

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm**  
**on Monday, 21 January 2019**

Present:

Members: Councillor R Brown (Chair)  
Councillor S Bains  
Councillor T Sawdon  
Councillor R Singh  
Councillor H Sweet  
Councillor K Taylor

Employees (by Directorate):

People: L Deakin

Place: M Burn, B Hastie, P Jennings, D Johnston, L Knight, K Tyler

Others Present: A Sohal, Grant Thornton (External Auditors)  
M Stokes, Grant Thornton (External Auditors)

## **Public Business**

### **45. Declarations of Interest**

There were no disclosable pecuniary interests.

### **46. Minutes of Previous Meeting**

The minutes of the meeting held on 12<sup>th</sup> November 2018 were agreed and signed as a true record.

There were no matters arising.

### **47. Outstanding Issues**

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

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

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

48. **Work Programme 2018/19**

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 2018/2019.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2018/19.**

49. **External Audit Plan Year Ending March 2019**

The Committee considered a report of the External Auditors, Grant Thornton, which provided an overview of the planned scope and timing of the statutory audit of Coventry City Council.

The National Audit Office had issued a document entitled Code of Audit Practice, which summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Respective responsibilities were also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing Grant Thornton as auditor of the Council.

The scope of the audit was set in accordance with the Code and International Standards on Auditing (ISAs)(UK). Grant Thornton would be responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Procurement Committee), and Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in its use of resources.

The audit of the financial statements did not relieve management or the Committee of 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.

The audit approach would be based on a thorough understanding of the Council's business and would be risk based. The Committee noted that Grant Thornton would be using a new audit methodology and tool, LEAP, for the 2018/19 audit. This would enable the Auditors to be more responsive to changes that may occur in the organisation.

In accordance with ISA (UK), the Audit Plan set out the scope and timing of the audit to be carried out by the External Auditors in relation to Coventry City Council for the year ending 31st March 2019 and included:

- Significant Risks Identified:
  - Presumed risk of fraud in revenue recognition;
  - Management override of controls;
  - Valuation of property, plant and equipment;
  - Valuation of the pension fund net liability.
- Materiality
- Value for Money arrangements

- Audit logistics
- Early Close
- Independence and non-audit services

In relation to the fees, the Committee noted that the planned audit fees were £133,564 (PY: £173,450) for the financial statements audit completed under the Code. In setting the fee, the Auditors had assumed that the scope of the audit, and the Council and its activities, do not significantly change.

**RESOLVED that the Audit and Procurement Committee note the External Audit Plan for year ending 31<sup>st</sup> March 2019.**

50. **2018/19 Second Quarter Financial Monitoring Report (to September 2018)**

The Committee considered a report of the Deputy Chief Executive (Place) which set out forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2018.

The Committee noted that the report was also considered by the Cabinet at their meeting on 27<sup>th</sup> November 2018.

The headline revenue forecast for 2018/19 was an over spend of £0.5m. At the same point in 2017/18 there was a projected overspend of £3.1m.

This position continued to reflect overspends in several service areas that had been subject to recent budgetary pressure. Although the overall overspend position was relatively modest, the service and financial pressures in several areas continued to demand management attention. This was most pressing and significant in relation to challenges in housing and homelessness services. Notwithstanding a range of plans coming forward, it was now clear that these circumstances would be in place for some time and this was reflected in the financial proposals within the 2019/20 Pre-Budget Report.

The Council's capital spending was projected to be £222m for the year, a net decrease of £40m on the programme planned at the start of the year. At quarter 1 the Committee were made aware of the possibility of significant capital slippage later in the budgetary cycle and this risk was one that continued to be of relevance.

In considering the report, the Committee sought clarification on the level of Council Tax and Business Rate collection. They were advised of the proactive work undertaken, particularly in relation to reviews of single person discounts linked to Council Tax. The Committee requested details of the fees paid to external suppliers to undertake the proactive reviews of single person discounts and how these fees compare to other suppliers.

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

1. **Note the current position and indicated that they had no comments for Cabinet at this time.**

**2. Request details of the fees paid to external suppliers to undertake proactive reviews of single person discounts linked to Council Tax and how these fees compare to other suppliers.**

**51. Corporate Risk Register Update**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the current Corporate Risk Register to provide the Committee with an overview of the Council's corporate risk profile and the controls in place to address these risks.

The Committee were aware that Local Government is currently operating within an environment of substantial budget cuts and major policy changes with significant impact on service delivery and organisational structures. The pace and scale of change requires the Council to constantly assess its risk profile and implement suitable controls to manage those risks.

There is a requirement within the Council's Risk Management Policy and Strategy that the Audit and Procurement Committee received and consider reports on the Corporate Risk Register in order to discharge their responsibilities in respect of risk management.

The report submitted covered only those risks that are viewed as the most critical for the Council and considered at the corporate level. Risk management activity continued at other levels throughout the Council, dealing with risks of a lower rating.

The Corporate Risk Register was set out at Appendix 1 of the report submitted and fell into two separate categories, operational / business as usual and specific / project risks. It provided detail of the risks and the control measures in place to address them.

The operational / business as usual risks were those that could affect the underlying and fundamental operations and structure of the Council and included:

- CR 001 – Finance
- CR 006 – Adult Social Care
- CR 007 – Safeguarding / Protecting Vulnerable Adults, Children and Families
- CR 013 – Creation of a Combined Authority for the West Midlands and agreement of a Devolution Deal
- CR 014 – Information Governance
- CR 016- Failure to comply with Health and Safety Legislation.

The specific / project risks were those that could affect specific projects or the major change initiatives to how the Council operate and included:

- CR 002 – Sky Blue Sports and Leisure
- CR 003 – ICT Infrastructure and Change
- CR 005 – Workforce Strategy
- CR 011 – Friargate Business Districts

- CR 017 – City Centre South
- CR 018 – Coventry Station Masterplan.

The Committee were advised that there had been some changes to the Risk Register from when they had last considered this matter and that CR 010 – Kickstart (Move to Friargate) and CR 015 – Historic Abuse had been removed from the register. CR 018 – Coventry Station Masterplan had been included as a new risk.

In considering the risks identified, the Members outlined their concern regarding contract management, in particular whether the Council's existing employees have the required skill sets to undertake contract management efficiently effectively. They requested details of steps being taken to ensure that relevant staff have the required skills.

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

- 1. Note the current Corporate Risk Register and indicated that they were satisfied that the Corporate Risks are being identified and managed.**
- 2. Request information on steps being taken to ensure that relevant staff have the required skill sets to undertake contract management.**

## **52. Half Yearly Fraud and Error Report 2018-19**

The Committee considered a report of the Deputy Chief Executive (Place) which provided a summary of the Council's anti-fraud and error activity during the financial year 2018/19 to date.

The Committee noted that fraud in the public sector has a national focus through the publication of "Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy states that the level of fraud in the public sector is significant, the current trends in fraud activity includes areas which the Council does not have responsibility for, such as social housing, and the levels of identified / reported fraud against the Council are at relatively low levels, in terms of both numbers and values.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and error. The work of the team focussed on four main areas during 2018/19, namely council tax; National Fraud Initiative; referrals and investigations considered through the Council's Fraud and Corruption Strategy; and proactive work.

In relation to Council Tax, work had focussed on reviewing Council Tax Exemptions and Discounts. This work had resulted in 90 exemptions being removed as the customer had failed to report a change in circumstances. Given that on an individual basis, the amounts involved were not sizeable, these had been treated as an error rather than a fraudulent application to obtain an exemption they were not entitled to. Revised bills amounting to £104,000 had been issued of which £58,000 had been repaid to the Council to date. The outstanding balances were being recovered through agreed payment instalment arrangements or the Council's standard recovery arrangements.

In addition, the Council received referrals from both internal and external sources linked to concerns around the payment of Council Tax Support or Council Tax Exemptions / Discounts. In total, 22 referrals had been received. The report indicated that, whilst most of these were passed to the Department of Work and Pensions to investigate under agreed arrangements, 10 concerns had been validated. Whilst the majority of these cases were linked to the payment of Council Tax / Council Tax Support, 3 cases were related to the payment of Housing Benefit where, in light of the circumstances, it was more appropriate for the Council to take action directly. In total, the 10 cases had resulted in revised bills / overpayments of around £23,000 being issued, of which £17,000 had been received to date.

With regards to the National Fraud Initiative (NFI), the exercise was led by the Cabinet Office and took place every two years, matching electronic data within and between public bodies with the aim of detecting fraud and error. The work in 2018/19 has been focussed on collating and submitting datasets for the next exercise. This was completed in early October 2018, with 12 datasets submitted. It was expected that matches would be released for investigation in February 2019.

From time to time, the Internal Audit Service received referrals or were asked to assist with investigations relating to employment misconduct and other fraud against the Council involving external individuals. During 2018/19, 15 referrals had been received to date, 5 of which had led to full investigations. It was noted that there were various reasons for referrals not leading to investigations including, for example where an initial assessment / fact finding does not find evidence to support the allegations; appropriate action has already been taken; and the nature of the event means it is impractical to pursue further.

In addition to the 5 investigations for 2018/189, a further 5 investigations were carried forward from 2017/18. Of these 10 investigations, 6 were still on going. Of the remaining four, one case the officer involved received a written warning; one case the officers left their post during the disciplinary process; one case was linked to a Council supplier and was being dealt with as a contract management issue; and one case linked to Council Tax, action was taken to correct the council tax liability on 4 accounts. This case related to a wider fraud involving two high street banks where the individuals fraudulently applied to become liable for council tax in order to provide proof of identity / address.

The Council's response to fraud also considered an element of proactive work to ensure that all key fraud risks were considered. In 2018/19 this work has included a review and update of the Council's Fraud and Corruption Strategy; a fraud awareness e-learning tool being made available to staff along with some face to face sessions planned for February 2019 with staff from Adult Social Care in relation to Direct Payments; and as part of a group of West Midlands authorities, the Council took part in a pilot data matching project run by the Cabinet Office to detect fraud and error in Business Rates. The project resulted in revised bills being issued in 9 cases, totalling £21,000. Given the value of the individual cases, these were classed as an error.

As part of the work carried out by Internal Audit linked to fraud and error, consideration was given as to whether control improvements can be made to prevent further incidents from occurring in the future. During the period April to September 2018, this has included an annual review form for Disabled Persons Relief in respect of Council Tax which has resulted in an amendment to ask for confirmation that the individual is still resident in the property; and awareness being raised with staff in Council Tax regarding attempts to obtain liability for Council Tax and the need to remain alert for this moving forward.

**RESOLVED that the Audit and Procurement Committee note the anti-fraud and error activity undertaken during the first half of the financial year 2018/19.**

**53. Complaints to the Local Government and Social Care Ombudsman 2017/18**

The Committee considered a report of the Deputy Chief Executive (Place) which set out the number, trends and outcomes of complaints to the Local Government and Social Care Ombudsman (LGSCO) relating to Coventry City Council in 2017/18.

Coventry City Council's complaints policy sets out how individual members of the public can complain to the Council, as well as how the Council handle compliments, comments and complaints. The Council informs individuals of their rights to contact the LGSCO if they are not happy with the Council's decision after they have exhausted the Council's own complaints process.

The Local Government and Social Care Ombudsman is the final stage for complaints about councils, all adult social care providers (including care homes and home care agencies) and some other organisations providing local public services. It is a free service that investigates complaints in a fair and independent way; and provides a means of redress to individuals for injustice caused by unfair treatment or service failure.

Every year, the LGSCO issues an annual letter to the Leader and Chief Executive of every Council, summarising the number and trends of complaints dealt with in each Council that year. The latest letter, issued in July 2018, covered complaints to Coventry City Council between April 2017 and March 2018 (2017/18).

The report focused in particular on upheld complaints, service areas with a high number of complaints, learning from complaints, and how the City Council compares to previous years and other local authorities.

The Committee noted that whilst the number of complaints investigated during 2017/18 (26) was similar to previous years (25 in 2016/17 and 22 in 2015/16), the number of complaints upheld had increased and was the highest percentage of complaints upheld for Coventry since 2005. Officers outlined the lessons learned and actions taken where there are repeat complaints.

It was noted that the report had been considered by the Ethics Committee at their meeting on 6 November and the Cabinet Member for Policy and Leadership at his meeting on 8<sup>th</sup> November 2018.

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

- 1. Note the Council's performance in relation to complaints to the Local Government and Social Care Ombudsman.**
  - 2. Note the Council's complaints process and guidance.**
  - 3. Indicate their assurance that the Council takes appropriate actions in response to complaints investigated and where the Council is found to be at fault.**
- 54. 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 business.

(Meeting closed at 4.30 pm)