



Audit and Procurement Committee

Time and Date

2.30 pm on Monday, 28th June 2021

Place

Diamond Rooms 1 and 2 - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 10)
To agree the minutes of the meeting held on 15th March 2021
4. **Outstanding Issues** (Pages 11 - 16)
Report of the Director of Law and Governance
5. **Work Programme 2021/22** (Pages 17 - 18)
Report of the Director of Law and Governance
6. **2019/20 Accounts Update** (Pages 19 - 30)
Report of the Director of Finance
7. **Internal Audit Annual Report 2020-21** (Pages 31 - 48)
Report of the Director of Finance
8. **Internal Audit Plan 2021-22** (Pages 49 - 56)
Report of the Director of Finance
9. **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

Nil

Julie Newman, Director of Law and Governance, Council House Coventry

Friday, 18 June 2021

Note: The person to contact about the agenda and documents for this meeting is:
Michelle Salmon, Governance Services, Email: michelle.salmon@coventry.gov.uk

Membership:

Councillors M Ali, J Blundell, R Brown (By Invitation), G Hayre, R Lakha (Chair),
T Sawdon, B Singh (Deputy Chair) and R Singh

By Invitation:

Councillor R Brown – Cabinet Member for Strategic Finance and Resources

Named Substitute Members:

Councillors R Bailey (Reserve) and A Hopkins (Reserve)

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.

Michelle Salmon

Governance Services

e-mail: michelle.salmon@coventry.gov.uk

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm
on Monday, 15 March 2021
(This meeting was held remotely)

Present:

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

Employees (by Service):

P Jennings, Finance
L Knight, Law and Governance
S Lock, Law and Governance
R Martin, Finance
K Tyler, Finance
A West, Law and Governance

In attendance: Z Francis (Grant Thornton)
M Stocks (Grant Thornton)

Apologies: Councillor M Ali
Councillor R Brown (by invitation)

Public Business

41. Declarations of Interest

There were no disclosable pecuniary interests.

42. Minutes

The minutes of the meeting held on 25th January 2021 were agreed as a true record. There were no matters arising.

43. Outstanding Issues

The Audit and Procurement 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 anticipate date for consideration of the Matter. In relation to item 1, "Corporate Risk Register Update – Consideration be given to Risk 020 relating to Brexit being rated as red an a report prepared for Committee", the Committee were advised that this matter would be dealt with in the Corporate Risk Register report to be considered later in the meeting. An update was further provided that reports in respect of item 2 "Progress of

recommendations mad in respect of the audit of IT Disaster Recovery” and item 3 “An annual update report on severance packages” would be submitted to a meeting early in the new municipal year.

Appendix 2 of the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed. The Committee were advised that the information requested at item 1 “Information on the last SPD exercise undertaken in conjunction with 3rd party” had now been circulated.

RESOLVED that, the Audit and Procurement Committee note the Outstanding Issues report.

44. Work Programme 2020/21

The Audit and Procurement Committee considered a report of the Director of Law and Governance which set out the work programme of schedule issues to be considered by the Committee during the 2020/21 municipal year.

RESOLVED that, the Audit and Procurement Committee notes the Work Programme for 2020/21.

45. 2020/21 Third Quarter Financial Monitoring Report (to December 2020)

The Audit and Procurement Committee considered a report of the Director of Finance, which had also been considered by the Cabinet on 16th February 2021, that set out the forecast outturn position for revenue and capital expenditure and the Council’s treasury management activity as at the end of December 2020. The headline revenue forecast for 2020/21 was for net expenditure to be £33.3m (£36.3m at Quarter 2) over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net under-spend was £0.5m (£3.5m overspend at Quarter 2). At the same point in 2019/20 there was a projected underspend of £1.9m.

The position included an underlying overspend of £9m within Children’s Services although £6.7m of this had been attributed to the pandemic and funded from one-off Covid funding, accordingly, leaving a net overspend of £2.3m. Where financial pressures were anticipated to continue beyond the current financial year, they had been reflected in the forthcoming 2021/22 Budget Report. Underspends within Central Budgets and Housing and Transformation had helped to deliver the overall underspend position.

The Council had been able to stabilise its 2020/21 financial position both in terms of its business as usual services and the activity and impacts arising from the Covid pandemic. It was clear though that significant financial risk remained in relation to the future trajectory of Covid costs and funding. There remained a financial imperative to focus on the medium-term horizon and it was important for the Council to tackle the anticipated legacy effects of Covid.

The Council’s capital spending was projected to be £231m 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.

RESOLVED that, the Audit and Procurement Committee, having considered and noted the proposals in the report, made no recommendations to Cabinet.

46. **Corporate and COVID-19 Risk Registers**

The Audit and Procurement Committee considered a report of the Director of Finance, that sent out the outcome of the review of the Corporate Risk Register 2021/22 and the COVID-19 Risk Register and the controls in place to address these risks.

The Council's Corporate Risk Register and COVID-19 Risk Registers are set out in the context of three important factors, firstly the ongoing challenge of the resources available, secondly the demographic challenges leading to increased demand for services whilst quality must be maintained, and thirdly the COVID-19 pandemic, which has had a dramatic impact on citizens and local government.

The report provided the Committee with the outcome of the review of the Corporate Risk Register 2021/22 and provided the first opportunity for a review of the COVID-19 Risk Register.

The Corporate Risk Register was set out at Appendix 1 and had been reviewed in consultation with the Senior Management Board and the allocated Risk Manager. It identified the main risks facing the Council, the planned risk treatment and the progress made to date, where responsibility lies for the Council's response and the risk control status using a traffic light system. It was noted that the Corporate Risk Register covers only those risks that are viewed as the most critical for the Council and which are considered at a corporate level. Risk management activity continued throughout the Council dealing with those of a lower risk.

The report identified those risks that were new to the Register, those with an amended title, and those that had been removed since the Register was last considered by the Committee.

The Corporate Risks could be considered in two separate categories of Operational / Business as Usual and Specific / Project. Operational / Business as Usual risks included Finance (CR001), Health and Adult Social Care (CR006), Safeguarding Children and Young People (CR007), Information Governance (CR014), Failure to Comply with Health and Safety Legislation (CR016) and Economic Downturn (CR021). The Specific / Project risks included Sky Blue Sports and Leisure (CR002), ICT Infrastructure and Change (CR003), Workforce Strategy (CR005), Homelessness and Temporary Accommodation (CR019), Children's Social Services Workforce Stability (CR022) and Elections (CR023).

The Committee were advised that on page 62 of the document pack, in relation to Health and Adult Social Care Risk (CR006), text had been omitted from the Corporate Risk Register as follows:

Column 1 (planned treatment) should include “Market engagement on a range of sustainability and viability issues”.

Column 3 (Progress to date) should indicate that “the Infection Control Fund expires on 31st March 2021.

Column 5 (Control Status) should be Amber and not Green.

In considering the Corporate Risk Register, the Committee requested that future reports include an additional column indicating the risk level when last reported, in order to provide a comparison to the current risk position.

In addition, the Committee requested that investigations be carried out into the opportunity for the Council to operate its own employment agency, particularly for the employment of Social Work Staff. The Committee were advised that investigations had previously been undertaken in relation to this matter and officers undertook to provide the Committee with the outcome of these investigations.

The Committee went on to consider the COVID-19 Risk Register at Appendix 2 and it was noted that this was the first time that the Register had been submitted to the Committee. The COVID-19 Register had been created at the beginning of the Pandemic crisis and the Risks were grouped under the following themes:

Theme 1	Children Safeguarding and Education
Theme 2	Adult Social Care
Theme 3	Decision Making and Governance
Theme 4	Financial Implications
Theme 5	Staff Support and Health and Safety
Theme 6	General Data Protection Regulation and Data Protection Act Compliance
Theme 7	Support for Those Who Are Homeless or at Risk of Homelessness
Theme 8	Public Health
Theme 9	Workplace Reopening
Theme 10	Culture, Tourism and Sport
Theme 11	The Economic Prosperity of the City
Theme 12	The Identification of Asymptomatic but Infectious Individuals

The Committee indicated that when the COVID-19 Risk Register is next submitted, it would be helpful to see if the situations had deteriorated or improved and whether there appeared to be any trends.

RESOLVED that, the Audit and Procurement Committee:

- 1. Having satisfied themselves that the risks are being identified and managed, notes the current Corporate Risk Register.**
- 2. Having satisfied themselves that the risks are being identified and managed, notes the COVID-19 Risk Register.**

3. Requests that future reports contain an additional column to indicate the previous risk level for comparison purposes.

47. Information Governance Annual Report 2019-20

The Audit and Procurement Committee considered a report of the Director of Law and Governance, that provided a summary of the Council's performance during 2019/20 in responding to requests for information received under the Freedom of Information Act, Environmental Information Regulations and Data Protection Act. It also reported on the management of data protection security incidents reported and data protection training.

Information is one of the Council's greatest assets and its correct and effective use is a major responsibility and is essential to the successful delivery of the Council's priorities. Ensuring that the Council has effective arrangements in place to manage and protect the information it holds is a priority.

Data protection legislation sets out the requirements on public organisations to manage information assets appropriately and how they should respond to requests for information. The Information Commissioner's Office (ICO) is the UK's independent supervisory authority set up to uphold information rights in the public interest, promote openness by public bodies and data privacy for individuals, and monitors compliance with legislation.

The Information Governance function supports the Council's compliance with the Freedom of Information Act 2000 (FOIA), Environmental Information Regulations (EIR), General Data Protection Regulations GDPR (now UK GDPR) and Data Protection Act (DPA) 2018. The Council has a statutory obligation to comply with this framework by responding appropriately to requests and managing personal data appropriately.

The Information Governance Team supports the organisation in meeting these requirements, co-ordinating and providing support to the Council's activity including co-ordinating requests received under legislation. The Data Protection Team, comprising the Data Protection Officer (DPO), the Head of Information Governance, and four Information Governance Officers) manage the organisations' approach to data protection including the management of data protection security incidents.

While the report covered the year 2019/20 and a future report would address the current year, the Committee noted that the landscape in which public authorities are now operating has changed significantly since 2018, which saw the introduction of the GDPR and the new Data Protection Act 2018 (DPA 2018). At the end of the 2019/20 year, the country went into lockdown as part of its response to the Covid 19 pandemic and the impact of Brexit has subsequently led to introduction of the UK GDPR.

The number of Freedom of Information Requests received by the Council had increased year on year to 1,540 in 2018/19 and a small reduction to 1,474 was seen in 2019/20. The Council responded to 78% of FOIA/EIR requests within the target time of 20 working days in 2019/20 compared to 62% for the previous year.

While the proportion of requests dealt with within the target time had improved, performance remained below the 90% target set by the ICO.

The Council received 48 requests for internal reviews in the year 2019/20. The Council responded to these with the following outcomes:

- 13 were not upheld – the exemptions that had been applied were maintained and no further information was provided
- 11 were not upheld – more information or clarification was provided
- 6 were partially upheld – some further information was provided
- 15 were upheld - information was provided
- 1 was upheld – a further exemption was engaged
- 1 was withdrawn
- 1 was closed with no further action

Five complaints were referred to the ICO during 2019/20. The reasons and outcomes for these were:

- Requester stated that they had not received a response. The response to the FOI had been issued on day 23. The ICO was notified and there was no further action.
- The response was reviewed, and a revised response issued. The ICO was notified and there was no further action.
- The requester submitted an amended request and the complaint was withdrawn.
- A complaint that the requested information had not been provided was not upheld and the ICO found in favour of the City Council.
- In response to a complaint about the handling of an EIR request, the complaint was not upheld and the ICO issued a decision notice.

The City Council already publishes a significant amount of information and identifying opportunities to increase the volume and type of information published (subject to legal compliance) will increase transparency and help to reduce the number of FOI's the Council receives, if the information is already available.

The Council received 266 valid Subject Access Requests (SARs) during the course of 2019/20, compared to 225 in the previous year (see table 3). The number of SARs has been rising year on year with a significant increase seen following the introduction of the GDPR. While the Council receives fewer SARs than other information requests, many of these are complex and can involve managing significant amounts of sensitive information. The introduction of the GDPR also reduced the required response time for responding to SARs from 40 days to one calendar month. The completion rate within the target time has remained broadly the same at 72%.

Protecting information from theft, loss, unauthorised access, abuse and misuse is important in order to reduce the risk of data breaches or financial loss incurred through non-compliance with key legislation such as the DPA. It is good practice to report on information incidents and breaches. The Council encourages the reporting of near misses and potential breaches as this promotes awareness, avoids complacency thus reducing the likelihood of a serious breach to information.

In 2019/20, the Data Protection Team received 219 reports of potential data security incidents. Of these, 156 did not involve a breach of personal data. These included for example near misses, loss or theft of equipment, cases where technical measures prevented access to data and incidents where a potential breach was contained. Of the 63 incidents where a breach of personal data was identified, 42 were identified as low risk, 13 low/medium, 7 medium and 1 high. The majority of these were classified as information being disclosed in error with 5 incidents logged as a result of unauthorised access and 4 as technical/ procedural failures. The GDPR introduced requirements for personal data breaches that meet certain thresholds to be reported to the ICO. No self-reports were made to the ICO during 2019/20 compared to one in 2018/19. One complaint was made by a data subject directly to the ICO who advised an informal resolution with the City Council. While there had been a technical/procedural error, no data had been breached.

Data Protection training is key to ensuring staff are aware of their responsibilities. Training is currently delivered through the Council's e-learning platform and annual completion of the data protection course is mandatory for all staff handling personal data. Staff who do not have access to a computer in their role (not office based) and those with minimal personal data involved in their role are provided with alternative training. This ensures that an appropriate level of understanding and awareness is reached that is relevant to their role/responsibilities. In addition to the Data Protection Training there is also a need to provide specific Cyber Security training. Data Protection and Cyber Security are two separate complementary areas with equal importance for different reasons.

For the 2019/20 year, the Council reported a completion rate of the Council's mandatory data protection training of 90.64% when completing NHS Data Security and Protection Toolkit. This self-assessment tool enables public authorities to demonstrate their ability and commitment to maintain the confidentiality and security of personal information, particularly health and social care personal records. The Council met all of the standards, with the exception of that related to training which requires a minimum completion rate of 95%.

RESOLVED that, the Audit and Procurement Committee notes:

- 1. The Council's performance on Freedom of Information, Subject Access and other Data Protection Act requests, including the outcomes of internal reviews and the number and outcome of complaints made to the ICO.**
 - 2. Reporting and management of data security incidents.**
 - 3. Data Protection training compliance.**
48. **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.

(Meeting closed at 4.15 pm)

This page is intentionally left blank

Audit and Procurement Committee

28th June 2021

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director approving submission of the report:

Director of Law and Governance

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 to the report, and to ask the Director 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 to the report, 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 - Information Requested Outside Meeting

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No

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, a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside 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 to the report sets out items where additional information was requested outside 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 the Director of Finance and the Director of Law and Governance

- 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) climate change and 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

Service:

Law and Governance

Tel and email contact:

E-mail: Lara.knight@coventry.gov.uk
Tel: 024 7697 2642

Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
-				
Names of approvers: (Officers and Members)				
-				

This report is published on the council's website: <https://edemocracy.coventry.gov.uk>

Appendix 1

Further Reports Requested to Future Meetings

	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	Further information requested on the progress of recommendations made in respect of the audit of IT Disaster Recovery.	Minute 6/20 19 October 2020	When the formal follow-up review of the audit is undertaken, the findings be reported to Committee	Karen Tyler		
2	An update report on the key issues highlighted in the Audit Findings Report be submitted to a future meeting of the Committee when appropriate.	Minute 25/20 30 November 2020	Report to Committee Municipal Year 2021	Paul Jennings		
3	Quarter Three Internal Audit Progress Report 2020-21 – briefing note providing further detail of planned IT audit work for 2021/22 be submitted to the Committee when the Annual Audit Plan is submitted for consideration	Minute 35/20 25 th January 2021	To be confirmed	Karen Tyler		

* identifies items where a report is on the agenda for your meeting.

Appendix 2

Information/Action Requested Outside Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Corporate and COVID 19 Risk Registers	Minute 46/20 15 th March 2021	Information to be sent to the Committee on the outcome of previous investigations into the Council operating its own agency for the employment of staff	Paul Jennings	

Audit and Procurement Committee

Work Programme 2021-2022

28th June 2021

Internal Audit Annual Report 2020-21
Internal Audit Plan 2021-22
2019/20 Accounts Update

26th July 2021

Annual Governance Statement 2020-21
Audit Committee Annual Report 2020-21
Audit Findings Report 2019/20 (Grant Thornton) (note: this may be delayed until September)
Draft Statement of Accounts 2020-2021
2020/21 Revenue and Capital Outturn
External Audit Plan Year Ending March 2021 (Grant Thornton)

27th September 2021

Annual Fraud and Error Report 2020-21
Whistleblowing Annual Report 2020-21
Audited 2020/21 Statement of Accounts
Audit Findings Report 2020/21
Quarter One Revenue and Capital Monitoring Report 2021-22
Six Monthly Procurement Progress Report (Private)

29th November 2021

Half year Internal Audit Progress Report 2021-22
Information Governance Annual Report 2020
Quarter Two Revenue and Capital Monitoring Report 2021-22
RIPA (Regulation of Investigatory Powers Act) Annual Report 2020

31st January 2022

Half Year Fraud and Error update 2021-22
Treasury Management Update
Complaints to the Local Government and Social Care Ombudsman 2019/20

21st March 2022

Quarter Three Internal Audit Progress Report 2021-22
Internal Audit Recommendation Tracking report
Corporate Risk Register Update
Quarter Three Revenue and Capital Monitoring Report 2020-21
Six Monthly Procurement Progress Report (Private)

This page is intentionally left blank



Coventry City Council

Public report

Report to

Audit and Procurement Committee

28th June 2021

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

Director approving submission of the report:

Director of Finance

Ward(s) affected:

City Wide

Title:

2019/20 Accounts Update

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the delayed 2019-20 accounts closedown including responses to recommendations from the External Auditors and matters that have arisen since the last update to Committee. It should be noted that Grant Thornton will provide their own official update on any outstanding issues at the conclusion of the audit.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the progress made since the last report on these matters, the current status of the 2019/20 accounting process and the issues outstanding to be resolved.

List of Appendices included:

Appendix 1 - Summary of Issues Resolved and In-Progress

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:

2019/20 Accounts Update

1. Context (or background)

- 1.1 The local government accounts reporting deadlines for 2019/20 were extended due to the Covid pandemic and following the passing of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The revised arrangements set out were for councils to publish their draft accounts by 31st August 2020 and to have their final Statement of Accounts audited and published by 30th November 2020.
- 1.2 In the event, the Council published its draft accounts on 26th June which was over 2 months ahead of the statutory deadline. This provided a five-month window in which to have the accounts audited and brought to Audit and Procurement Committee for final approval. Grant Thornton's draft Audit Findings Report (AFR) was brought to Committee on 30th November. It highlighted a higher than normal number of issues and adjustments for the Council's accounts, the large majority of which had been accepted by the Council. The Committee resolved to receive an update report on the key issues highlighted in the report to a future meeting. An update on these matters is the primary focus of today's report.
- 1.3 The Committee was also informed that it was not possible for the Council's accounts to be signed off at that time, the reasons for which were outlined at the meeting. The external auditors reported that a small number of issues remained outstanding which had prevented the final audit opinion from being issued. The AFR stated that the auditor's work was "substantially complete" and there were no matters which they were aware of that would require modification of their audit opinion or material changes to the financial statements. The outstanding matters outlined were receipt of assurance confirmations from component auditors of Tom White Waste Limited and Coombe Abbey Park Limited, receipt of the management representation letter and a review of the final set of financial statements.
- 1.4 Subsequent external audit activity undertaken to enable the Council's accounting statement to be finalised identified further issues that have been the subject of significant work since November. This has caused further delay to completion of the 2019/20 accounts and has had an impact on work required for the 2020/21 accounts. As a result, today's report also provides an update on this position for the Audit and Procurement Committee.

2. Options considered and recommended proposal

The following section provides an update on the Council's response to the AFR brought to the 30th November meeting and outlines the auditor queries that have been the subject of additional work since November.

Issues Highlighted in the Audit Findings Report

- 2.1 The Council's response to the key issues highlighted in the AFR considered in November 2020 are included in Appendix 1.
- 2.2 The responses fall into the following categories:

Matters where Grant Thornton and the Council had agreed accounting adjustments (Items 4, 5 and 6) – all these will be incorporated into the final accounting statement.

Areas where further information was outstanding (Items 1 and 2) – all outstanding information has been provided.

Subjects where the Council is satisfied that its existing accounting approach is robust and defensible (Items 3, 10 and 11) – the Council will continue with its existing practice.

Areas where Grant Thornton have recommended valuations to be completed (Items 4, 5, 7, 9) – external valuation experts have been appointed.

Remaining areas where Grant Thornton have recommended further valuation work to be completed (Items 5, 8).

In addition to these, the Audit Findings Report included a number of lower level adjustments and amendments, all of which were accepted at the time.

- 2.3 The two areas where the Council needs to determine its approach going forward are in respect of investment property valuations (Appendix 1 item 5) and the valuation of assets held by Tom White Waste Limited in the Council's Group Accounts (Appendix 1 item 8).

The auditors have recommended that 100% of investment properties are re-valued every year. The Council has previously resisted this move, arguing that the re-valuation of a large number of smaller value assets does not offer good value for money. Given that the Council has now engaged an external company to value its property assets, there is an opportunity to explore the appropriate balance between the value of assets and the regularity of valuation.

The auditors have also recommended that a 'fair value' valuation is obtained for the assets held by Tom White Waste Limited. The company's balance sheet holds this value on a different basis, that of depreciated historical cost. The Council is currently assessing the balance of the cost of undertaking a valuation with the risk, by not doing so, of their being an accounting misstatement. This will be informed by the overall carrying value of the assets held on Tom White's balance sheet and the cost of undertaking a fair value valuation.

Neither of these items were critical to the finalisation of the 2019/20 audit. Grant Thornton were giving their views on their preferred outcome without making these critical to signing off the accounts.

Issues Raised In Addition to Those Highlighted in the Draft AFR

- 2.4 Issues have been pursued by the auditors which did not form part of the AFR in November and which officers were not aware at that time would continue as part of the audit process. The majority of these have come about as a result of a 'Hot Review' undertaken by technical accounting experts at Grant Thornton. This is an in-depth review which is not undertaken for every local authority every financial year. The review tends to take a much closer look at technical accounting matters that can go beyond those considered as part of the standard audit process. The main issues raised as part of the review are listed below.

Extensive challenge on the nature of the Council's relationship and accounting treatment of UKBIC (UK Battery Industrialisation Centre), the arrangements and accounting transactions during its construction phase, its treatment in the Council's Single Entity Accounts and Group Accounts and the value of UKBIC as an investment on the Council's balance sheet. The nature of the relationship between UKBIC and the Council is distinctly non-standard from the Council's perspective and includes several questions of a quasi-legal nature. It is fair to say that this has been the most difficult collection of issues of those raised by the auditors.

The treatment of de-recognition in the valuation of the Council's infrastructure assets. Derecognition refers to the amount of an existing assets value that needs to be removed from the accounts when an existing asset is replaced by a new asset (particularly for instance when highways works are undertaken).

The treatment of property asset value reduction for UKBIC upon completion as either impairment or downward re-valuation. This distinction is important because it is reported in different areas of the accounts and the Council has been asked to justify and disclose adequately its re-valuation treatment.

The overall impact of changes in property valuations has also led to consideration of whether the Council needs to undertake a Prior Period Adjustment (PPA) to the accounts. A PPA is sometimes required where errors or changes to previous accounting treatments are identified which are judged to be so significant that their impact needs to be restated in relation to previous years' accounts and the opening balances of the year in question. The combined impact of property valuation queries is such that the need for a PPA is now thought to be required.

- 2.5 Further consideration and discussion have arisen as a result of the lateness of the accounts in relation to circumstances that existed or facts that emerged subsequently relating to the financial period in question. In addition, issues have emerged in closing-down the following year's accounts (for 2020/21) relating to accounting treatments used previously and whether balances have been brought forward correctly. Even where these have not resulted in actual changes to the 2019/20 accounts consideration of such matters has taken up a significant amount of additional officer attention.

3. Results of consultation undertaken

- 3.1 None.

4. Timetable for implementing this decision

- 4.1 The regulatory deadline for completing the Council's 2019/20 accounts was 30th November 2020. The Council was not able to meet this timescale. In such circumstances, councils can comply with legal requirements by posting on their website the fact of and reason for the delay. The Council has complied with this requirement.

The intention now is to achieve a final audited statement as soon as possible although this is subject to the agreement between the Council and Grant Thornton on the remaining accounting issues (in particular on UKBIC) and links that have emerged with the 2020/21 accounting statement.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial Implications

Timely approval of the Council's audited Statement of Accounts is one of the core targets of the Council's Financial Management Team each year and it is a source of some frustration that this has not been achieved. The reasons for the delay were set out in the report taken to Committee in November and these have been compounded by the additional work in response to audit queries that have been dealt with since that time. The delay has caused significant extra workload for finance officers as well as the Council's external auditors over a timeframe when both parties have been busy undertaking other duties. This aspect has caused significant additional delays since November.

There are no specific financial implications associated with this report and it is important to note that delays to the final publication of the accounts do not detract from the fact that the Council continues to maintain robust financial health. It approved a balanced 2021/22 Budget without the need for new savings and is expected to report a better than balanced 2020/21 financial outturn position with strong reserve balances in a few weeks' time despite the challenges of the Covid pandemic. The Council was able to comply with the original deadline for publishing draft accounts in June 2020 and the expectation remains that the auditors will issue an unqualified value for money conclusion on the Council.

The Council was not exceptional in not being able to meet the November 2020 accounting deadline. The National Audit Office has reported subsequently that 55% of local public bodies accounts had not been signed off on time. It is clear from the reasons discussed at the time and in national debate since that there are a range of environmental factors that have contributed to the overall delay in addition to the several Coventry-specific reasons that have been in evidence.

Steps have been taken to employ external valuers to provide expert valuations for some balance sheet items which will remove or ease some of the areas of challenge from the external auditors in future. The area of most challenge (UKBIC) has caused some initial accounting issues to address but these should become less difficult once initial accounting approaches have been agreed.

It is important to raise though that the Council continues to pursue some innovative approaches to its activity, for instance by providing financial support to external partners and by establishing or incorporating additional external company relationships to its group position. By their nature these approaches provide new accounting challenges and a greater volume of work, adding to the burden of completing the accounts. One outcome from this is that the Council will need to consider increasing the level of Financial Management team resource needed to meet these additional accounting requirements in future.

5.2 Legal implications

The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 required that the audited accounts and opinion is published by 30 November 2020. Having not achieved that, the situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The Council has complied with this subsequent requirement.

6. Other implications

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

Production of timely and accurate accounts is one important measure of the Council's overall financial health. This in turn is fundamental to ensuring that the Council delivers good value for money and can deliver the services provided for Coventry citizens.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Production of timely and accurate accounts are one aspect of managing this risk.

6.3 What is the impact on the organisation?

Production of timely and accurate accounts are one aspect of achieving good governance on behalf of the Council.

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) climate change and the environment

None

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Paul Jennings
Finance Manager Corporate Finance

Service:

Finance

Tel and email contact

Tel: 02476 977228

Email: paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Law and Governance	09/06/21	09/06/21
Names of approvers: (officers and members)				
Carol Bradford	Corporate Governance Lawyer	Law and Governance	09/06/21	16/06/21
Barry Hastie	Director of Finance	-	09/06/21	10/06/21
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	09/06/21	

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

Appendix 1 - Summary of Significant Issues Resolved and In-Progress

ITEM	SUBJECT	AUDIT ISSUE	SUBSEQUENT ACTION OR COUNCIL RESPONSE
<u>Significant Findings arising from the Group Audit</u>			
1	Coombe Abbey Park Limited accounts	Assurance confirmation awaited from the component auditor.	Final accounting statements including the audit opinion have been provided
2	Tom White Waste Limited accounts	Assurance confirmation awaited from the component auditor .	Final accounting statements including the audit opinion have been provided
<u>Significant findings - key estimates and judgements</u>			
3	Provision for Business Rates appeals	Auditor opinion that provision is overstated/prudent.	The provision is assessed every year based on the available data and will be refreshed as part of the 2020/21 closedown process. The Council is satisfied that its prudent approach is justified.
4	Land and buildings valuations	Errors identified in prior year valuations.	The Council has agreed to the recommended adjustments. An external property valuation company has been employed for the 2020/21 valuation exercise.

Appendix 1 - Summary of Significant Issues Resolved and In-Progress

ITEM	SUBJECT	AUDIT ISSUE	SUBSEQUENT ACTION OR COUNCIL RESPONSE
5	Investment property valuations	Errors identified in prior year valuations and not all properties are revalued annually.	The Council has agreed to the recommended adjustments. An external property valuation company has been employed for the 2020/21 valuation exercise. The Council agrees with the auditor's judgement that the remaining assets which have not been revalued will not result in a material misstatement. For future valuations the Council will balance the cost of undertaking a valuation of 100% of assets with the risk of accounting misstatement.
<u>Significant findings - investments</u>			
6	Coventry and Solihull Waste Disposal Company plant	The IFRS (International Financial Reporting Standards) valuation had not been reflected in the Council's accounts.	The Council has agreed to the recommended adjustments.
7	Tom White Waste investment valuation	The investment held in the Council's accounts had not been revalued subsequent to the Council's purchase of the company.	The Council has sought an updated external valuation for 2020/21.
8	Tom White Waste asset valuation	The carrying value of the assets of Tom White Waste held in the Council's Group Accounts had not been subject to a fair value valuation.	The Council has not sought a fair value valuation for 2020/21 at this stage. The Council is currently assessing the balance of the cost of undertaking a valuation with the risk of accounting misstatement.

Appendix 1 - Summary of Significant Issues Resolved and In-Progress

ITEM	SUBJECT	AUDIT ISSUE	SUBSEQUENT ACTION OR COUNCIL RESPONSE
9	Friargate Joint Venture investment valuation	The investment held in the Council's accounts had not been revalued subsequent to the Council's purchase of the company.	The Council has sought an updated external valuation for 2020/21.
<u>Significant findings - other matters</u>			
10	Expenditure	Impact of £5,000 accruals de-minimis policy.	The Council notes the potential impact of its accruals policy and is confident that this is proportionate and consistent with the outcomes anticipated when the policy was agreed.
11	Credit loss allowance	Risk in collection of old debt and need to review bad debt provision allowance.	The Council has reviewed and increased bad debt provisions in relation to specific areas of debt as part of 2020/21 closedown.

This page is intentionally left blank



Coventry City Council

Public report

Report to

Audit and Procurement Committee

28th June 2021

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance

Ward(s) affected:

City Wide

Title:

Internal Audit Annual Report 2020-21

Is this a key decision?

No

Executive summary:

This report to the Audit and Procurement Committee has two purposes:

- To summarise the Council's Internal Audit activity for the period April 2020 to March 2021 against the agreed Audit Plan for 2020-21 and the Public Sector Internal Audit Standards.
- To provide the Audit and Procurement Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements for the financial year 2020-21 (as documented in section 2.3 of this report).

Recommendations:

Audit and Procurement Committee is recommended to note and consider:

1. The performance of Internal Audit against the Audit Plan for 2020-21.
2. The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.

3. The summary findings of key audit reviews (attached at appendix two) that have not already been reported to Audit and Procurement Committee during municipal year 2020-21 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.
4. The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.

List of Appendices included:

Appendix One - Audits completed in 2020-21

Appendix Two - Summary findings from key audit reports

Appendix Three – Cyber / IT Security briefing note

Background papers:

None

Other useful documents:

Internal Audit Plan 2020-21 – Quarter Three Progress Report

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12271&Ver=4>

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 Annual Report 2020-21

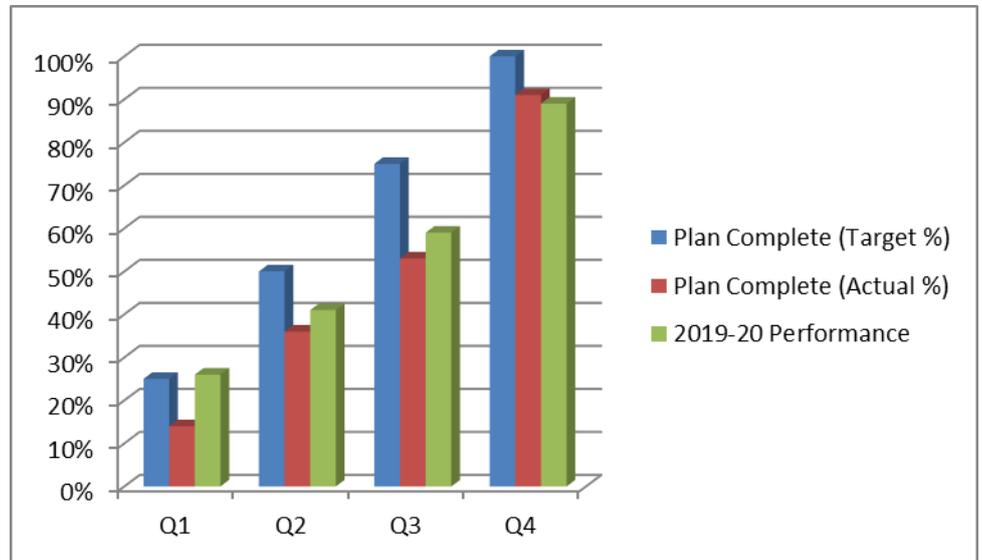
1. Context (or background)

- 1.1 The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2020-21 at its meeting on the 30th November 2020. During the last financial year, the Committee received a progress report summarising completed audit activity in January 2021.
- 1.2 This report details the performance of the Internal Audit Service against the Plan for 2020-21, which is presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference - *“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”*.
- 1.3 The report is split into the following sections:
- Assessment of the performance of the Internal Audit Service against its key targets.
 - The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.
 - A summary of the audit activity in 2020-21 and highlighting issues that have not been reported to the Audit and Procurement Committee previously and are relevant to the overall opinion.
 - The Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.

2. Options considered and recommended proposal**2.1 Performance of the Internal Audit Service**

- 2.1.1 The key target for the Internal Audit Service is to complete 90% of its agreed work plan by the 31st March 2021. Whilst the plan was originally developed on the basis of an estimate of 550 available audit days, this was subsequently slightly amended to 500 days following a reassessment of available resources in quarter four, and reflects the fact that establishing an accurate resource position is more difficult when changes in staffing occur during the year. As a result, the performance of the Service has been assessed against the revised audit plan of 500 days. As illustrated by the chart overleaf, the service delivered 91% of this plan.

Chart One: Performance of Internal Audit 2020-21



2.1.2 In addition to the delivery of the Plan, the Service has a number of other key performance indicators (KPIs) which underpin its delivery. These KPIs are aimed at ensuring that the audit process is completed on a timely basis. The table below details the performance of Internal Audit for 2020-21, compared with performance in 2019-20.

Table One: KPIs for the Internal Audit Service

Performance Measure	Target	Performance 2020-21	Performance 2019-20
Planned Days Delivered	100%	89%	95%
Productive Time of Team (% of work time spent on audit work)	90%	90%	88%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	67%	85%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	90%	88%
Audits Delivered within Budget Days	80%	76%	79%

Whilst performance in three areas is below target, there are a number of reasons behind this and performance management remains a key focus for management within Internal Audit as part of the Quality Assurance and Improvement Programme (see 2.2 below).

2.2 Quality Assurance Improvement Programme

2.2.1 The Public Sector Internal Audit Standards require that the Internal Audit Service develops and maintains a quality assurance programme that covers all aspects of the internal audit activity. In 2020-21, the Programme included the following:

- On-going supervision and review of audit work including the use of quality review checklists to provide a formal assessment of the quality of the work undertaken and identify areas for improvement.
- Results of staff performance appraisals.
- Support and induction for new members of staff.
- Continued focus on planning and time management to deliver audits in budget days through weekly team meetings and one to ones.

2.2.2 As a result of the pandemic and the need to prioritise work which has been required to support the Council's response to Covid-19, the Service have been unable to progress the improvement actions from the 2019-20 improvement plan. Consequently, these actions have been carried forward to this year's plan, along with new actions which have been identified during 2020-21. Forthcoming progress against these actions will be included in future reports to the Audit and Procurement Committee.

Table Two: Internal Audit Improvement Actions

Public Sector Internal Audit Standards	Specific Standard	Improvement Action
Code of Ethics	Competency	Development of a training strategy for Internal Audit and skills matrix
Attribute standards	Purpose, authority and responsibility	Review and update of the Internal Audit Charter
Attribute standards	Proficiency and due professional care	Continuing to develop knowledge of available technology-based audit and data analysis techniques to perform audit work
Attribute standards	Quality Assurance and Improvement Programme	Planning for a full external assessment against the Public Sector Internal Audit Standards to be undertaken.
Attribute standards	Quality Assurance and Improvement Programme	Introduction of a formal mechanism for capturing customer feedback
Performance standards	Managing the Internal Audit activity	Review and update of the Internal Audit Manual
Performance standards	Managing the Internal Audit activity	Developing a tool to support on-going supervision of audits.
Performance standards	Managing the Internal Audit activity	Review and update of audit report template

2.2.3 In considering the results of the quality assurance and improvement programme, it has been concluded that the Internal Audit Service partially conforms with the Public Sector Internal Audit Standards and it is recognised that there are improvement opportunities to achieve full conformance. Where improvements have been identified, it is not considered that this impacts on the overall scope or operation of the internal audit activity.

2.3 **Audit Activity 2020-21**

2.3.1 Appendix One details the audit reviews that have been carried out in the financial year 2020-21 along with the level of assurance provided. Table three below provides definitions to support the level of assurance applied to audit reviews carried out by the Service.

Table Three: Definitions of Assurance Levels

Assurance Opinion	What does this mean?
Significant	There is an appropriate level of control for managing all the significant inherent risks within the system. Testing shows that the controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically.
Moderate	There are generally appropriate levels of control for managing the majority of the significant inherent risks within the system. Some control failings have been identified from the systems evaluation and testing that need to be corrected. The control failings do not put at risk achievement of the system's objectives.
Limited	There are weaknesses in the level of control for managing the significant inherent risks within the system. A number of control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
No	There are major, fundamental weaknesses in the level of control for managing the significant inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

2.3.2 **Other** – A summary of the findings of key audits that have not already been reported to the Committee during municipal year 2020-21 are included at Appendix Two / Three. In all cases, the relevant managers have agreed to address the issues raised in line with the timescale stated. These reviews will be followed up in due course and the outcome reported to the Audit and Procurement Committee.

2.3.3 **Follow up of Disclosures made in the Internal Audit Annual Report 2019-20** – In the previous annual report, the Chief Internal Auditor identified a number of areas where she believed significant control improvements were required. An update on each of these areas is provided below:

- **Health and Safety Audit Programme** – This disclosure was based on the findings of a review of the Council's audit arrangements in regards to health and safety. A revised audit strategy for 2020-22 was developed and a new set of audit protocols was established. In addition, a resource assessment to underpin a risk-based audit programme for 2020-21 was undertaken. However, the production and delivery of the programme has been significantly impacted by the pandemic and the re-focusing of the priorities of the Occupational Health, Safety and Wellbeing Service as a result. Consequently, this issue has been considered in the preparation of the Annual Governance Statement for 2020-21.
- **IT Disaster Recovery** – This disclosure was based on the findings of a review of the Council's IT disaster recovery arrangements. During 2020-21, various technical improvements have been made including commissioning a new secondary data centre and strengthening network resilience. However, as the pandemic has impacted on the capacity to be able to focus on a cross organisation working group with regards to business continuity and ICT disaster recovery, this issue has been considered in the preparation of the Annual Governance Statement for 2020-21.

2.4 **Annual Report - Opinion on the Overall Adequacy and Effectiveness of Coventry City Council's Risk Management, Internal Control and Governance Arrangements**

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

2.4.2 Given the above, an Internal Audit Charter was approved in April 2013, requiring the Internal Audit Annual Report to include the following information:

- An opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.
- Disclosure of any qualifications to that opinion, together with the reason for the qualification.
- Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on the work of other assurance bodies.
- Draw to the attention of the Audit and Procurement Committee any issues particularly relevant to the preparation of the Annual Governance Statement.

2.4.3 **Audit Opinion / Disclosures** – In the Chief Internal Auditor's view, sufficient assurance has been obtained to form a reasonable conclusion on the adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements. This takes into account the internal audit work performed during 2020-21 (including specific reviews linked to risks arising from Covid-19) and other sources of assurance, specifically:

- The Internal Audit log of internal control issues which has been maintained in 2020-21 as a response to the pandemic to ensure the ongoing effectiveness of the system of internal control, including agreeing compensating controls where required.

- The Covid-19 risk register.
- Assessment of the Council's governance arrangements as part of the review of effectiveness which underpins the Annual Governance Statement.

It is the Chief Internal Auditor's opinion that **moderate assurance** can be provided that there is generally an effective and adequate framework of governance, risk management and internal control in place designed to meet the Council's objectives. This means that there is generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level. Through Internal Audit work, actions are agreed to improve the governance, risk management and internal control environment and assist the Council in achieving its objectives. A defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis.

In giving this opinion, assurance can never be absolute. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness.

2.4.4 Notwithstanding the above, during 2020-21, the Internal Audit Service have not been able to undertake the full remit of follow up work that would normally occur to gain assurance that audit recommendations have been implemented. This was due to the priority given to providing assurance on the Covid-19 business grant schemes. However, in the view of the Chief Internal Auditor, this does not impact on the ability to provide an annual opinion and the outstanding work will be completed during 2021-22.

2.4.5 **Audit work undertaken** – Appendix One details the audit reviews that have been carried out in the financial year 2020-21 along with the level of assurance provided. In considering the outcome of audit activity for 2020-21, an assessment is initially made of the number of 'limited' or 'no' assurance audits (as these require immediate improvements) in comparison with the results from the previous two years.

Table Four: Comparison of Audit Assurance Levels

Financial Year	Number of Audits	Number of Audits With 'limited' or 'no' Assurance	Percentage of Audits with 'limited' or 'no' Assurance
2020-21	49	6	12%
2019-20	49	8	16%
2018-19	60	5	8%

Table four above indicates that the percentage of audits with "limited" or "no" assurance in 2020-21 is comparable to the average of the previous two years and in the Chief Internal Auditor's opinion this remains at an appropriate level in regards to providing an opinion of moderate assurance on the overall environment, based on the definition of assurance in table three in section 2.3.1. Other factors that have been considered in the assessment of the control environment include:

- The impact that the weaknesses identified have on the overall Council control environment - When considering the six reviews, they fall into one of the following categories:

- Reviews that are focused on working practices in specific services / functions.
- Reviews where issues have a corporate impact either in terms of finance, reputation and / or service delivery.
- Whether there is any specific change in audit focus / approach that may have impacted on the number of 'limited' or 'no' assurance audits – in 2020-21, no specific changes in focus / approach have been identified which would have had a significant impact.
- Assessment of the control environment during the pandemic – a number of reviews have been carried out during 2020-21 to specifically consider the impact of the pandemic on the control environment and gain assurance that controls have continued to remain effective or where controls have been adapted / new activities undertaken, to gain assurance that arrangements are adequate.

2.4.6 **Issues relevant to the preparation of the Annual Governance Statement** – In undertaking the assessment of the Council's arrangements, the Chief Internal Auditor has identified a number of areas that, in her opinion, need to be considered when the Council produces its Annual Governance Statement for 2020-21.

From a general point of view, whilst any audit where 'limited' or 'no' assurance was provided requires attention, an assessment is also made as to whether the review has a significant corporate impact and consequently needs to be considered in the producing the Annual Governance Statement, or whether the review is limited to specific working practices in service areas which do not have a wider bearing on the Council's control environment.

In terms of key issues identified, the following are highlighted:

1. **Information risk management** – This reflects the findings of a review of the Council's arrangements for managing information risks, which is summarised at Appendix Two. The review highlighted the need for improvements to the system for identifying, evaluating, controlling and monitoring information risks, with a new approach to this activity required to ensure information risks are being appropriately managed.
2. **IT / Cyber Security** – This reflects the findings arising from a number of reviews undertaken linked to the security of the IT environment and cyber resilience and recognition that the Council's arrangements should be strengthened in light of the risks involved. Given the technical nature of this activity, a specific briefing note has been produced to summarise these findings and assist the Audit and Procurement Committee in gaining assurance that appropriate action is being taken. The briefing note is attached as Appendix Three.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable associated with this report, although the opinion of the Chief Internal Auditor on the adequacy of the Council's risk management, internal control and governance arrangements is a key source in the preparation of the Annual Governance Statement.

5. Comments from the Director of Finance and the Director of Law and Governance

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

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement alongside the Statement of Accounts. The opinion of the Acting Chief Internal Auditor on the adequacy of the Council's risk management, internal control and governance arrangements as included in the Annual Report is a key source in the preparation of the Annual Governance Statement. Reporting on progress in regards to the delivery of the Annual Audit Plan ensures that the Council meets its statutory obligations in respect of maintaining an 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 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. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. This risk is managed through on-going communication with customers to agree timing and identify issues at an early stage to allow for remedial action to be taken.
- 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) climate change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Karen Tyler
Chief Internal Auditor

Service:

Finance

Tel and email contact

Tel: 024 76972186
Email: Karen.tyler@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Law and Governance	10/6/21	10/6/21
Paul Jennings	Finance Manager Corporate Finance	Finance	10/6/21	15/6/21
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance	-	10/6/21	15/6/21
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	10/6/21	17/6/21

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

Appendix One – Internal Audit Reviews Completed in 2020-21

Audit Area	Audit Title	Assurance	
2019/20 B/Fwd	Contract Management Framework	Moderate	
	Adult Social Care workflow processes	Moderate	
	Asset Management, patching and secure configuration *	Limited	
Corporate Risk	Accounts Payable	Significant	
	Business rates grants – round 1	N/a	
	Discretionary grants – round 1	N/a	
	PPE	Fact finding	
	Supplier relief	N/a	
	Information risk management	None	
	Sickness absence recording	Moderate	
	Controls over Covid-19 funding	Significant	
	Analysis of expenditure	Significant	
	Grants to businesses – round 2	N/a	
	Cyber resilience	Limited	
Council / Audit Priorities	Mobile devices	Limited	
	Bribery and corruption arrangements	Moderate	
	Tribepad recruitment system	Moderate	
Financial Systems	Council plan performance reporting	Significant	
	Accounts payable	Significant	
	Accounts receivable	Significant	
	Payroll	Significant	
	Council tax	Significant	
	CareDirector (income and expenditure)	Moderate	
Regularity	Annual governance statement	N/a	
	Blue badge grant	Verification	
	Innovate UK grant – West Midlands RESO	Verification	
	Coventry North Regeneration	Significant	
	North Coventry Holdings	Significant	
	Innovate UK grant – parking AV	Verification	
	Disabled facility grant	Verification	
	Sherbourne fields grant	Verification	
	Growth deal hub	Verification	
	S256 Health grant	Verification	
	Teachers Pension Statements	Verification	
	Bus subsidy grant	Verification	
	Highways grants	Verification	
	EU Brexit readiness grant	Verification	
	School direct grant	Verification	
	Troubled families	Verification	
	Risk management	Moderate	
	Declaration of interests	N/a	
	Test and trace service support grant	Verification	
	Enforcement and compliance grant	Verification	
	Directorate issues	Payment of allowances	Moderate
		Winter support scheme – distribution of vouchers to schools	Significant
Formal Follow Ups	Passenger transport	Moderate	
	Sports and arts cultural grants process *	Limited	

Audit Area	Audit Title	Assurance
	Resourcelink self-service delegated authority *	Limited
	St Osburgs Primary School	Moderate

(*) Audit findings reported to Audit and Procurement Committee during municipal year 2020-21

Appendix Two – Summary Findings from Key Audit Reports

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Information risk management</p> <p>January 2022</p> <p>Head of Information Governance / Director of Law and Governance</p>	<p>Overall Objective: To ensure that the Council has effective arrangements in place to identify, evaluate, control and monitor information risks.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - Roles and responsibilities for information risk management have been clearly and appropriately defined, documented and communicated across the Council. - The Council has determined an effective approach for highlighting information risks, which utilises appropriate sources of information / data to underpin the identification of risks. - The risk register template for information risks and associated processes / procedures are fit for purpose and facilitate the effective management of risk. - There is a coherent and joined up structure between the information risk management process and the Council's corporate risk management process, which is documented within relevant policies and procedures. <p>Opinion: No Assurance</p> <p>Agreed Actions – risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Undertake a fundamental review of the Information Governance Handbook with a view to providing a more simplified and coherent structure (H) • Clarify the role and responsibilities of the Information Management Strategy Group (IMSG) in relation to information risk management and ensure that they are clearly and consistently defined in appropriate documentation. (H) • Ensure that IMSG meetings are resumed as soon as practical to do so and include appropriate consideration of matters relating to information risk management. (H) • Reallocate the Senior Information Risk Owner role to the Director of Law and Governance. (H) • Re-evaluate the overall approach to information risk management, with consideration given to Information Governance coordinating the production of the risk register using the range of sources available to them, which should then be provided to Directors to consider / review as part of their service's risk management process. (H) • Ensure that appropriate policies and procedures are updated to reflect any changes to the risk management approach. (H)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> • Re-introduce the programme of spot checks across services areas and utilise the findings to update the Information Risk Register as appropriate. (M) • Consider how the information risk management process can be coherently linked to the Council's directorate risk register processes. (H)

1. Background

The strategy for Internal Audit includes provision for a programme of ICT audit work to be undertaken on an annual basis. This reflects the fact that ICT is critical to the effective operation of all Council services on a day to day basis and consequently it is important that assurance can be provided that associated risks are being appropriately managed through the internal control environment. The programme of ICT audit work is agreed on an annual basis following a needs assessment.

A significant focus of Internal Audit's work over the past year has related to controls around the security of the ICT environment and cyber resilience, given the increasing number of cyber security incidents in the public sector and local government. A successful attack can have significant implications, both financially and on the ability of services to continue to operate. It is therefore critical that the Council has robust controls in place to ensure that the risk of this is minimised as far as possible.

Given the importance of ensuring that the Council has robust arrangements in place to protect against the risk of cyber-attacks and maintain a secure ICT environment, this briefing note is intended to provide details of the outcomes of the Internal Audit work in this area and provide assurance on further actions being taken.

2. Internal Audit findings and next steps

Over the past year, Internal Audit have undertaken the following reviews in relation to ICT:

- Cyber resilience
- Asset Management, Patching and Secure Configuration
- Remote Access
- Mobile Devices

A significant focus of these reviews was on the internal controls that need to be in place to manage risks to the ICT environment (both externally and internally), for example, unauthorised access, loss / theft of data, and cyber-attacks resulting in denial of service and reputational damage. The work undertaken highlighted a number of areas of good practice in relation to the control environment including:

- A dedicated ICT Security Team
- Mandatory training for employees on ICT Security
- Systems to proactively monitor and block malicious network traffic and emails
- Anti-virus software and data encryption

However, the reviews also highlighted a number of areas for improvement, particularly in relation to those technical internal controls required to support effective operational security and as such, has impacted on the level of assurance given by Internal Audit that risks are being effectively managed in respect of those areas examined. Whilst recognising this is not straightforward in the context of an organisation the size of the Council with a significant and wide-ranging ICT infrastructure and estate, it is clearly important that controls are consistently applied and maintained on an on-going basis. The issues identified also reflect guidance issued by the National Cyber Security Centre on the standards required to reduce the risk of a successful cyber-attack.

In response to the issues raised in the Internal Audit reports highlighted above, a number of recommendations have been made, which ICT have committed to implement within agreed timescales. Alongside this:

- The ICT Service has been proactively raising awareness of cyber security across the organisation, including an innovative “Fakeminster” series of videos and a well-received Let’s Talk Cyber Security session. As corporate attacks can result from the inadvertent actions of employees, for example through clicking on a malicious email link, ensuring that employees are cyber aware and have the knowledge to enable them to work securely is a key element of the internal control environment.
- During 2021/22, the Council will be working towards Cyber Essentials Plus accreditation (a government backed cyber security accreditation) which will provide external assurance that effective controls are in place.
- Cyber resilience is a key part of the continuing ICT service plan for 2021/22 and Corporate ICT strategy. As part of this, further work and external due diligence with Gartner is currently taking place with regards to our ICT security provision. It is expected that the output of this will form an investment ask relating to enhancing our controls and resource allocated to ICT security to support in increasing our assurance and compliance levels in relation to ICT security. This investment ask will be presented to Strategic Management Board in due course during 2021/22 with an associated options appraisal.
- Internal Audit will carry out formal follow up audits to ensure that recommendations have been implemented as planned. The outcome of this work will be subject to oversight by the Audit and Procurement Committee.
- Planned improvements will be included in the action plan for the Annual Governance Statement 2020-21.

An update on progress will also be provided to Strategic Management Board and the Audit and Procurement Committee in due course.

This page is intentionally left blank



Coventry City Council

Public report

Report to

Audit and Procurement Committee

28th June 2021

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance

Ward(s) affected:

City Wide

Title:

Internal Audit Plan 2021-22

Is this a key decision?

No

Executive summary:

The purpose of this report is to share the draft Internal Audit Plan for 2021-22 with the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

Recommendations:

Audit and Procurement Committee is recommended to consider the draft Internal Audit Plan for 2021-22 (Appendix 1 to the report) and provide any comments on the content and scope of the proposed Plan.

List of Appendices included:

Appendix 1 - Draft Internal Audit Plan 2021-22

Background papers:

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:

Draft Internal Audit Plan 2021-22

1. Context (or background)

1.1 The Audit and Procurement Committee, within its terms of reference, is required 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'.

1.2 In terms of proposed audit activities, the draft Internal Audit Plan attached at Appendix One documents the outcome of the audit planning process for 2021-22. This report provides the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility as highlighted above, but also enables the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

2. Options considered and recommended proposal

2.1 **Background** – Internal Audit is an essential part of the Council's corporate governance arrangements. In considering the Public Sector Internal Standards (PSIAS) which became applicable to local authorities in April 2013 (and updated March 2017), Internal Audit is defined 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".

The priorities of internal audit activity are determined through the development of an annual risk-based Internal Audit Plan. This report documents the planning process and identifies the outcome of this process, namely the draft Internal Audit Plan for 2021-22.

In developing the Audit Plan, we aim to achieve the following objectives:

- To provide a cost effective, targeted and value-added service to our customers. This requires the Service to achieve a balance between delivering standard audit reviews and responding to new / emerging risks faced by the Council, both at the operational and corporate level.
- To provide a quality Internal Audit Service in line with the Public Sector Internal Audit Standards, to assist the Council in achieving its aims and objectives.
- To provide the Service with a degree of flexibility to allow it to be able to respond to the changing needs of stakeholders during the year and provide relevant assurance.
- Ensuring that the level and skills of audit resources available is appropriate to meet the audit needs of the Council.
- To allow the Chief Internal Auditor to provide the Council with an annual opinion on the effectiveness of the organisation's risk management, internal control and governance arrangements.

2.2 **Draft Audit Plan 2021-22** – The results of the initial assessment of priorities are shown in Appendix One. Key points to note include:

- The draft plan is based on an allocation of priorities against the current level of audit resources available. The resource requirements have been assessed taking into account the requirement to produce an annual audit opinion and the Council's overall assurance framework. Due to current vacancies in the Service, it is difficult at this stage to precisely define the overall level of resources that will be available for 2021-22, however a current estimate has been made that there will be 650 days for audit and corporate fraud work, compared to 500 days in 2020-21. In the event that there is a significant change in the available audit days over the course of the year, flexibility will be retained in how these resources are utilised. Updates on the resource position and any resulting change to the audit plan will be provided in future reports to the Committee.
- In focusing the available resources to develop a plan which meets the needs of the Council, the following approach has been taken:
 - A documented risk assessment has been undertaken, which considers the Council's corporate risk register and key priorities as identified from consultation with Directors and other senior managers, alongside other priorities linked to areas of risk which have been highlighted by the Chief Internal Auditor. Where appropriate, an assessed risk level has been included in Appendix One. Where the risk has been assessed as medium rather than high, this generally reflects the findings of previous audit reviews in the respective area / an initial assessment of the control environment.
 - A risk-based approach to the audit of schools, rather than a cyclical programme of audit work.
 - A flexible and responsive approach to issues highlighted by senior officers with dialogue to ensure resources are directed in accordance with their priorities.
 - A flexible approach to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.
 - The need to continue to allocate some resource to supporting the administration and assurance requirements linked to the government's Covid-19 business related grants.
- Other areas of planned work include:
 - Corporate Risks – the focus of audit coverage in 2021-22 in regards to the corporate risk register is aligned to those areas where it is clear Internal Audit can make a contribution to the management of these risks, including emerging issues linked to these activities. This includes reviews of budgetary control, equality and diversity in recruitment, and arrangements linked to the prevention and relief of homelessness.
 - ICT – The programme of work of IT audit work is established through an IT audit needs assessment which identifies areas of focus over a three-year period (subject to annual review.) In 2021-22, the areas which have been agreed are File Storage (optimising and making the best use of available platforms), Service Desk (assessment of the new system for raising IT issues and associated processes), and Storage Area Network (a modernisation project.)

- Council / Audit priorities – this incorporates audit work linked to specific priorities which have a corporate impact such as purchasing cards, IR35 compliance and climate change.
- Regularity – this includes work to meet the assurance requirements of grant funding received by the Council, and co-ordination of the Annual Governance Statement and declarations of interest exercise.
- Directorate risks – this audit area includes those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. In 2021-22 identified areas include Public Health information management system, Fleet Services and buildings statutory compliance.

As a result, it is believed that the draft Audit Plan for 2021-22 is sufficient for the work required to report on governance, the management of risks and internal controls in the year and to prepare our annual opinion and report.

3. Results of consultation undertaken

- 3.1 There is an on-going process of consultation with Senior Officers across the Council to inform development of the Audit Plan and areas of specific focus throughout the year.

4. Timetable for implementing this decision

- 4.1 The Internal Audit Plan is an annual plan and is based on a completion date of the 31st March 2022. Progress is monitored by the Audit and Procurement Committee. In addition to the planned quarterly progress reports, the Internal Audit Service is required to produce an annual report. This report is due in June / July 2022 and will include the opinion of the Chief Internal Auditor on the adequacy of the Council's risk management, internal control and governance arrangements, highlighting issues relevant to the preparation of the Annual Governance Statement.

5. Comments from the Director of Finance and the Director of Law and Governance

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

The effective planning of audit activity across the organisation ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

6. Other implications

6.1 How will this contribute to achievement of the council's 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 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. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. The risk is managed through on-going communication with customers to agree timing and identify issues at an early stage to allow for remedial action to be taken.
- 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) climate change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Karen Tyler
Chief Internal Auditor

Service:

Finance

Tel and email contact

Tel: 024 7697 2186
Email: Karen.tyler@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Service	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Law and Governance	10/6/21	10/6/21
Paul Jennings	Finance Manager Corporate Finance	Finance	10/6/21	15/6/21
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance	-	10/6/21	15/6/21
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	10/6/21	17/6/21

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

Appendix One – Internal Audit Plan 2021-22

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
Corporate Risk			
	High	ICT (Infrastructure and Change)*	30
	High	Finance	36
	High	Workforce strategy	17
	High	Homelessness / temporary accommodation	23
	High	Covid-19 grants to businesses	20
Council / Audit Priorities			
	Medium	Payment Audit*	5
	Medium	Purchasing cards	17
	High	IR35 compliance	17
	High	Climate change	15
	High	Modern slavery	7
Financial Systems			
	High	Care Director	15
	High	Business Rates	10
	Medium	Accounts Payable	10
	Medium	Accounts Receivable	10
	Medium	Council Tax	10
	Medium	Payroll	10
	Medium	Housing Benefits	10
Regularity			
		Grants	110
		Corporate Governance	22
		Risk Management	7
		Schools	20
Other			
		Contingency / Directorate Risks	93
		Fraud	20
		Follow up	50
		2020/21 B/Fwd	66
		Total Days Available	650
		* undertaken by third parties	