe collection, storage, use and sharing of data.
G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Strong financial management	Ensuring financial management supports short-term financial and operational performance as well as longer-term aims.
	Implementing good practise in transparency	Ensuring reports used for decision making are clear, balanced and easy to read.
	Implementing good practices in reporting	Reporting regularly on performance, value for money and use of resources.
	Assurance and effective accountability	Ensuring that learning, improvements and corrective actions from audit, peer challenges, reviews and inspections are acknowledged and appropriate changes are made.

Review of the Code and Governance Arrangements

Local authorities are 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 Code of Corporate Governance forms a key part of this process.

To ensure that the Code and the Council's policies, plans, protocols and systems are kept up to date, governance arrangements will be reviewed on an annual basis against best practice as set out in the national framework. The purpose of the review will be to ensure that the Council's governance arrangements meet the principles of the code, that there are systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance are identified and appropriate actions developed. The review will follow the cycle set out below:

September - December	<p>Review of Code of Corporate Governance to include:</p> <ul style="list-style-type: none"> • what is in place to demonstrate that the principles in the Code are being met • what is in place to measure the effectiveness of systems and processes • any gaps in policies, performance or assurance and identification of any actions
Beginning of April	Guidance for producing directorate Statements of Internal Control prepared, incorporating any issues identified in the review of the Code
During April	Directorates produce Statements of Internal Control as part of Annual Governance Statement
May/June	Audit and Procurement Committee approve the statement of accounts and Annual Governance Statement, incorporating issues and actions arising from the review of the Code and Statements of Internal Control

The Council's Audit and Procurement Committee is responsible for approving the Annual Governance Statement alongside the Statement of Accounts.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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