

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 20 March 2023

Present:

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

Employees
(by Service area):

Finance: P Jennings, R Martin, T Pinks, K Tyler

Law and Governance R Amor, S Harriott, L Knight

Public Business

57. Declarations of Interest

There were no disclosable pecuniary interests.

58. Minutes of Previous Meeting

The minutes of the meetings held on 30th January and 27th February 2023, were agreed and signed as true records.

59. 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 report in Minute 68 headed 'Procurement and Commissioning Progress Report', on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

60. Outstanding Issues

The Audit and Procurement Committee considered a report of the Chief Legal Officer, 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.

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

61. **Work Programme 2022/23**

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 2022/2023.

The Chair advised the Committee that there had been an indication from the External Auditors, Grant Thornton, that it was hopeful that the outstanding end of year accounts for 2019/20 would be finalised by the end of April 2023. It was agreed that, if necessary, an additional meeting of the Committee would be arranged to agree the finalised accounts.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2022/2023.

62. **2022/23 Third Quarter Financial Monitoring Report (to December 2022)**

The Committee considered a report of the Interim Chief Executive (Section 151 Officer), which had previously been considered at the meeting of Cabinet on 14th February 2023, that set out the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of December 2022. The headline revenue forecast for 2022/23 was for net expenditure to be £8.5m over budget. At the same point in 2021/22 there was a projected overspend of £2.5m. Appendices to the report provided: Revenue Position - Detailed Directorate breakdown of forecast outturn position; Capital Programme - Analysis of Budget/Technical Changes; Capital Programme - Analysis of Rescheduling; and Prudential Indicators.

The Council continued to face budget pressures due to increased volumes and higher costs of placements within Children's Services and costs incurred due to the previous refuse drivers' industrial dispute within Streetscene and Regulatory Services. A range of other smaller but still significant overspends were also being reported in several other services including Business, Investment and Culture, Transportation and Highways and Finance.

As reported at Quarter 2 (minute 44/22 referred), significant additional costs were also being faced due to inflationary pressures affecting the Council, with the approved local government pay award and costs affecting contracts for energy and social care amongst others. The in-year and ongoing impact of these

inflationary pressures was a serious factor affecting the Council's ability to manage its budgetary position.

The Council's capital spending was projected to be £159.5m and included major schemes progressing across the city. The size of the programme and the nature of the projects within it continued to be fundamental to the Council's role within the city. There was limited evidence that inflationary pressures referenced above were affecting capital projects this year and the assumption was that stand-alone projects that were already in-progress would be delivered as planned. It was more likely that future projects that had not yet started might need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The Council's services had moved to a business-as-usual position with activity and impacts arising from the Covid pandemic having reduced significantly. Some pockets of service activity continued to be affected but this was not resulting in a large financial cost. The Council did not expect to receive any Government support linked to Covid within the 2022/23 financial year.

The emerging inflationary risks facing the Council and the wider local government sector had renewed the imperative to maintain financial discipline and prioritise the Council's medium-term financial position. This would be a key focus of the Council's activities over the remainder of the year and several key measures were set out in Section 5 of the report to help minimise the size of any budgetary overspend.

With regard to the rescheduling of Capital Programme funds relating to works at the Albany Theatre, the Committee sought assurance over the implications of rescheduling, that works were progressing and would be completed at the revised end date. The Committee were advised that it would be for the Albany Theatre and its contractors to ensure that works were delivered and, whilst there would be no direct penalty to the Theatre as a result of the delay, they would not receive the funds during this financial year. The Interim Chief Executive (Section 151 Officer) indicated that further investigations would be made on the progress with the project and that this would be relayed to the Committee outside of the meeting.

RESOLVED that, the Audit and Procurement Committee notes the report, there were no recommendations to be forwarded to the Cabinet, and that additional information requested in relation to the Albany Theatre Capital Programme delay be forwarded to members of the Committee.

63. **Quarter Three Internal Audit Progress Report 2022-23**

The Audit and Procurement Committee considered a report of the Interim Chief Executive (Section 151 Officer), which provided an update on the internal audit activity for the period April to December 2022, against the Internal Audit Plan for 2022-23. The report 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 Internal Audit Plan for 2022-23 was presented to the Audit and Procurement Committee at its meeting on 27th June 2022. The Plan provided for 560 days of

internal audit work in 2022-23. However, as a result of unplanned absence in the Service from quarter three onwards, it had been necessary to make changes to the Audit Plan given the reduction in available resources. As such, the Plan was now based on the provision of 430 days of internal audit work in 2022-23. The Service have accommodated the change in the 2022-23 Audit Plan through reprogramming some internal audit work into the first quarter of 2023-24, at which time priority will be given to the completion of those reviews which are important to the delivery of the annual internal audit opinion.

The key target facing the Internal Audit Service is to complete 90% of its work plan by 31st March 2023. As at the end of December 2022, the Service had completed 68% of the Audit Plan against a benchmark of 75% (which reflects delivery of 100% of the plan) and was on track to complete 90% of the audits within the revised audit plan by the end of 2022-23.

Appendix 1 of the report provided a list of the audits finalised between April and December 2022, along with the level of assurance provided. At 30th December 2022, the following audits were in progress:

- Limbrick Wood Primary School
- Annual Governance Statement
- Climate Change Risk Assessment
- Mobile Devices – Formal Follow Up
- Cyber Resilience – Formal Follow Up
- Pre-Employment Checks
- Pothole Pro Health Check
- Accounts Payable
- Statutory Compliance
- Parking Enforcement – Formal Follow Up.

Details of a selection of key reviews completed in this period were provided at Appendix Two. 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 Committee.

In relation to the limited assurance for Care Director 21-22, the Committee expressed concern regarding the number of recommendations which had not yet been addressed. The Committee were advised that an upgrade had been implemented by the software developer that was out of the Council's control and had resulted in the programme not operating as it should have. Considerable work had been undertaken to create work around protocols to maintain service until the error was rectified. The Chief Internal Auditor indicated that she had been working closely with the Adult Management Team to progress the outstanding recommendations and was now confident that they understood the actions required along with the reasons for the recommendations.

RESOLVED that, the Audit and Procurement Committee:

1. **Notes the performance at quarter two against the Internal Audit Plan for 2022-23.**

2. Note the summary findings of the key audit reviews attached as Appendix two to the report submitted.

64. Half Yearly Fraud and Error Report 2022-23

The Audit and Procurement Committee considered a report of the Interim Chief Executive (Section 151 Officer), that provided a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service during the first half of the financial year 2022-23.

Fraud in the public sector had a national focus through the publication of "Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy stated that the level of fraud in the public sector was significant, the current trends in fraud activity included areas which Coventry City Council did not have responsibility for, such as social housing, and the levels of identified / reported fraud against the Council remained at relatively low levels, in both numbers and value.

The report documented the Council's response to fraud and error during the first half of the financial year 2022-23 and was presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference 'to monitor Council policies on whistle blowing and the fraud and corruption strategy'.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and error. The establishment of Internal Audit included a Corporate Fraud and Error Officer post to support delivery of this work. The post became vacant at the end of March 2022. The Committee noted that a recruitment exercise was undertaken which was unsuccessful and it was viewed that, given the unique remit of the post, it was unlikely that it could be filled in its current format.

Consequently, the role and responsibilities of the post have been reviewed and it has been agreed that the budget will be transferred to the Revenues and Benefits Service and a new post of Revenues and Benefits Compliance Officer will be created. This role will focus on fraud and error work specifically linked to Revenues and Benefits (including the investigation of National Fraud Initiative matches relating to council tax and benefits.) The Internal Audit Service will retain responsibility for corporate fraud referrals, co-ordination of the National Fraud Initiative exercise (including the investigation of specific match types) and other ad hoc proactive work linked to the strategic response to fraud. It is viewed that this will provide more resilient arrangements moving forward and will enable the Internal Audit Service to better focus its resources on the Council's strategic response to the risk of fraud.

In the interim, arrangements have been put in place to pass referrals relating to council tax and benefits to the Revenues Service. Whilst proactive reviews of council tax exemptions and discounts have not been undertaken in 2022-23, as a rolling programme of work this is not viewed as critical and will form part of the new role within Revenues and Benefits. In light of this, the work of the team has focused on three main areas during 2022-23, namely:

- Business Support Grants
- National Fraud Initiative
- Referrals and Investigations considered through the Council's Fraud and Corruption Strategy.

The report provided a summary of the key activity that had taken place during 2022-23 to date under each of the focus areas.

Within International Auditing Standards there were clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This included an expectation that appropriate detail was provided around significant fraud. The Council had applied the following principles when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 could be included if the Chief Internal Auditor considered this justified by the nature of the fraud.
- In terms of establishing when a fraud had occurred, this was normally defined as occurring when the disciplinary process had been concluded, although in cases not involving employees, this would be linked to other management action, such as criminal prosecution.

In the period April 2022 to September 2022, no significant frauds have been concluded.

RESOLVED that the Audit and Procurement Committee notes the anti- fraud and error activity undertaken during the first half of the financial year 2022-23.

65. Corporate Risk

The Audit and Procurement Committee considered a report of the Interim Chief Executive (Section 151 Officer), that provided the Committee with the outcome of the review of the Corporate Risk Register 2023-24, incorporating an overview of the Council's corporate risk profile and the controls in place to address these risks.

The Audit and Procurement Committee's Terms of Reference requires the Committee to monitor the effective development and operation of risk management within the Council. The Council's Risk Management Policy identifies that the Committee will receive an annual risk management report.

The Corporate Risk Register should identify the risks that threaten the successful implementation of the One Coventry Plan. The report submitted provides the Committee with the outcome of the review of the Corporate Risk Register 2023-24

The Corporate Risk Register, set out at Appendix 1 to the report, had been reviewed in consultation with Strategic Leadership Team and the allocated Risk Owner. It identified the main risks facing the Council, the impact of the risk, the inherent risk score before risk mitigation, the risk mitigations, the risk score after the mitigations are applied and where responsibility lies for the Council's response.

The report indicated that the Corporate Risk Register covers only those risks that were viewed as the most critical for the Council and which were considered at a corporate level. Risk management activity continues throughout the Council dealing with those of a lower level.

The Committee noted that there had been some changes to the Corporate Risk Register and the report highlighted the risks that had been added to the Register, risks where there had been a significant change of focus, and risks where the residual risk score had changed. It was further noted that there had been no risks removed from the Register since the last annual report was submitted to the Committee.

During discussions around specific risks, the Committee indicated that it was difficult to assess changes to risks and requested that an additional column be added for the next report indicating the risk score from the previous year. In addition, the Committee highlighted a number of high-profile issues which they thought required further consideration for inclusion on the Corporate Risk Register. These included:

- The effectiveness of public engagement – this was particularly relevant to the forthcoming local election and the new requirement for voters to have ID in order to be able to vote.
- The City of Culture Trust and Legacy – in light of the Trust having recently gone into administration and the Council's financial input, consideration should be given to financial and reputational risks to the Council.
- Coventry Municipal Holdings – given the Council's involvement with a number of businesses which it doesn't entirely manage, the Committee felt there could be areas of risk for the Council.

RESOLVED that, the Audit and Procurement Committee:

1. **Notes the content of the Corporate Risk Register, having satisfied themselves that corporate risks are being identified and managed.**
2. **Agrees that consideration be given to the inclusion of the following items onto the Corporate Risk Register:**
 - a. **Effectiveness of Public Engagement**
 - b. **City of Culture Trust and Legacy**
 - c. **Coventry Municipal Holdings.**
3. **Requests that for future reports, an additional column be provided in the Corporate Risk Register to identify the risk score from the previous year.**

66. **Annual Compliance Report 2023 - Regulatory & Investigatory Powers Act (RIPA) 2000**

The Audit and Procurement Committee considered a report of the Chief Legal Officer, 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.

The 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 later 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.

2019 saw the implementation of Part 3 of the Investigatory Powers Act 2016 (IPA). The IPA consolidated all existing powers available to law enforcement and other agencies. The legislation also ensured that the powers conveyed were fit for the fast-moving digital age and introduced the Office for Communications Data Authorisation (OCDA) which is now responsible for independently authorising all applications for communications data. This has removed the requirement for local authorities to seek judicial approval for communications data.

The Committee noted that, for the period 1st January 2022 to 31st December 2022, no applications were made for either the Use of Directed Surveillance or Covert Human Intelligence sources or the Use of Acquisitions and Disclosure of Communications Data.

RESOLVED that, having considered the report, the Audit and Procurement Committee notes the report and determines that there are no recommendations to be forwarded to the Cabinet Member for Policing and Equalities.

67. **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.

68. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which provided an update on the procurement and commissioning undertaken by the Council since the last report to Committee on 26th September 2022. 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 indicated that since the last Committee when the procurement report had been presented, the Procurement Panel had received 45 reports and the Procurement Board 53 reports.

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.**
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 4.50 pm)