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### Audit and Procurement Committee

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**Time and Date**

2.30 pm on Monday, 27th June 2022

**Place**

Diamond Rooms 1 and 2 - Council House

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**Public Business**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meetings** (Pages 3 - 12)  
To agree the minutes of the meetings held on 21<sup>st</sup> March 2022 and 7<sup>th</sup> June 2022
4. **Outstanding Issues** (Pages 13 - 18)  
Report of the Director of Law and Governance
5. **Work Programme 2022/23** (Pages 19 - 20)  
Report of the Director of Law and Governance
6. **Internal Audit Annual Report 2021-22** (Pages 21 - 38)  
Report of the Chief Operating Officer (Section 151 Officer)
7. **Internal Audit Plan 2022-23** (Pages 39 - 46)  
Report of the Chief Operating Officer (Section 151 Officer)
8. **2019-20 and 2020-21 Accounts Update** (Pages 47 - 54)  
Report of the Chief Operating Officer (Section 151 Officer)
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

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Julie Newman, Director of Law and Governance, Council House, Coventry  
Friday, 17 June 2022

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon, Governance Services, Email: [lara.knight@coventry.gov.uk](mailto:lara.knight@coventry.gov.uk) / [michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)

**Membership:**

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

**By invitation:**

Councillor R Brown, Cabinet Member for Strategic Finance and Resources

**Public Access**

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<https://www.coventry.gov.uk/publicAttendanceMeetings>

**Lara Knight / Michelle Salmon**

**Governance Services**

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**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm**  
**on Monday, 21 March 2022**

Present:

Members: Councillor R Lakha (Chair)  
Councillor J Blundell  
Councillor A Hopkins (Named Reserve)  
Councillor T Sawdon

Employees (by Service):

Finance P Jennings, R Martin, K Tyler

Law and Governance J Newman (Director of Law and Governance), A West

Apologies:

Councillor M Ali  
Councillor G Hayre  
Councillor B Singh (Deputy Chair)  
Councillor R Singh

## **Public Business**

### **58. Declarations of Interest**

There were no disclosable pecuniary interests.

### **59. Minutes of Previous Meeting**

The minutes of the meeting held on 31 January 2022 were agreed and signed as a true record.

Further to minute 46/21 headed 'Minutes of Previous Meeting', the Finance Manager (Corporate Finance) indicated that he expected the 2019/20 statement of accounts to be finalised shortly, although recognised that this was the position reported at the last meeting. The issues causing the delay were national, including the way infrastructure assets were valued, rather than issues specific to Coventry. The Finance Manager (Corporate Finance) confirmed that there were no penalties associated with the delay, but there was an issue with the amount of officer and Member time involved in managing three open sets of accounts.

Further to Minute 56/21 headed 'Consideration of Approval of Severance Package', the Chair confirmed that he had spoken to the Council's Monitoring Officer regarding the possibility of a corresponding public report to accompany a private report in respect of severance packages. In response to questions, the Monitoring Officer confirmed that reports asking the Committee to approve a severance payment on early retirement were dealt with in private because they

contained sensitive personal data from which a person could be identified, even if they were not named. Counsel's opinion had previously been sought, the Council's Data Protection Lawyer and Heads of Legal Services across the region supported this approach.

Statutory requirements overrode protections for personal data in relation to the salaries and any severance payments for Chief Officers which were published and for others, a table of the numbers of severance packages in bands was included in the statement of accounts once the employee's early retirement application was approved.

60. **Exclusion of Press and Public**

**RESOLVED** that the Audit and Procurement Committee agrees to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private reports in Minute 67 headed 'Procurement and Commissioning Progress Report' and Minute 68 'Consideration of Approval of Severance Package' below, on the grounds that the reports involve the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as they contain information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

61. **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 anticipated date for consideration of the Matter.

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.

In respect of Item 1 of Appendix 1, the Committee was advised that the audit of IT Disaster Recovery was expected to conclude this week and that a report would be submitted to the Committee following completion of the audit.

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

62. **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 that had been considered by the Committee during the Municipal Year 2021/2022 and identified matters for consideration in 2022/23.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2021/2022 and matters for consideration in 2022/23.**

63. **Quarter Three Internal Audit Progress Report 2021-22**

The Audit and Procurement Committee considered a report of the Director of Finance, that provided an update on the internal audit activity for the period April to December 2021, against the Internal Audit Plan 2021/22. The report was the second 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'.

The report provided information for the period between April and December 2021 about audits finalised including the level of assurance provided, information about the audits currently in progress and a summary of the findings from key audit reports completed.

The Chief Internal Auditor reported that a target of completing 90% of the audit programme by the end of the year had been set at the start of the year, although the number of audit days available was affected by staff vacancies. All posts had now been filled and 470 audit days were available for the year.

At the end of Quarter 3, 51% of the programme had been completed against the target of 75%. While this was behind the target, the pattern of work and types of audits completed were not equally spread across the year, for example some bigger more complex audits had been started during this quarter. Other pressures on resource had come from the announcement of further Covid grant schemes and the completion of recruitment, which were outside the core audit work. Completing 90% of the audit programme by the end of the year remained the target and at this stage it was anticipated that in excess of 80% of the programme would be delivered.

Appendix 1 of the report summarised findings from Key Audit Reports completed between April and December 2021. The audit of Purchasing Card Compliance had focussed on how soft controls impact the behaviour of purchasing card holders and approvers, as in any system with manual controls there is a risk of non-compliance. The audit identified further steps to encourage the right behaviours and strengthen soft controls which would be monitored and reported on.

The final follow-up report on St Osburg's Primary School had identified that only a couple of low-risk issues remained outstanding and would be signed-off. The report provided moderate assurance and that while progress had been made in implementing the actions agreed in the previous follow up audit report, the measures and knowledge that had been developed needed some more time to bed in.

In response to questions from Members of the Committee, the Chief Internal Auditor provided the following information and assurance:

- This year's allocation of 470 audit days reflected the newly populated Internal Audit Team Structure. The two assistants were new in their training roles so had not been allocated any audit days during this year but would be built into next year's programme.
- The structure provided the resources and levels of experience required to return to an increased level of audit days and meet the 90% completion target. Work would also be carried out to ensure that the work of the Team was aligned to the One Coventry Plan.
- While there had been some staff absence related to Covid, this had not had a significant impact on the Team. Covid related absence in the wider organisation had affected capacity in some service areas but this had led to audit work being rescheduled rather than preventing its completion.
- From audit work carried out to date, levels of fraud associated with business rates locally were lower than what had been reported nationally. Pre and post payment work would continue over the next year and would be the subject of reports to government.
- There was a framework in place for the issue of purchasing cards which had limitations on their availability and guidance for their use. The hospitality policy had been updated to reflect current expectations for appropriate work use and, for example, did allow cards to be used in certain circumstances to provide hospitality outside of the Council House.
- The Council was the accountable body for administering certain funds and as such were subject to Audit sign-off. The Peer-to-Peer Grant, which was linked to Covid Recovery and Brexit, was one such fund included in table 2 of the report.

**RESOLVED that the Audit and Procurement Committee notes the performance as at quarter three against the Internal Audit Plan for 2021-22, including the findings of key audit reviews.**

**64. 2021-22 Third Quarter Financial Monitoring Report (To December 2021)**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that detailed the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of December 2021. The report had also been considered by Cabinet at its meeting on 15th February 2022.

The report indicated that the headline revenue forecast for 2021/22 was for net expenditure to be £12.8m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net overspend was £2.5m. At the same point in 2020/21 there was a projected overspend of £0.5m.

The position included an underlying overspend of £10.1m within Children's Services. £8.5m of this had been attributed to the pandemic and funded from one-off Covid funding, accordingly, leaving a net overspend of £1.6m. The financial position in Children's Services continues to be a concern and the lack of access to further Covid funding next year will make finding solutions more difficult.

After adjusting for the effects of Covid, an overspend of £4.3m is forecast for the Streetscene and Regulatory Service. The HGV driver industrial dispute has resulted in a net forecast pressure of £1.8m for quarter 4. The current cost of the dispute is estimated at £600k per month primarily made up of the cost of fortnightly collection, the drop sites and loss of income. Should the dispute continue into next year, the cost pressures will continue.

In response to questions from Members of the Committee, the Finance Manager (Corporate Finance) provided the following information and assurance:

- The remaining £2.5m overspend in the Streetscene and Regulatory Service relates to temporary cover costs associated with the impact of Covid.
- The dividend from the Waste Disposal Company has not been affected by the dispute. The budget accounted for a £6m dividend this year and it has just been announced that it will be some £2m more than this. Given that the city is still producing the same amount of waste, no significant impact is anticipated in future.
- In relation to other dividends, the impact of Covid on Coombe Abbey Hotel and Birmingham Airport was anticipated in the budget. It was too early to know what the impact of industrial action might be on the dividend associated with Tom White Waste.

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

## 65. Corporate Risk

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that provided the Committee with the outcome of the review of the Risk Management Policy, an overview of the Council's corporate and COVID-19 risk management arrangements, the main risks identified and the mitigations in place.

A new risk management policy would be in place by April 2022 following consultation and review by the senior leadership team. The policy defined risk as something that jeopardised the Council's ability to achieve its priorities, deliver services as planned and fulfil statutory functions. It identified risk management as the process by which the Council continuously and methodically addressed the risks which could hinder the achievement of its priorities, provide services as

planned and fulfil its statutory duties. The policy identifies accountabilities and roles and how risks were dealt with recorded, reviewed and escalated.

The Committee last considered the risk register in March 2021 and the report included the current risk register at Appendix 2 to the report. The register followed the new policy, had a closer focus on Council priorities and identified the main risks facing the Council and where responsibility lied for the Council's response. As a result, five new risks had been identified addressing: climate change and sustainability; education and the link to inequalities; increase in demand for specialist school placements for children with an Education, Health and Care Plan; reducing health inequalities; and a deterioration in industrial/employee relations affecting the Council's ability to deliver vital services. Four risks had been removed from the corporate register relating to

Sky Blue sports, information governance, health and safety and elections. Red risks on the register related to Children's Services workforce stability and reducing health inequalities.

The City Council had maintained a Covid Risk Register since the start of the pandemic. This was the 6th version of the register and reflected the Omicron phase of the pandemic. The register included 16 red risks in March 2021 when the Committee last considered it and these had now reduced to three, all relating to Children's Services. It was anticipated that this would be the last iteration of the register with any residual risks being transferred to corporate, directorate or service level plans if appropriate, but this depended on circumstances which remained hard to predict.

In response to questions from Members of the Committee, the Insurance Manager and Finance Manager (Corporate Finance) provided the following information and assurance:

- The policy deductibles varied across different policies and a high proportion of claims were self-insured by the City Council. There had been very few claims relating to Covid.
- The market situation and context in relation to cyber security in the public sector had changed significantly over the last two years and was kept under review. The recent budget approval included significant investment in cyber security which was already a high priority, and this reflected the outcome of an audit last year which recognised the need to strengthen this area of work.

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

- 1) Having satisfied themselves that the risks are being identified and managed, notes the outcome of the review of the Risk Management Policy.**
- 2) Having satisfied themselves that corporate risks are being identified and managed, notes the Corporate Risk Register.**
- 3) Having satisfied themselves that COVID-19 risks are being identified and managed, notes the COVID-19 Risk Register.**



66. **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.

67. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Director of Law and Governance which provided an update on the procurement and commissioning undertaken by the Council since the last report to Committee on 27th September 2021. Details of the latest positions in relation to individual matters were set out in the Appendices to the report. The report contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report provide assurance about governance arrangements and that meetings of the Procurement Panel and Board were appropriately attended.

In response to questions, the Director of Law and Governance confirmed that Legal Services was maximising the use of the Apprenticeship Levy with plans for eight apprenticeships to improve recruitment, retention and diversity and providing alternative routes into law.

The Committee asked the Monitoring Officer to request that the HR Service provide assurance that the Council was maximising the use of the Apprenticeship Levy across the organisation.

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

- 1) **Notes the current position in relation to the Commissioning and Procurement Services.**
- 2) **Agrees that no recommendations are to be made to the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

68. **Consideration of Approval of Severance Package**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), that sought approval of the severance packages for two employees of the Council which each exceeded £100,000 and had occurred due to service re-organisation.

Part 2I of the Council's constitution required that any severance package for an employee of the Council of £100,000 or over should be determined by the Audit and Procurement Committee. The calculation of the value of an exit package included the costs to the Authority, as well as payments / benefits to the employee.

The Finance Manager (Corporate Services) confirmed that costs for the year would be included in the statement of accounts when they were published, but that in the meantime he would circulate this information to the Committee once it has been finalised after the end of the year.

**RESOLVED that the Audit and Procurement Committee approves the severance payment on early retirement as calculated.**

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

There were no other items of private business.

(Meeting closed at 4.00 pm)

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 11.00 am**  
**on Tuesday, 7 June 2022**

Present:

Members:                   Councillor R Lakha (Chair)  
                              Councillor R Auluck  
                              Councillor J Blundell  
                              Councillor A Hopkins (Substitute for Councillor M Ali)  
                              Councillor G Hayre  
                              Councillor T Sawdon  
                              Councillor R Singh (Substitute for Councillor B Singh)

Employees (by Service):

Human Resources        S Newing

Law and Governance    M Salmon

Apologies:               Councillor M Ali  
                              Councillor B Singh (Deputy Chair)

### **Public Business**

1.       **Declarations of Interest**

There were no disclosable pecuniary interests.

2.       **Exclusion of Press and Public**

**RESOLVED that the Cabinet agrees to exclude the press and public under Sections 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 4 below headed ‘Consideration of Approval of Severance Package’ on the grounds that the report involves the likely disclosure of information as defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial affairs of a particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

(Note: Councillor J Blundell and Councillor T Sawdon voted against the Exclusion of the Press and Public and asked that this be recorded.)

3.       **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.

#### **4. Consideration of Approval of Severance Package**

The Audit and Procurement Committee considered a report of the Director of Law and Governance that sought approval of a severance package for an employee of the Council which each exceeded £100,000.

Part 21, paragraph 8.5, of the Council's constitution required that any severance package for an employee of the Council of £100,000 or over should be determined by the Audit and Procurement Committee. The calculation of the value of an exit package included the costs to the Authority, as well as payments / benefits to the employee.

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

- 1) Approves the severance payment on early retirement as calculated.**
- 2) Requests that a meeting of the Finance and Corporate Services Scrutiny Board (1), with Members of the Audit and Procurement Committee invited, be arranged to review the Council's Policy relating to trade union facility time.**

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

There were no other items of private business.

(Meeting closed at 11.40 am)

Audit and Procurement Committee

27<sup>th</sup> June 2022

**Name of Cabinet Member:**

N/A

**Director approving submission of the report:**

Director of Law and Governance

**Ward(s) affected:**

N/A

**Title:**

Outstanding Issues

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**Is this a key decision?**

No

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**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 25<sup>th</sup> 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

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Enquiries should be directed to the above person.

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

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## 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.	Internal Audit Annual Report 2019-2020 - Further information requested on the progress of recommendations made in respect of the audit of IT Disaster Recovery.	Minute 6/20 19 October 2020  Minute 61/21 21 <sup>st</sup> March 2022	When the formal follow-up review of the audit is undertaken, the findings be reported to Committee  Following the conclusion of the review, expected week commencing 21 <sup>st</sup> March 2022, a report would be submitted to the Committee once the audit had been completed	Karen Tyler		

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

## Appendix 2

### Information/Action Requested Outside Meeting

	Subject/Report	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Procurement and Commissioning Progress Report	67/21 21 <sup>st</sup> March 2022	The Monitoring Officer to request information from Human Resources, to be circulated to the Committee, providing assurance that the City Council is maximising the benefits of the Apprenticeship Levy	Julie Newman	
2.	Consideration of Approval of Severance Package	68/21 21 <sup>st</sup> March 2022	Information to be circulated to the Committee on severance payments for 2021/22, after the end of the financial year	Paul Jennings	

## Audit and Procurement Committee

27<sup>th</sup> June 2022

### Work Programme 2022-2023

#### 27<sup>th</sup> June 2022

Internal Audit Annual Report 2021-22  
Internal Audit Plan 2022-23  
2019-20 and 2020-21 Accounts Update

#### 25<sup>th</sup> July 2022

Audit and Procurement Committee Annual Report to Council 2021-22  
2021-22 Revenue and Capital Outturn  
External Audit Plan Year Ending March 2021 (Grant Thornton)  
Annual Fraud and Error Report 2021-22

#### 26<sup>th</sup> September 2022

Annual Governance Statement 2021-22  
Quarter One Revenue and Capital Monitoring Report 2022-23  
Whistleblowing Annual Report 2021-22  
Six Monthly Procurement Progress Report (Private)

#### 28<sup>th</sup> November 2022

Half year Internal Audit Progress Report 2022-23  
Audited 2020-21 Statement of Accounts  
Audit Findings Report 2020-21  
Information Governance Annual Report 2021  
Internal Audit Recommendation Tracking Report

#### 30<sup>th</sup> January 2023

Half Year Fraud and Error Update 2022-23  
Quarter Two Revenue and Capital Monitoring Report 2022-23  
Treasury Management Update  
Complaints to the Local Government and Social Care Ombudsman 2021-22

#### 20<sup>th</sup> March 2023

Quarter Three Internal Audit Progress Report 2022-23  
Corporate Risk  
Quarter Three Revenue and Capital Monitoring Report 2022-23  
RIPA (Regulation of Investigatory Powers Act) Annual Report 2021  
Six Monthly Procurement Progress Report (Private)

**Date to be confirmed**

Audited 2020-21 Statement of Accounts  
Audit Findings Report 2020-21  
Data Analytics, Including Use of Artificial Intelligence



Coventry City Council

## Public report

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### Report to

Audit and Procurement Committee

27<sup>th</sup> June 2022

### Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

### Director approving submission of the report:

Chief Operating Officer (Section 151 Officer)

### Ward(s) affected:

City Wide

### Title:

Internal Audit Annual Report 2021-22

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### Is this a key decision?

No

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### 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 2021 to March 2022 against the agreed Audit Plan for 2021-22 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 2021-22 (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 2021-22.
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 2021-22 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 2021-22

Appendix Two - Summary findings from key audit reports

**Background papers:**

None

**Other useful documents:**

Internal Audit Plan 2021-22 – Quarter Three Progress Report

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12576&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 2021-22

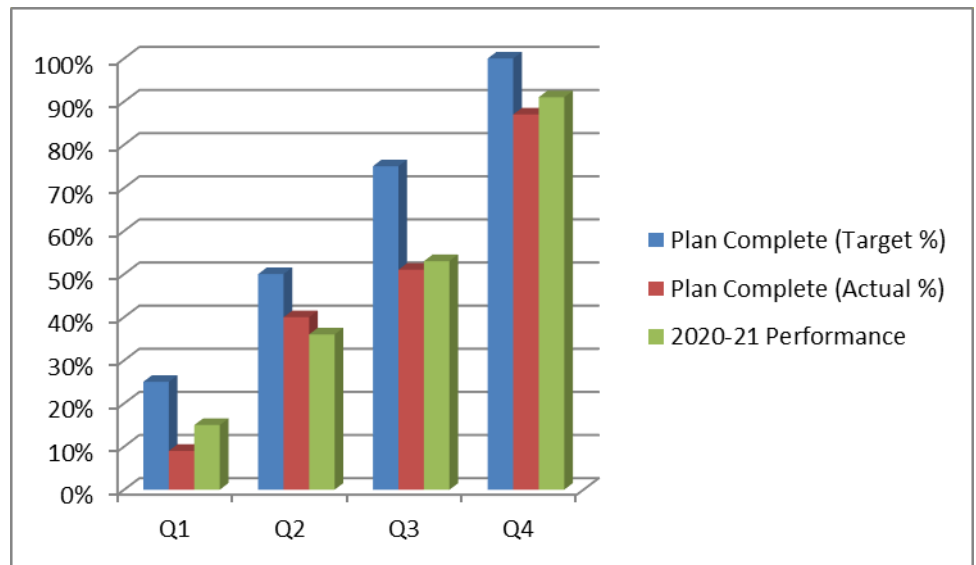
**1. Context (or background)**

- 1.1 The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2021-22 at its meeting on the 28<sup>th</sup> June 2021. During the last financial year, the Committee received progress reports summarising completed audit activity in November 2021 and March 2022.
- 1.2 This report details the performance of the Internal Audit Service against the Plan for 2021-22, 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 2021-22 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 31<sup>st</sup> March 2022. Whilst the plan was originally developed on the basis of an estimate of 650 available audit days, this was subsequently amended to 470 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 470 days. As illustrated by the chart overleaf, the service delivered 87% of this plan.

**Chart One: Performance of Internal Audit 2021-22**



Whilst it is recognised that performance is slightly below target, it is not viewed that this materially impacts on the ability to provide an annual audit opinion. In addition, the Service have continued to respond to priorities arising from Covid-19, including business grants assurance, which was time critical. Of the seven audits which formed part of the 2021-22 audit plan and which were not completed by the end of March 2022, one has now been finalised, three are at draft report stage and the remaining three are ongoing / have been rescheduled.

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 2021-22, compared with performance in 2020-21.

**Table One: KPIs for the Internal Audit Service**

Performance Measure	Target	Performance 2021-22	Performance 2020-21
<b>Planned Days Delivered</b>	100%	93%	89%
<b>Productive Time of Team</b> (% of work time spent on audit work)	90%	91%	90%
<b>Draft Report to Deadline</b> (Draft issued in line with date agreed)	80%	47%	67%
<b>Final Report to Deadline</b> (Final issued within 4 weeks of draft)	80%	88%	90%



<b>Audits Delivered within Budget Days</b>	80%	64%	76%
--------------------------------------------	-----	-----	-----

Whilst performance in two areas is significantly below target, there are a number of reasons behind this and it should be born in mind that these figures do not show the extent by which targets have been missed, which in some cases is minor. Notwithstanding this, 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 2021-22, the Programme included the following:

- On-going supervision and review of audit work including use of a tool to support supervision and 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 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 on-going response to Covid-19 throughout 2021-22, the Service have been unable to progress all of the improvement actions from the 2021-22 improvement plan. Consequently, these actions, alongside new actions identified during the course of the year, have been carried forward to the 2022-23 plan which is presented in Table Two overleaf. Forthcoming progress against these actions will be included in future reports to the Audit and Procurement Committee.

Improvement actions which have been delivered during 2021-22 are:

- Delivery of in-house training sessions on the audit process and soft skills for internal auditors.
- Research on available data analysis techniques to perform audit work.
- Development of a tool to support on-going supervision of audits.

**Table Two: Internal Audit Improvement Actions 2022-23**

<b>Public Sector Internal Audit Standards</b>	<b>Specific Standard</b>	<b>Improvement Action</b>
Code of Ethics	Competency	Development of a formal 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	Development and application of a data-analytics strategy
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	Development of an audit universe to support the audit planning process
Performance standards	Managing the Internal Audit activity	Introduction of weekly performance management meetings
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 materially impacts on the overall scope or operation of the internal audit activity.

### 2.3 **Audit Activity 2021-22**

2.3.1 Appendix One details the audit reviews that have been carried out in the financial year 2021-22 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**

<b>Assurance Opinion</b>	<b>What does this mean?</b>
<b>Significant</b>	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.
<b>Moderate</b>	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.

Assurance Opinion	What does this mean?
<b>Limited</b>	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.
<b>No</b>	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 2021-22 are included at Appendix Two. 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 2021-22** – In the previous annual report, the Chief Internal Auditor identified two areas where she believed significant control improvements were required. An update on each of these areas is provided below:

- **Information risk management** – This disclosure was based on the findings of a review of the Council’s arrangements for managing information risks. In 2021-22 regular meetings of the Information Management Strategy Group have been taking place which are chaired by the Director of Law and Governance as the Senior Information Risk Owner. The Internal Audit Service are due to conduct a formal follow up review of the agreed actions in the near future and the results of this will be used to inform the preparation of the Annual Governance Statement for 2021-22.
- **IT / Cyber Security** – This disclosure reflected the findings from a number of reviews undertaken linked to the security of the IT environment and cyber resilience. During 2021-22, ICT and Digital have undertaken a series of campaigns to raise awareness around cyber security across the Council and have taken action to increase the assurance position through the allocation of additional resources to support a range of enhancements. As these improvements will continue to be implemented throughout 2022-23, this issue will be considered in the preparation of the Annual Governance Statement for 2021-22.

#### 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 2021-22 and other sources of assurance, specifically:

- The work of the Corporate Governance Steering Board of which the Chief Internal Auditor is a member of.
- The Corporate Risk Register and the Covid-19 risk register.

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 2021-22, 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, which continued throughout 2021-22. 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 2022-23.

2.4.5 **Audit work undertaken** – Appendix One details the audit reviews that have been carried out in the financial year 2021-22 along with the level of assurance provided. In considering the outcome of audit activity for 2021-22, 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**

<b>Financial Year</b>	<b>Number of Audits</b>	<b>Number of Audits With 'limited' or 'no' Assurance</b>	<b>Percentage of Audits with 'limited' or 'no' Assurance</b>
2021-22	47	2	4%
2020-21	49	6	12%
2019-20	49	8	16%

Table four above indicates that the percentage of audits with “limited” or “no” assurance in 2021-22 is slightly more favourable in comparable to the average of the previous two years. However, it is the Chief Internal Auditor’s opinion that providing an opinion of moderate assurance remains appropriate based on the definition of assurance in table three in section 2.3.1 and other factors that have been considered in the assessment of the control environment which include:

- The impact that the weaknesses identified have on the overall Council control environment.
- Whether there is any specific change in audit focus / approach that may have impacted on the number of ‘limited’ or ‘no’ assurance audits. Specifically, in 2021-22, the number of grant schemes which required verification by Internal Audit as part of the grant terms and conditions was higher than normal, due to several additional Covid-19 specific grants being provided to the Council. Given that this work has to be delivered by the deadline set by the grant funder in order to avoid the risk of clawback, these reviews were given priority when the audit plan was revised, resulting in a smaller number of reviews being undertaken in 201-22 which received a formal assurance level. Consequently, this may have impacted on the number of “limited” or “no” assurance audits.

**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 reviewed whether, in her opinion, there are any areas that need to be considered when the Council produces its Annual Governance Statement for 2021-22.

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.

For 2021-22, no issues have been identified for consideration in preparation of the Annual Governance Statement:

### **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 Chief Operating Officer (Section 151 Officer) 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 One Coventry 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

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Finance

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<b>Contributor/approver name</b>	<b>Title</b>	<b>Service</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
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Michelle Salmon	Governance Services Officer	Law and Governance	25/5/2022	25/5/2022
Paul Jennings	Finance Manager Corporate Finance	Finance	25/5/2022	26/5/2022
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	25/5/2022	26/5/2022
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	25/5/2022	31/5/2022

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**Appendix One – Internal Audit Reviews Completed in 2021-22**

<b>Audit Area</b>	<b>Audit Title</b>	<b>Assurance</b>
<b>2020-21 B/Fwd</b>	Remote Access	Moderate
	Repairs and Maintenance	Moderate
	Business Rates *	Limited
	Housing Benefits	Significant
	Compliance with Working Together Standards	Moderate
<b>Corporate Risk</b>	Coventry and Warwickshire Reinvestment Trust loan books	Health Check
	Business rates grant assurance	Verification
	File Storage	Moderate
	Storage Area Network	Moderate
<b>Council / Audit priorities</b>	Purchasing card compliance *	Fact finding
<b>Financial Systems</b>	Accounts Payable	Significant
	Accounts Receivable	Significant
	Council Tax	Significant
	Housing Benefits	Significant
<b>Regularity</b>	Annual Governance Statement	Verification
	Innovate UK Grant – Urban airport	Verification
	Coventry North Regeneration	Significant
	North Coventry Holdings	Significant
	Disabled Facilities Grant	Verification
	Rough Sleeper Grant	Verification
	Community Testing Grant	Verification
	Teachers Pension Statements	Verification
	Bus Subsidy Grant	Verification
	Highways Maintenance / Incentive / Pothole Grant	Verification
	Swanswell Viaduct Phase 2 Grant	Verification
	Growth Hub Peer to Peer Grant	Verification
	Restart Grant	Verification
	Growth Hub Core Grant	Verification
	Growth Hub Additional Grant	Verification
	Growth Hub EU Transition Grant	Verification
	Green Homes Grant	Verification
	Supporting families	Verification
	Declarations of Interest	Verification
	Allesley Primary School	Moderate
	Potters Green Primary School	Moderate
	Wyken Croft Primary School	Moderate
	Allesley Hall Primary School	Moderate
	Homelessness Prevention Grant	Verification
	Innovate UK grant – RESO	Verification
	Special Educational Needs tribunal grant	Verification
<b>Directorate Issues</b>	Broadgate House Payment Kiosks *	Fact finding
	Telecare	Fact finding
	Parking Enforcement	Limited
	Deprivation of liberty safeguards	Moderate
<b>Formal Follow Ups</b>	St Osburg's Primary School *	Moderate

	Access to Council Buildings	Significant
	Sports and Arts Grants process	Significant

(\*) Audit findings reported to Audit and Procurement Committee during municipal year 2021-22

## Appendix Two – Summary Findings from Key Audit Reports

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Parking Enforcement</b></p> <p><b>June 2022</b></p> <p><b>Parking Services Manager</b></p>	<p><b>Overall Objective:</b> To ensure that effective and efficient arrangements are in place to administer penalty charge notices issued and which maximises the rate of recovery to the Council.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Processes are in place to ensure that payments received from customers in respect of penalty charge notices are completely and accurately reflected on the system on a timely basis.</li> <li>- Arrangements are in place to obtain vehicle owner details from the DVLA on a timely basis and issue notices to owners / penalty charge notices for bus lane / ANPR enforcement.</li> <li>- Where representations / challenges are made in respect of penalty charge notices, the system is updated and appropriate steps taken to consider the case on a timely basis and action the outcome.</li> <li>- Where a penalty charge notice is successfully challenged / appealed, arrangements are in place to refund any monies paid / update the system.</li> <li>- Where debts remain un-paid, appropriate arrangements exist to issue accurate Charge Certificates on a timely basis and where relevant, register the debt with the County Court.</li> <li>- Debts are referred to bailiffs on a timely basis and payments collected are completely and accurately reflected on the system.</li> <li>- Appropriate management information is available to monitor cases and provide oversight.</li> </ul> <p><b>Opinion:</b> Limited Assurance. The review highlighted a number of control issues which, when considered as a whole, have a significant impact on the effectiveness of arrangements.</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Introduce a control record to ensure that all payment files are posted to Taranto completely and accurately and enable any system issues to be resolved on a timely basis. (M)</li> <li>• Raise a ticket with the Taranto helpdesk to clear the failed batches / un-processed items. (M)</li> <li>• Review the “Post Agent Messages” on a weekly basis to identify batches imported by bailiffs which have failed and take appropriate action to resolve these. (M)</li> <li>• Ensure that work to implement payment file processing for EPC files is completed on a timely basis. (M)</li> <li>• Gain assurance from Taranto that procedures are in place to re-submit DVLA enquiries where they are rejected due to an error. (H)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> <li>• As part of the development of documented procedures, ensure that these include processes required when a case is put on hold and the creation of workflows. (H)</li> <li>• Request Taranto to explain why they have not put in place the action requested in relation to scanned post and request that this is implemented as soon as possible. (H)</li> <li>• Take appropriate action to resolve the scanning issue as soon as possible. (H)</li> <li>• Request Taranto to resolve the issue which is affecting the effective production of the appeals management report. In the interim, undertake periodic reconciliations of appeal cases between Taranto and the Traffic Penalty Tribunal to ensure the outcome of all cases is updated. (M)</li> <li>• Make arrangements to re-configure the system to create a workflow where debt registrations and warrant rejections are received via batch processing. (M)</li> <li>• Request Taranto to provide assurance that there are no other warrant requests which have not been sent to the Traffic Enforcement Court due to the system error in generating batch files. (H)</li> <li>• Introduce a control record to monitor the receipt of warrant batch files to ensure that they are returned on a timely basis / take appropriate action. (H)</li> <li>• Ensure that Taranto take action to batch process outstanding cancellation messages and automate this process within the system. (M)</li> <li>• Resolve the issue regarding access to bad messages and ensure that these are reviewed on a regular basis and appropriate action taken on these cases. (M)</li> <li>• Develop documented procedures for officers which cover all aspects of administration of the system by Parking Services and routine checks which should be performed. (H)</li> <li>• Ensure that management information is used effectively to support the administration of the system. (H)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Children’s Services – Compliance with Working Together Standards</b></p> <p><b>August 2022</b></p> <p><b>Strategic Lead – Quality Assurance</b></p>	<p><b>Overall Objective:</b> To ensure that the Council has an effective approach to ensure that it is meeting the Working Together Standards, including keeping appropriate records and addressing challenges to drive forward changes.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- The Council has an appropriate overarching framework in place to underpin compliance with Working Together Standards.</li> <li>- Mechanisms are in place to ensure all referrals are assessed and decisions on the actions required taken on a timely basis with appropriate audit trails maintained to support this.</li> <li>- Effective arrangements are in place to gain assurance over compliance with the Standards and highlight issues / make improvements where required.</li> </ul> <p><b>Opinion:</b> Moderate assurance. The review identified a small number of areas where in our view, there are opportunities to make further improvements to the existing control framework which supports compliance with the Standards.</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Develop a process to ensure that where a family withdraws agreement to an Early Help Assessment prior to the case being created / allocated this is safe to do so considering the risk for the child and family. Update guidance to incorporate this process. (H)</li> <li>• Remind staff to ensure that attendance at strategy discussions is fully captured in the attendee’s section of the record of strategy discussion. (M)</li> <li>• Take action to alter the reporting field in Liquid Logic to ensure that for relevant forms, the date the form is closed is used to calculate whether timescales have been met or not. (H)</li> <li>• Introduce monitoring of the completion of core group meetings as part of the performance management dashboard. (M)</li> </ul>

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Coventry City Council

## Public report

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### Report to

Audit and Procurement Committee

27<sup>th</sup> June 2022

### Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

### Director approving submission of the report:

Chief Operating Officer (Section 151 Officer)

### Ward(s) affected:

City Wide

### Title:

Internal Audit Plan 2022-23

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### Is this a key decision?

No

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### Executive summary:

The purpose of this report is to share the draft Internal Audit Plan for 2022-23 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 2022-23 (Appendix One) and provide any comments on the content and scope of the proposed Plan.

### List of Appendices included:

Appendix 1 - Draft Internal Audit Plan 2022-23

### 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 2022-23

**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 2022-23.

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 2022-23** – 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. For 2022-23, the resources available are 560 days for audit and corporate fraud work. This is an increase of approximately 90 days when compared with 2021-22 and reflects that all vacant posts which are responsible for delivery of the Internal Audit Plan are now recruited to.
- In addition to the 560 available audit days, two trainee posts have been recruited to as part of the longer-term strategic plan for the Service. Given the nature of these posts, it is not viewed as appropriate to formally include them within the assessment of resources for 2022-23, although they will provide support to the Team in delivery of audit work.
- In focusing the available resources to develop a plan which meets the needs of the Council, the following approach has been taken:
  - An initial risk assessment has been undertaken, which considers the Council's corporate risk register and any priorities 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.
  - Resource has been allocated to support the development of an audit universe to support future audit planning. Whilst there is no mandatory requirement to use this tool, it is a helpful model in large and complex organisations to ensure clarity and transparency around internal audit coverage. It supports an objective approach to determining audit priorities and will provide more assurance to senior management and the Audit and Procurement Committee that coverage is sufficient and aligned to the right areas. This activity also forms part of the Quality Assurance and Improvement Programme for Internal Audit.
  - 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.
- Other areas of planned work include:
  - Corporate Risks – the focus of audit coverage in 2022-23 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 equality and diversity in recruitment, public health funding and housing benefit subsidy.

- ICT – The programme 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 2022-23, the areas which have been agreed are, Service Desk (assessment of the new system for raising IT issues and associated processes), Software Asset Management and IT Operations.
- Council / Audit priorities – this incorporates audit work linked to specific priorities which have a corporate impact such as pre-employment checks, IR35 compliance and Coventry Municipal Holdings.
- 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 2022-23 identified areas include buildings statutory compliance and the transfer of the Emergency Services Unit to Whitley Depot.

As a result, it is believed that the draft Audit Plan for 2022-23 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 31<sup>st</sup> March 2023. 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 2023 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 Chief Operating Officer (Section 151 Officer) 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 One Coventry 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

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Paul Jennings	Finance Manager Corporate Finance	Finance	25/5/2022	26/5/2022
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	25/5/2022	26/5/2022
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	25/05/2022	31/5/2022

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**Appendix One – Internal Audit Plan 2022-23**

<b>KEY DRIVER</b>	<b>RISK LEVEL</b>	<b>AUDIT AREA</b>	<b>PLANNED DAYS</b>
<b>Corporate Risk</b>			
	High	ICT (Infrastructure and Change)*	<b>30</b>
	High	Finance	<b>25</b>
	High	Workforce Strategy	<b>15</b>
	High	Public health funding	<b>15</b>
<b>Council / Audit Priorities</b>			
	Medium	Payment Audit*	<b>5</b>
	Medium	Pre- employment checks	<b>15</b>
	High	Coventry Municipal Holdings	<b>25</b>
	Medium	IR35 compliance	<b>10</b>
		Audit Universe	<b>25</b>
<b>Financial Systems</b>			
	High	Care Director	<b>40</b>
	High	Business Rates	<b>23</b>
	Medium	Accounts Payable	<b>10</b>
	Medium	Accounts Receivable	<b>10</b>
	Medium	Council Tax	<b>10</b>
	Medium	Payroll	<b>22</b>
	Medium	Housing Benefits	<b>10</b>
<b>Regularity</b>			
		Grants	<b>92</b>
		Business grants assurance	<b>5</b>
		Corporate Governance	<b>15</b>
		Risk Management	<b>10</b>
		Schools	<b>33</b>
<b>Other</b>			
		Contingency / Directorate Risks	<b>32</b>
		Fraud	<b>30</b>
		Follow up	<b>30</b>
		2021/22 B/Fwd	<b>23</b>
		<b>Total Days Available</b>	<b>560</b>

\* undertaken by third parties



Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

27<sup>th</sup> June 2022

**Name of Cabinet Member:**

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

**Director approving submission of the report:**

Chief Operating Officer (Section 151 Officer)

**Ward(s) affected:**

City Wide

**Title:**

2019/20 and 2020/21 Accounts Update

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to provide the Audit and Procurement Committee with an update on the delayed 2019/20 and 2020/21 including 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 2020/21 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 and 2020/21 accounting process and the issues outstanding to be resolved for 2019/20.

**List of Appendices included:**

None

**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 and 2020/21 Accounts Update

**1. Context (or background)**

- 1.1 In June 2021 the Audit and Procurement Committee was informed of the delay to the Councils 2019/20 accounts and the reasons for the delay. The statutory deadline was for the accounts to be audited and published by 30<sup>th</sup> November 2020. As at June 2022 the final 2019/20 Statement of Accounts has not yet been signed off by the Council's external auditors Grant Thornton.
- 1.2 Grant Thornton have presented two draft Audit Findings Report (AFRs) to Committee, one in November 2020 and a further report in November 2021. These reports highlighted a higher-than-normal number of issues with the Council's accounts. Where the auditors have required these to be adjusted for within the accounts, these have been accepted and implemented by the Council. However, because of the accounts remaining unfinalised, further audit work has identified additional issues which need to be resolved before the accounts can be approved.

**2. Options considered and recommended proposal**

The following section provides an update on the outstanding issues delaying the 2019/20 and 2020/21 accounts and the latest expectations for their progress. There are no specific options or recommendations for Committee to consider.

2.1 The additional issues to be resolved are:

- Finalisation of accounting statements for the Council's Group Accounts (incorporating the accounts of the Council's key Group companies).
- Accounting for highways infrastructure assets.

2.2 The group accounting statements are those that combine the Council's own accounts with those of its company interests to present analysis across the whole Council 'group'. Grant Thornton have challenged why funding of the grouped elements has previously only reflected unusable reserves. Upon analysis, the Council recognises that this approach is not consistent with the accounting guidance published by CIPFA and that it would be reasonable to expect company interests in the group accounts to be represented by both useable and useable reserves. The Council is now re-analysing this position and is in dialogue with the auditors over a revised presentation.

2.3 Accounting for highways infrastructure has been a topic of debate for several years within local government and recent challenges in other councils has caused further sector-wide discussion. The issue relates to highways infrastructure assets (essentially roads and pavements) and specifically whether local authorities should be assessing if there is any residual value remaining in replaced components that needs to be de-recognised when the new expenditure is made. While this is standard practice for many fixed assets, it may not generally be being implemented for infrastructure assets because there are significant practical difficulties in applying the standard approach to such assets. Auditors across the sector have paused completion of council accounts across the country with Grant Thornton awaiting further guidance through CIPFA (the Chartered Institute of Public Finance and Accountancy) before they can sign off the Council's 2019/20 accounts. A CIPFA consultation on changes to the Accounting Code of Practice in relation to infrastructure assets is due to finish in June 2022 which should then enable a way forward to be agreed with the auditors.

2.4 Given the history of the last two years, it is not possible to confirm the date by which these issues will be finalised. Nor is it possible to guarantee that the auditors will not raise further issues with the accounts given that a number of issues have been raised as fresh challenges over the course of the audit. Nevertheless, both sides are strongly committed, to bring the 2019/20 process to a swift conclusion to the extent that this is within their control.

2.5 As a result of the work required to complete the 2019/20 accounting statements plus the impact on the opening balance sheet position for the subsequent year, the Council's 2020/21 accounts have also suffered delay. The statutory deadline to get these accounts signed off was September 30<sup>th</sup>, 2021, although only 9% of councils were reported to have achieved this deadline. These accounts continue to remain incomplete for many councils at the current time.

2.6 Given the progress made on the 2019/20 accounts and in discussion with the auditors, the Council is now seeking to produce a draft of its single entity accounts for 2020/21, aiming for the end of June 2022. This version will assume no impact from the Infrastructure Assets issue and would exclude the immediate need to complete the Group Accounts pending the outstanding Group Accounts issue with the 2019/20 accounts. This should enable the Council to reduce the extent of the delay to its accounting statements across multiple years. It should also provide some assurance that its processes and procedures remain broadly sound and that the failure to achieve approved audited accounts does not imply any wider weakness in the integrity of the Council's financial decision making.

2.7 As reported previously, it is important to be clear that the 2019/20 delays are concerned solely with technical accounting matters, largely around the valuation of assets on the balance sheet and consolidation of financial results into summary accounting statements. If more serious concerns had arisen, the auditors would have brought these to the Council's attention. In addition, the Council has already addressed one of the concerns of Grant Thornton that there was insufficient capacity and expertise to manage the Council's accounting requirements both by appointing expert external support for the key valuation processes and internal capacity specifically targeted at some of the more complex areas of accounting. Together these are already helping the Council to tackle the backlog of issues and put in place robust foundations for compiling future accounts.

### **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 30<sup>th</sup> November 2020. Subject to agreement of the Council's current proposals and to no further substantive challenge in new areas from Grant Thornton the intention remains to complete these accounts together with Audit sign-off over Summer 2022.

4.2 The regulatory deadline for completing the Council's 2020/21 accounts was 30<sup>th</sup> September 2021. The Council is planning to complete draft single entity accounts by the end of June 2022 to be made available to the auditors for review during July and August. If this process goes well this could open the possibility of completing the 2020/21 accounts including the group accounts element and Audit and Procurement Committee sign-off before the end of 2022.

4.3 The regulatory deadline for completing the Council's 2021/22 accounts is 30<sup>th</sup> November 2022. Given the work still needed to complete and have audited the previous 2 years of accounts, the Council will not be able to meet this timescale. The earliest that it may be possible to complete this will be during the first half of 2023.

## **5. Comments from the Chief Operating Officer (Section 151 Officer) 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 continues to be a source of frustration that this has not been achieved. This frustration extends to the fact that Council's auditors have challenged different elements of the accounts as the audit has progressed over the course of 2 years. The items outstanding now are different to the ones reported to Committee in November 2020 and November 2021. In reality however, the Council has little option but to accept that the auditors are raising legitimate issues with the Council's accounts and that the Council needs to accept and adjust for these.

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 2022/23 Budget without the need for new savings and will report a better than balanced 2021/22 financial outturn position with strong reserve balances in a few weeks' time. None of the reasons for account sign-off being delayed point to the type of financial difficulty faced by some councils across the country.

Although the Council's 2019/20 accounts have been significantly delayed these are now overwhelmingly complete. The Council is not exceptional in not being able to meet the September 2021 accounting deadline for its 2020/21 accounts and many local public bodies accounts for this period remain outstanding.

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 and the Finance function has strengthened the team that it uses to compile the accounts.

### **5.2 Legal implications**

The Council has missed its statutory accounting deadlines for the 2019/20 and 2020/21 accounts. Having not achieved these, 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 these requirements.

## **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

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