

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee**  
**held at 2.30 pm on Monday, 29 November 2021**

Present:

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

In Attendance: Z Francis, M Stocks (Grant Thornton, External Auditors)

Employees (by Service):

Finance B Hastie (Director of Finance), P Jennings, K Tyler  
Law and Governance L Knight  
Streetscene and Regulatory Services D Cahalin-Heath, A Tandy

## **Public Business**

### **37. Declarations of Interest**

There were no disclosable pecuniary interests.

### **38. Minutes of Previous Meetings**

The minutes of the meetings held on 27<sup>th</sup> September and 27<sup>th</sup> October 2021 were agreed and signed as correct records.

There were no matters arising.

### **39. Outstanding Issues**

The Audit and Procurement Committee considered a report of the Director of Law and Governance, that identified issues on which a further report / information had been requested or was outstanding so that members were aware of them and could manage their progress.

Appendix 1 to the report provided details of issues where a report back had been requested to a meeting, along with the anticipated date for consideration of the matter.

Appendix 2 of the report provided details of items where additional information had been requested outside formal meetings, along with the date when this had been completed.

In respect of item 1 of Appendix 2, relating to details of the Governance arrangements for the City of Culture legacy work, the Committee were advised that this matter had now been completed.

**RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report.**

40. **Work Programme 2021/2022**

The Audit and Procurement Committee considered a report of the Director of Law and Governance which set out the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2021/22.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2021/22.**

41. **Annual Compliance Report 2021 - Regulatory & Investigatory Powers Act (RIPA) 2000**

The Audit and Procurement Committee considered a report of the Director of Streetscene and Regulatory Services, which outlined the Council's use of the Regulation of Powers Act 2000 (RIPA), which governed the acquisition and disclosure of communications data and the use of covert surveillance by local authorities.

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

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

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

**RESOLVED that the Committee:**

- 1. Note the Council's use and compliance with RIPA.**
- 2. Request that the Cabinet Member for Policing and Equalities be recommended to look at processes for the purchase of goods online, including alcohol, and how age can be confirmed.**

**42. Internal Audit Plan 2021-22 - Half Year Progress Report**

The Audit and Procurement Committee considered a report of the Director of Finance, which provided an update on the internal audit activity for the period April to September 2021, against the Internal Audit Plan 2021/22. The report was the first monitoring report for 2021/22 and was presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

An Appendix to the report provided a list of the audits finalised between April and September 2021, along with the level of assurance provided. As at 30<sup>th</sup> September 2021, the following audits were in progress:

- Compliance with Working Together Standards
- File Storage
- Purchasing Card Compliance
- Green Homes Grant
- PSDS Core Buildings Grant
- Dol-y-Moch Recruitment
- Parking Enforcement
- Deprivation of Liberty Safeguards

Details of a selection of key reviews completed in this period were provided in a further appendix to the report. In all cases, the relevant managers had agreed to address the issues raised in line with the timescales stated. These reviews would be followed up in due course and the outcomes reported to the Audit and Procurement Committee.

In relation to the Audit Review within Business Rates, the Committee noted that the Business Rates Team had significantly re-purposed its activities throughout 2020-21 in order to administer Covid-19 grants to businesses. However, as a result, there had been a significant impact on the Service's ability to maintain its normal systems, levels of control and working practices. It was acknowledged that this was not a result of management failings and that there was confidence that this was a temporary situation which did not impact on the level of assurance that was provided in relation to the objective.

In considering the Audit Review relating to the Broadgate House Payment Kiosks, the Committee noted that investigations behind discrepancies in the reported end of year cash balances were undertaken but that not all cash which had been administered by Customer Services could be adequately accounted for. Whilst the review identified two possible explanations, it was not possible to reach a conclusion with any degree of certainty as to what had taken place. There were

indications that the issue had occurred as a result of software / kiosk errors, it was not possible to rule out that cash may have been misappropriated, although there were no other factors identified to support this.

At the end of September 2021, the Service had completed 33% of the Audit Plan against a planned target of 50%. It was acknowledged that progress in quarter two was below target, although it was comparable to performance at the same point last year.

The Internal Audit Plan for 2021-22 was submitted to the Committee at its meeting on 28<sup>th</sup> June 2021. That report had explained that the level of resources available in 2021/22 for audit and corporate fraud work could not be precisely defined when the Plan was developed due to staff vacancies within the Service.

As a result, the Internal Audit Plan was developed on an estimate of 650 days available for audit and corporate fraud work, but this would be monitored, with any resulting changes provided in future reports to the Committee. Whilst all vacant posts were now being recruited to, at the current time, management were not in a position to accurately define the impact on the available audit days. However, achievement of 90% of the Plan by the end of March 2022 remained a key priority for the Internal Audit Service and a flexible approach would be taken to utilise resources to meet this target.

In considering the report, the Committee discussed the level of resources required to undertake an audit review and, in particular, how much manual work is required and whether better use could be made of data analytics and artificial intelligence. It was agreed that a report on the possibility of using data analytics, including artificial intelligence, be included on the work programme for 2022/23.

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

- 1. Notes the performance as at quarter two against the Internal Audit Plan 2021/22.**
- 2. Considered and notes the summary findings of the key audit reviews detailed in an Appendix to the report.**
- 3. Request that a report on the use of data analytics, including artificial intelligence, be added to the work programme for 2022/23.**

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

The Audit and Procurement Committee considered a report of the Director of Finance, which sought approval of the audited 2019/20 Statement of Accounts and Grant Thornton's Audit Findings report provided alongside the accounting statements. The Committee was approving these accounts on the Council's behalf. This followed an extension to the period of audit by Grant Thornton in line with national regulation. The original deadline to complete and authorise the Statement of Accounts was 31<sup>st</sup> July 2020.

The Council published its draft statement on 26<sup>th</sup> June, two months before the statutory deadline. As a change to previous years and due to the unusual

circumstances caused by the COVID-19 pandemic, the decision was taken for the draft accounts to not be considered by the Committee, but instead for the Committee to consider the final audited statement alongside the external auditor's Audit Findings report in November 2020.

At the meeting in November 2020 (Minute 25/20 refers), the Committee gave delegated authority to the Director of Finance, following consultation with the Chair of the Committee, for final changes to the draft accounts. Subsequent audit work, much of which was not foreseen at the time of the meeting, uncovered a significant number of further audit queries, some of which have resulted in material changes to the accounting statements. This led to a delay to the 2019/20 accounts being completed, which is unprecedented in recent memory. The vast majority of this further work has been completed and there is now a strong degree of confidence that the last remaining outstanding items in the Audit Findings report will be completed very shortly, allowing the audited accounts to be signed off and published.

In November 2020, a number of factors were outlined for delays to the audit process for 2019/20. These were:

- Practical issues with undertaking audit work in a 'virtual' way;
- Additional work required of the auditors, including that insisted upon by the Financial Reporting Council in relation to the valuation of Property, Plant and Equipment;
- Well publicised pressure on the auditing sector which have been outlined in the recent Redmond Review; and
- Delays elsewhere in the process, for instance in the completion of pension fund accounts and those of the Council's companies.

A number of key issues that have remained outstanding through 2021 relate to Property, Plant and Equipment valuation, whilst the other key areas of audit challenge has been the Council's accounting arrangements surrounding its Group Accounts, which incorporate the financial statements of the relevant external companies owned by the Councils. Details of this work was set out in the Addendum to the Audit Findings report accompanying the Audited Statement of Accounts and included the major items that the Committee needed to have brought to its attention and the Council's response to these.

The Audit Findings report by Grant Thornton, the Council's external auditors, had been presented to the Committee in November 2020 and an Addendum to that report was now presented to the Committee for consideration. The Committee noted that, since the November 2020 meeting, several further accounting issues were identified for which material adjustments were required to the Group and Council's financial statements. These had resulted in the recognition of:

- An increase in group net assets as at 31<sup>st</sup> March 2020 or £215.5m (Council £149.4m);
- An increase in group total comprehensive income for the year ending 31<sup>st</sup> March 2020 of £91.1m (Council £56.6m);
- Prior period adjustments to recognise:
  - An increase in group net assets as at 31<sup>st</sup> March 2019 of £115m (Council £92.8m);

- An increase in group comprehensive income for the year ending 31<sup>st</sup> March 2019 of £4.8m (Council £5.3m).

These audit adjustments were detailed in Appendix B to the Addendum and recommendations raised with management as a result of the audit work carried out by Grant Thornton were set out in Appendix A.

Grant Thornton indicated within the Addendum that their work was substantially complete and there were no matters of which they were aware that would require modification of their audit opinion, or material changes to the financial statements subject to the following outstanding matters:

- Receipt of evidence that Local Plan land asset valuations appropriately reflect significant information available about the condition and cost of remedial works;
- Confirmation from Grant Thornton's experts that inclusion in the Local Plan impacts market value of land to the extent determined by management;
- Confirmation from Grant Thornton's experts that management's assessment that the depreciated replacement costs (DRC) basis of valuing Coombe Abbey property is appropriate in the group accounts;
- Receipt of an amended lease agreement between the Council and UKBIC Limited and evidence that all affected assets are included on the amended lease;
- Completion of review procedures;
- Receipt of management representation letter; and
- Review of the final set of financial statements.

Grant Thornton concluded that the other information to be published with the financial statements was consistent with their knowledge of the organisation and the financial statements they had audited. It was anticipated that the audit report opinion would be unqualified, including an Emphasis of Matter paragraph highlighting PPE, investment properties and Pension Fund investment properties valuation material uncertainty disclosures.

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

- 1. Having considered the final 2019/20 Statement of Accounts, approves the Accounts.**
- 2. Accepts the Grant Thornton's Audit Findings Report provided alongside the accounting statements.**
- 3. Endorse that delegated approval be giving to the Director of Finance, following consultation with the Chair of the Audit and Procurement Committee, to agree any final changes to the Statement.**

44. **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 4.30 pm)