

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm**  
**on Monday, 30 November 2020**  
**This meeting was held remotely**

Present:

Members: Councillor R Lakha (Chair)  
Councillor M Ali  
Councillor J Blundell  
Councillor T Sawdon  
Councillor B Singh (Deputy Chair)  
Councillor R Singh

Other Member Present: Councillor R Brown, Cabinet Member for Strategic Finance and Resources

Employees:

P Baggott, Finance  
M Burn, Housing and Transformation  
B Hastie, Director of Finance  
P Jennings, Finance  
L Knight, Law and Governance  
S C Lam, Public Health  
M Rose, Law and Governance  
K Tyler, Finance

In attendance: A Sohal (Grant Thornton)  
M Stocks (Grant Thornton)

## **Public Business**

### **15. Declarations of Interest**

There were no declarations of interest.

### **16. Minutes of Previous Meeting**

The minutes of the meeting held on 19<sup>th</sup> October 2020 were agreed as a true record. There were no matters arising.

### **17. 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 26 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.**

18. **Outstanding Issues**

The Committee considered a report of the Director of Law and Governance 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 issues where a report back had been requested to a meeting, along with the anticipated date for consideration of the matter. Appendix 2 to the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed.

**RESOLVED that the Outstanding Issues report be noted.**

19. **Work Programme 2020/21**

The Committee considered a report of the Director of Law and Governance, which set out the Work Programme of scheduled issues to be considered by the Committee during the 2020/21 municipal year.

**RESOLVED that the Work Programme for 2020/21 be noted.**

20. **2020/21 Second Quarter Financial Monitoring Report (to September 2020)**

The Committee considered a report of the Director of Finance that detailed the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2020. The report was also due to be considered by Cabinet at their meeting on 1st December, 2020. Councillor Brown, Cabinet Member for Strategic Finance and Resources attended the meeting for the consideration of this item and spoke in support of the report.

The report indicated that the headline revenue forecast for 2020/21 was for net expenditure to be £36.3m (£28.2m at Quarter 1) over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net over-spend was £3.5m (£6.7m at Quarter 1). At the same point in 2019/20 there was a projected balanced budget position.

The position included a very significant increase in forecast costs within Children's Services. The overall forecast overspend in this area had risen by £5.3m over the quarter and now stood at £8.6m. An estimated £5.8m of this cost reflected higher looked after children numbers that had emerged following, and largely as a result of, conditions caused by the Covid pandemic. This level of activity represented a clear medium-term financial risk to the Council, and it was imperative that all appropriate interventions were identified to enable a sustainable financial position to be reached.

In other services and excluding the effects of Covid there were overspends in excess of £1m in each of Streetscene and Regulatory Services and Highways and Transportation.

The Council's capital spending was projected to be £249.0m and included major scheme expenditure which ranged from investment in to the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure, Public Realm, Secondary Schools expansion and the National Battery Plant. The impact of Covid had been relatively modest in terms of delays to progressing capital schemes and the Council was on track to exceed the high levels of programme spend achieved in 2019/20.

The report set out an explanation of the major forecast variances with further details being included in an appendix. Information was also provided on the Covid funding allocations received from the government.

In relation to Treasury Management, the report set out the current position for interest rates; long term (capital) borrowing; short term (temporary) borrowing and investments; external investments; and prudential indicators and the prudential code.

The Committee raised a number of issues including details on the Council's involvement in the A46 Link Road scheme; clarification about the Legal and Governance Services overspend; further details about the Legal Services agency costs; and the completion date of the St Mary's Guildhall Capital scheme in the context of whether the facility would be available for the City of Culture 2021. Members also enquired about the Government compensation scheme for local authorities.

**RESOLVED that:**

**(1) Having considered and noted the proposals in the report, there are no recommendations for Cabinet.**

**(2) Cabinet and the Committee to be provided with clarification on the Legal and Governance Services overspend.**

**(3) Members be updated as regards to the Legal Services agency costs and the completion date of the St Mary's Guildhall Capital Scheme.**

**(4) The information on the A46 Link Road Project, circulated in March 2020, to be sent to the Committee.**

21. **Internal Audit Plan 2020-2021**

The Committee considered a report of the Director of Finance concerning the draft Internal Audit Plan for 2020/21 to provide the Committee with the opportunity to express their views on the extent and nature of the planned coverage. A copy of the Plan was set out at an appendix to the report.

The draft Internal Audit Plan documented the outcome of the audit planning process for 2020/21 and provided a mechanism for allowing the Committee to discharge its responsibility to 'consider the Head of Internal Audit's Annual Report and Opinion and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance statement incorporated in the Annual Accounts'. The report also enabled the Committee, as a key

stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

The report set out the planning process for the plan. The draft plan was based on an allocation of priorities against the current level of audit resource available. The Committee were informed that the resources available for audit and corporate fraud work was 550 days which compared to 440 days in 2019-20.

Whilst there was an established methodology in place to determine the focus of audit resources, the Covid-19 pandemic had had a significant impact on both the audit planning process and determining audit priorities for 2020/20201. In summary, consultation on the audit plan for the forthcoming year would normally have commenced in March / April 2020. This was not achievable at this time given the Council's need to focus on its initial response to the pandemic. Equally, from the perspective of Internal Audit, given the level of uncertainty arising from Covid-19, it was clearly difficult to undertake a formal risk assessment and identify meaningful priorities at this stage. As a result, a more flexible approach to audit planning had been adopted for 2020/2021. This had allowed the Service to respond more appropriately to the needs of the Council at this time whilst still making some provision for "business as usual" audit work.

Whilst the Service had continued to respond flexibly during the year, it was now in a position to be clearer about the focus of audit priorities to both respond to new areas identified as a result of covid-19 and ensure that sufficient work was undertaken to inform the annual audit opinion. Where appropriate, an assessed risk level had been included in appendix one. Where the risk had been assessed as medium rather than high, this generally reflected the findings of previous audit reviews in the respective area / an initial assessment of the control environment.

The Committee were informed that a significant amount of resource has been allocated to covid-19 related assurance work. This had been assessed as a key risk area for 2020-21 given the significant level of Government funding allocated to the local authority and the assurance requirements and the new systems and processes set up to administer the funding. The report detailed activities in this area.

Given the resource required to support the Council's response to Covid-19, the Service had focused wider consultation with senior managers on those areas which underpinned corporate risks rather than service specific risks. In addition, the routine programme of school audit work would not be undertaken this year. Given the limited number of school audits carried out each year this was not viewed as having a significant impact and the Service would look to address this in 2021-22 with a wider programme of work.

The report highlighted the other areas of planned work concerning: ICT; Council / Audit priorities; financial systems; and corporate governance.

As a result, it was believed that the draft Audit Plan for 2020-21 was sufficient for the work required to report on governance, the management of risks and controls in the year and to prepare the annual opinion and report.

Members sought clarification regarding the risks associated with home working and the implications of the costs of providing equipment to allow employees to work remotely.

**RESOLVED that the content and scope of the draft Internal Audit Plan for 2020/21, attached as Appendix One to the report, be noted and the Plan be approved.**

## 22. **Audit and Procurement Committee Annual Report to Council 2019-2020**

The Committee considered their Annual Report that provided an overview of its activity during 2019-2020. The report was to be submitted to the City Council at their meeting on 8th December 2020. The Committee was a key component of the Council's governance framework, supporting good governance and strong public financial management.

The report included an introduction by the Chair, Councillor Lakha. During the previous municipal year, the Committee had met on six occasions and considered a range routine reports based on clearly defined expectations of services / functions such as internal / external audit and financial management, along with ad-hoc reports which focused on either a specific concern or developments which impacted directly on the Committee.

The report provided further details of the reports considered during this time which included, under governance, the Council's Annual Governance Statement. Financial Management and Accounting reports were the Statement of Accounts; the revenue and capital outturn position for 2018-19; quarterly monitoring reports of performance against the revenue and capital budgets; and a treasury management activity update.

A number of reports were submitted by the Council's external auditors Grant Thornton in 2019-20: the audit findings for the City Council; the 2019-20 Audit Plan; informing the audit risk assessment; and the public sector audit appointments publication on the audit market. In relation to Internal Audit, the Committee considered the Internal Audit Annual Report and the Internal Audit Plan for 2019-20 along with progress reports on Internal Audit work and the Recommendation Tracking report.

Fraud reports submitted during 2019-20 were the Annual Fraud report and the Half Yearly Fraud and Error Update report. Two Procurement reports had also been received along with a number of Salaries reports concerning salary or severance packages of £100k or over.

Other reports considered during this period which were linked to risk management, internal control and governance were the Whistleblowing Annual Report 2018-19; the Complaints to the Local Government and Social Care Ombudsman 2018-19, the Corporate Risk Register update; the Code of Corporate Governance; and the Regulation of Investigatory Powers Act 2000 Annual Compliance Report.

The Committee agreed to recommend that the City Council considered the Annual Report for 2019-2020 at their meeting on 8th December 2020.

**RESOLVED that the City Council be recommended to consider the Audit and Procurement Committee Annual Report 2019-2020 at their meeting on 8th December 2020.**

**23. Complaints to the Local Government and Social Care Ombudsman 2019-20**

The Committee considered a report of the Deputy Chief Executive 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 2019/20. It focused on upheld complaints; service areas with a high number of complaints; compliance with the Ombudsman's recommendations; learning from complaints; and how the Council compared to previous years and to other local authorities. The report had already been considered by the Cabinet Member for Policy and Leadership at his meeting on 26th November 2020 and was due to be considered by Ethics Committee at their meeting on 3rd December.

The report indicated that the LGSCO was 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 was a free service that investigated complaints in a fair and independent way and provided a means of redress to individuals for injustice caused by unfair treatment or service failure. Reference was also made to how the City Council's complaints policy operated, indicating the Council had a robust policy for handling complaints.

Every year the LGSCO issued 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 July 2019, covers complaints to the Council between April 2019 and March 2020. A copy of the letter was set out in an appendix to the report.

In 2019/20, the LGSCO received 117 complaints and enquiries relating to the Council, up from 100 the previous year (up 17%). The report provided a breakdown by category. A comparison was also provided with the past five years. For the last year, there had been a significant increase in complaints and enquiries about environmental services and highways and transport. Decisions made by the LGSO were:

12 incomplete/invalid;

1 advice given;

39 referred back for local resolution;

42 closed after initial enquiries; and

22 complaints investigated, of which 11 were upheld and 11 were not upheld.

Comparisons were provided with other local authorities, and of the complaints investigated across the WMCA, Coventry had the lowest percentage of complaints upheld at 50%.

The Committee were informed that of the 11 upheld complaints, 9 complaints were remedied by LGSCO and 2 were satisfactorily remedied by the Council before LGSCO involvement. The Ombudsman did not issue formal reports of maladministration for any of these upheld complaints. Further information was provided on these complaints by service area along with lessons learnt.

**RESOLVED that having considered the Council's performance in relation to complaints to the LGSCO:-**

**(1) The Council's complaints process and guidance be noted.**

**(2) The Committee are assured that the Council takes appropriate actions in response to complaints investigated and where the Council is found to be at fault.**

**24. 2019/20 Statement of Accounts and Audit Findings Report**

The Committee considered a report of the Director of Finance, which sought approval for the audited 2019/20 Statement of Accounts and Grant Thornton's Audit Findings report provided alongside the accounting statements. The Committee was approving these accounts on the Council's behalf. It followed an extension to the period of audit by Grant Thornton to 30th November in line with national regulation. The original deadline to complete and authorise the Statement of Accounts was 31st July, 2020. Copies of the Statement of Accounts and the Audit Findings report were attached as appendices to the report. The report had been circulated as an urgent item prior to the meeting, the reason for urgency being to enable the Council to publish the accounts by the end of November in line with existing regulations. Councillor Brown, Cabinet Member for Strategic Finance and Resources attended the meeting for the consideration of this item and spoke in support of the report. Mark Stocks and Avtar Sohal, Grant Thornton attended for the item. The Committee also received a detailed presentation from the Council's Corporate Finance Manager on the Statement of Accounts.

**2019/20 Statement of Accounts**

The Committee were informed that the audit of the accounts was complete with very small number of exceptions. Reference was made to impact of the Covid pandemic, which had seen significant turmoil in audit activity nationally, much of it reflected in the Redmond Review. This included the capacity of auditors to deliver current scope and the nature of some accounts content.

The outturn position showed:

- A balanced Outturn position after a contribution of £5.5m to reset and recovery reserve
- Council revenue reserves increase from £82m to £90m but includes £8m of up-front Covid funding
- Total reserves of £144m including schools and capital
- The actual Covid impact on spending was minor (£2.9m including additional bad debt provision)
- A Capital Programme of £216m
- Significant projects across the city – Whitley South, Battery Industrialisation Centre, Station Masterplan, The Wave, Salt Lane

Major issues highlighted included the Covid impact on ability to reliably value property, investment and pension assets; the fact that pension liability remained as a significant matter; overall long-term borrowing fell (but short-term treasury

borrowing in place); and the importance of the Council's capital plans for the city. The Committee noted that the statutory environment and level of reserves left the Council in a sound financial position, however, the Covid continued to impact on the delivery of plans in 2020/21 and on balancing the financial position in 2021/22.

Regarding the financial accounts and management accounts, the two sets of accounts presented on two different bases: a £11m deficit on the Comprehensive Income & Expenditure Statement (CIES) verses a balanced outturn position.

Additional information was provided on reserve trends; the balance sheet; long term investments; pension liabilities; officer remunerations; and the contingent liabilities. The Committee were informed that Covid had not been identified specifically as an issue for these accounts; the City of Culture guarantee did not represent a significant financial risk given surrounding controls (but was subject to ongoing monitoring); and that Covid added to the mix of uncertainty surrounding local government finances.

### Audit Findings Report

The Audit Findings Report made particular reference to the significant impact that the Covid 19 pandemic had had on the operations of the Group and the Council, with the Council implementing Government guidance and using alternative ways to deliver services. Local Authorities were still required to prepare financial statements in accordance with relevant accounting standards and the CIPFA Code of Practice, albeit to extended deadlines. The Audit Risk Assessment was updated to consider the impact of the pandemic and an Audit Plan Addendum was issued on 29th April, 2020. This reported on additional financial statement risk in respect of Covid-19 and the impact on the Value for Money approach. Restrictions for non-essential travel meant both Council and Audit staff had to carry out the financial statements away from the Council House.

In relation to the financial statement, the audit work was completed on site/remotely during July to November. The auditor's findings were summarised in the report. Adjustments had been identified in the financial statement that had resulted in adjustment to both this year and prior year balances. These adjustments were detailed in Appendix B to the report. The follow up of recommendations from the previous year's Audit were detailed in Appendix A. The auditor's work was substantially complete and there were no matters that would require modification of the audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- receipt of assurance confirmations from component auditors of Tom White Waste Limited and Coombe Abbey Park Limited
- receipt of management representation letter; and
- review of the final set of financial statements.

The auditor had concluded that the other information to be published with the financial statements was consistent with their knowledge of the City Council.

The anticipated audit report opinion would be unqualified including an Emphasis of Matter paragraph, highlighting:

PPE valuation material uncertainties – the valuer had indicated that due to Covid-19 that there were uncertainties in their valuation of land, buildings and investment properties



Pensions PPE valuation – the pension funds valuer had indicated that due to Covid-19 that there were uncertainties in their valuation of investment property.

The other key issues identified included:

- The audit testing identified that there were some errors in the valuation of assets in 2018/19. The Council had made prior period adjustments which would result in the increase of Investment Properties by £9.1m and an increase in operational assets of £11m, with adjustments detailed in Appendix B.
- In March 2020 the Council purchased Tom White Waste Limited for £14.6m. The Council did not instruct a valuation as at the balance sheet date for its investment in Tom White Waste and therefore the asset was held at its purchase valuation. This was considered an uncertainty in the Council's accounts
- The Business Rates provision had increased in 2019/20 to £14.8m. The provision had been reviewed and it is not considered that this was unreasonable.
- The credit loss allowance with regard to other debtors had been reviewed. It was considered that there was a risk in collecting old debt especially due to the impact of Covid-19. The Council had been requested to review this debt in more detail in advance of the 2020/21 audit.
- It was noted that the Council's subsidiary, Coombe Abbey, was operating at significant losses of £354,000 up to the year ending 31 March 2020. The impact of Covid-19 has had a further significant impact on the trading of the subsidiary. The assurances from the component auditor of this subsidiary was awaited
- Reference was made to the Council's investment in Birmingham Airport. The trading conditions for the Airport were uncertain and it was noted that the valuation of the Council's investment reduced from £29.3m in 2018/19 to £17.9m in 2019/20. It was possible that the value would have reduced further in 2020/21. The Council alongside the other 6 West Midlands authorities had stated its intention to engage in discussion with the Airport with regards to providing tangible support to the Airport should this be required.

The risk based review of the Council's value for money arrangements had been completed. It was concluded that the City Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The VfM risk assessment to document the understanding of the Council's arrangements to ensure critical business continuity in the current environment had been updated. No new VfM risks in relation to Covid-19 had been identified, so it was anticipated that an unqualified value for money conclusion would be issued.

None of the auditors additional statutory powers or duties had been exercised. The the majority of work under the Code had been completed but the completion certificate couldn't be issued until the audit of whole of government accounts (WGA) had been completed.

Members sought clarification about the implications for employees of the £95,000 cap regarding pensions; further details about the implications of potential cancellations of City of Culture 2021 events; and further information about the hospitals' business rates issue. A request was made for an update report on the key issues highlighted in the Audit Findings Report to be submitted to a future meeting of the Committee.

The Chair, Councillor Lakha and Members placed on record their appreciation and thanks to the Director of Finance, the Corporate Finance Manager and the team for all their hard work during the current year on the Council's Statements of Accounts. The Chair also thanked Grant Thornton for all their work.

**RESOLVED that:**

**1) Having considered the final 2019/20 Statement of Accounts, the Accounts be approved.**

**2) Grant Thornton's Audit Findings Report provided alongside the accounting statements be accepted.**

**3) Delegated approval be given to the Director of Finance and the Corporate Finance Manager, in consultation with the Chair of Audit and Procurement Committee, to agree any final changes to the Statement.**

**4) An update report on the key issues highlighted in the Audit Findings Report be submitted to a future meeting when appropriate.**

25. **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.

26. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Director of Housing and Transformation which provided an update on the procurement and commissioning undertaken by the Council since the last report to Committee on 11<sup>th</sup> November 2019. Details of the latest positions in relation to individual matters were set out in the Appendix to the report. The report contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report indicated that since the last Committee when the procurement report had been presented, the Procurement Panel had received 106 reports and the Procurement Board 50 reports.

The Committee considered if a summarised position of reports taken to Procurement Panel, Procurement Board and Cabinet, showing number of meetings, number of reports considered and any key issues for the panel, together with information on 'exceptions to the Contract Procedure Rules' and information on performance of key contracts would be more beneficial than the current format. Support was expressed for this approach and Members were informed that the intention was to submit a new format report to the June 2021 Committee meeting, with future reports then being submitted every six months. Clarification was provided that the social value of the key contracts was part of the process and would be included in reporting.

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

**1) The current position in relation to the Commissioning and Procurement Services be noted.**

**2) There are no recommendations to be made to the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

**3) The change in format and frequency of reports as outlined in the report be approved.**

**4) The new format report to be submitted to the Committee on a six monthly basis with the next report being considered in June 2021.**

**27. 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 5.55 pm)