

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 18 March 2024

Present:

Members: Councillor R Lakha (Chair)
Councillor S Agboola
Councillor M Ali
Councillor R Brown
Councillor E Ruane
Councillor B Singh (Deputy Chair)

Other Member Present (by invitation) Councillor R Brown, Cabinet Member for Strategic Finance and Resources

Employees (by Service Area):

Finance B Hastie, P Helm, R Martin, K Tyler

Law and Governance R Amor, C Taylor

Partnerships & Performance I Hawi, D Hurst

Others present: A Smith, External Auditors (Grant Thornton)

Apologies: Councillor J Blundell

Public Business

47. Declarations of Interest

There were no declarations of interest.

48. Minutes of Previous Meeting

The minutes of the previous meeting held on 29th January 2024 were agreed.

There were no matters arising.

49. Exclusion of Press and Public

RESOLVED that the Audit and Procurement Committee 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 27 below headed ‘Procurement and Commissioning Progress Report’ 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

50. **Outstanding Issues**

There were no outstanding issues.

51. **Work Programme 2023/2024**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which detailed the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2023/2024.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2023/2024.

52. **Grant Thornton - Interim Auditor's Annual Report on Coventry City Council 2022/23**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources regarding Council's external auditor, Grant Thornton's provision of Council's arrangements for securing Economy, Efficiency and Effectiveness in its resources for the financial year 2022/23.

In addition to the external audit of the statutory statement of accounts, the Council's external auditor were required, under the National Audit Office (NAO) Code of Audit Practice, to carry out an annual audit which tests arrangements that the Council has in place to ensure economy, efficiency and effectiveness in its use of resources.

The Auditor's report for 2022/23 included recommendations where they considered improvements may be made, plus a management response for each. It also presented progress on previously made recommendations.

The equivalent report for 2021/22 was considered and noted by this committee in its last meeting on 29th January 2024.

Auditors were required to prepare their report based on the following specific criteria:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

The auditors report for the 2021/22 financial year was reported to this committee in January 2024, which assessed the Council as having no significant weakness in relation to its financial sustainability, or how it secures economy, efficiency and effectiveness. It did however reflect the delay around publishing of audited accounts as a single, but significant weakness under the governance criteria. This was included as a specific recommendation.

A number of the improvement recommendations reflected in the 2021/22 report had now been resolved, with the remainder identified as 'in progress' within the 2022/23 report. It is expected that these will also be addressed prior to the next annual audit for 2023/24.

Grant Thornton had identified as part of the 2022/23 audit report, 3 new improvement recommendations which had been accepted, and a management response had been included.

Members asked questions and received assurances at the meeting from officers on matters that included: publishing draft accounts, the Procurement Strategy refresh, progress of previous recommendations, artificial intelligence, assessing/demonstrating best value, improvement recommendations and an increase in reporting throughout the year.

RESOLVED that the Audit and Procurement Committee notes the Auditor's Interim Annual Audit Report for 2022/23.

53. **2023-24 Third Quarter Financial Monitoring Report (to December 2023)**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources regarding the 2023/24 Third Quarter Financial Monitoring Report (to December 2023), the purpose of which was to advise of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of December 2023. The net revenue forecast position after management action was a net overspend of £8.5m. At the same point in 2022/23, the projected overspend was £8.5m.

This position includes several largely one-off actions that had already been taken to reduce the overspend, meaning that the underlying position was significantly higher than had been experienced in recent years. The Council had implemented a range of measures since Quarter 1, to manage down the overspend to a less severe level. This included:

- Recruitment controls
- Discretionary spending controls
- Alternative funding opportunities

The Council continued to face budget pressure within both Adult and Children's social care, Housing and Streetscene services. Other smaller overspends were being reported in Transportation and Highways and Business, Investment and Culture. Financial pressures were being caused by a combination of continuing high levels of inflation, increased service demands, difficult conditions within social care markets and recruitment difficulties in some services.

The Council's capital spending was projected to be £127.6m 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. Inflationary pressures were also affecting capital projects. The assumption was that stand-alone projects that were already in progress, would be delivered as planned, but that future projects that had not yet started, may need to

be re-evaluated to determine their deliverability within previously defined financial budgets.

The materiality of the emerging financial pressures had renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This was reflected in the Pre-Budget report which was out for consultation.

The Cabinet Member for Strategic Finance and Resources, Councillor R Brown, introduced this item, providing context and advising work was ongoing to drive down the figures by the end of Quarter 4.

Members asked questions and received assurances at the meeting from officers on matters that included: budgetary pressures, future uses for council assets, capital investments and the revision of external fostering contracts.

RESOLVED that the Audit and Procurement Committee note the proposals in the report.

54. **Corporate Risk**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources, the purpose of which was to provide the Committee with the outcome of the review of the Corporate Risk Register 2024-25. This provided the Committee with 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 required the Committee to monitor the effective development and operation of risk management within the Council. The Council's Risk Management Policy identified that the Committee would receive an annual risk management report.

The Corporate Risk Register should identify the risk that threaten the successful implementation of the Corporate Risk Register 204-25.

The Grant Thornton value for money report recommended that the Corporate Risk Register be reviewed by the Audit and Procurement Committee on a more regular basis and this had now been reviewed in consultation with the 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 were applied and where responsibility lay for the Council's response. In addition, a further column had been added identifying what the risk score was when the Committee last received a report in March 2023.

There were some changes to the Corporate Risk Register from the previous report to Members.

Risks added:

- Risk 33 – Equal pay claims and the impact on budgets and the delivery of services
- Risk 34 – Successful investments in companies

- Risk 35 – The threat of Cyber-attack to the delivery of One Coventry priorities (previously covered under Risk 3, but of sufficient threat to warrant its own risk)
- Risk 36 – Managing any loss of reputation and public trust

The following residual risk score had remained the same however, the inherent risk score had changed:

- Risk 1 – inability to deliver a balanced budget in the medium term. The inherent risk score had increased from 20 to 25.
- Risk 25 – education and the link to inequalities. The inherent risk score had increased from 12 to 16.

The following risks had decreased residual risk scores:

- Risk 21 – Business growth and investment. The inherent risk score had reduced from 16 to 9 and the residual risk score from 9 to 4.
- Risk 22 – Children’s Services. Workforce Stability. The residual risk score had reduced from 20 to 16.
- Risk 28 – A deterioration in industrial/employee relations affects Council’s ability to deliver vital services. The inherent risk score had reduced from 25 to 16 and the residual risk score from 16 to 12.
- Risk 29 – The continued implementation of the Elections Act 2022. The residual risk score had reduced from 20 to 15.

For the following risks, the residual risk scores had increased:

- Risk 26 – increases in demand for specialist school placements for children with an Education Health and Care Plan. The residual risk score had increased from 9 to 16.
- Risk 31 – A Council that made thoughtful, well researched and robust business case backed commercial investments to derive additional sustainable income streams to the Council, so that it had additional funds to provide services to residents, deliver policy priorities, and achieve its One Coventry Plan through being more financially robust. The residual risk score increased from 6 to 9.

It was proposed that the Corporate Risk Register was reviewed by the Audit and Procurement Committee next in September 2024.

Members asked questions and received assurances at the meeting from officers on matters that included: equal pay claims, reasons for high risk scores and the process of risks onto the Corporate Risk Register.

RESOLVED that the Audit and Procurement Committee:

- 1. Note the current Corporate Risk Register, indicating that they had satisfied themselves that corporate risks were being identified and managed.**
- 2. Approve the bringing of a further risk management report to the Audit and Procurement Committee in September 2024.**

55. **Complaints to the Local Government and Social Care Ombudsman 2022/2023**

The Audit and Procurement Committee considered a report of the Chief Executive, regarding complaints to the Local Government and Social Care Ombudsman 2022/23.

The Local Government and Social Care Ombudsman (LGSCO) was the final stage for complaints about councils, all adult social care providers and some other organisations providing local public services. It was a free service that investigated complaints in a fair and independent way and provided a means of redress to individuals for injustice caused by unfair treatment or services failure.

Coventry City Council's complaints policy set out how individual members of the public could complain to the Council, as well as how the Council handled compliments, comments and complaints. The Council informed individuals of their rights to contact the LGSCO if they were not happy with the Council's decision after they had exhausted the Council's own complaints process.

Every year, the LGSCO issued an annual letter to the Leader and Chief Executive of every council, summarising the number and trends of complaints dealt with in each Council that year. The latest letter, issued on 19th July 2023, covered complaints to Coventry City Council between April 2022 and March 2023.

The report set out the number, trends and outcomes of complaints to the LGSCO relating to Coventry City Council in 2022/23 and focused on upheld complaints, compliance with the Ombudsman's recommendations, where the Council had provided a satisfactory remedy before the complaint reached the LGSCO, and how we compared to previous years and other local authorities.

RESOLVED that the Audit and Procurement Committee:

- 1. Considers the Council's performance in relation to complaints to the LGSCO.**
- 2. Notes the Council's complaints process and guidance.**
- 3. Reviews and is assured that the Council takes appropriate actions in response to other complaints investigated and where the Council is found to be at fault.**

56. **Quarter Three Internal Audit Progress Report 2023-24**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources, the purpose of which was to provide the Audit Committee with an update on the internal audit activity for the period April to December 2023, against the Internal Audit Plan for 2023-24.

The report was the second monitoring report for 2023-24, presented to the 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 2023-24 was presented to the Audit and Procurement Committee at its meeting on 24th July 2023. As the Plan was agreed at the start of the financial year, it was always likely to be subject to some amendments due to changes in the risk environment, requests from service areas to reschedule work, and any exceptions. It was important that the Internal Audit Service retains a flexible approach in order to ensure it could respond to issues on a timely basis and add value. In the half year progress report which was presented to the Audit and Procurement Committee at its meeting on 27th November 2023, it was explained that the Plan would need to be adjusted as a result of long-term unplanned absence within the Service. Consequently, the Plan has been amended to 400 days (a reduction of 80 days.). This had been accommodated through:

- Re-programming a small number of audit reviews into the 2024-25 Audit Plan.
- Changes in the risk environment impacting the requirement for audit involvement.

The key target facing the Internal Audit Service was to complete 90% of its work plan by 31st March 2024.

As at the end of December 2023, the Service had completed 59% of the Audit Plan against a benchmark of 75% (delivery of 100% of the plan). The main reason for the variation in performance related to a small number of audits which had taken longer to complete than the original time estimated. Achieving 90% of the Plan by 31st March 2024 would be challenging however, based on the work completed in quarter four to date, it was expected that performance would exceed 80%.

In addition to the delivery of the Audit Plan, the Internal Audit Service had a number of other KPI's which underpinned its delivery. One target was noticeably below expectations (audits delivered within budget days) and whilst there were a number of reasons for this, for example, the audit area was more complex than originally envisaged; ongoing monitoring of internal audit work and identifying opportunities for improvement remained a key focus for management, in line with the Public Sector Internal Audit Standards.

The Public Sector Internal Audit Standards were based on the Global Internal Audit Standards. Following a review of the Global Standards by the Institute of Internal Auditors, a new set of standards would come into force in January 2025. As a result, the Internal Audit Service would be looking to develop a revised set of performance indicators for 2024-25 which were aligned to the new standards. Work was currently ongoing to assess what performance measures would be required and further updates on this would be provided to the Audit and Procurement Committee in due course. It was the view of the Chief Internal Auditor that these changes would not, in any significant respects, impact on the ability to deliver the annual internal audit opinion.

As at 30th December 2023, the following audits were in progress:

- **Audits at Draft Report Stage** – Limbrick Wood Primary School Formal Follow-Up, Pothole Pro Health Check Stage Two.

- **Audits On-going** – Off-contract Agency Spend, End User Computing, Implementation of new IT systems / upgrades, IR35, Risk Management, IR35 in Schools, CareDirector Post Upgrade Assurance.

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

In terms of risk management, there were two focuses:

- Internal Audit perspective - The main risks facing the Service are that the planned programme of audits were not completed, and that the quality of audit reviews failed to meet customer expectations. Both these risks were 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 was managed through on-going communication with customers to agree timing and identify issues at any early stage to allow for remedial action to be taken.
- Wider Council perspective - The key risk was that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives were not implemented. To mitigate this risk, a defined process existed within the Service to gain assurance that all actions agreed had been implemented on a timely basis. Such assurance was reflected in reports to the Audit and Procurement Committee. Where progress had not been made, further action was agreed and overseen by the Audit and Procurement Committee to ensure action was taken.

RESOLVED that the Audit and Procurement Committee:

1. **Notes the performance as at Quarter 3 against the Internal Audit Plan for 2023-24.**
2. **Notes the summary findings of the key audit reviews.**

57. **Internal Audit Recommendation Tracking Report**

The Audit and Procurement Committee considered a report of the Director of Finance and Resources, the purpose of which was to provide the Audit Committee with an update on the progress made in implementing internal audit recommendations since January 2023.

The Public Sector Internal Audit Standards requires that “the Chief Audit Executive (i.e. Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action”.

As reflected within its terms of reference, the Audit and Procurement Committee was required to receive reports on Internal Audit's follow up process. This report provides an update as to progress in respect of the agreed management actions which had been followed up during the period January 2023 to January 2024.

Given the number of audits that the Internal Audit Service completed every year, it was critical that it has a robust procedure in place for ensuring that it obtained appropriate assurance that audit recommendations had been implemented but did so in an efficient and proportionate way. Where appropriate, Internal Audit defined within its audit reports the follow up process to those responsible for the system / area under review and a date was agreed of when this would take place.

Currently, there were three key considerations that would determine the follow up procedure adopted, namely:

- 1) Whether the area audited was subject to an annual review.
- 2) The level of assurance provided in the audit report.
- 3) A self-assessment process for those reviews where neither of the points above apply, but a follow up review was necessary.

Overall, it was believed that the procedure achieved the right balance between ensuring action was taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks.

Of the 222 actions followed up, 64% had been implemented based on both the formal and self-assessment follow up method. When this was analysed by follow up method the results were:

- Formal follow up method – 48% implementation rate.
- Self-assessment follow up method – 76% implementation rate.

In terms of the specific results, the following points should be considered:

- Formal follow up – The implementation rate of 48% was slightly higher when compared with the results achieved last year, where the implementation rate was 45%. However, when compared to the results achieved prior to the Covid-19 pandemic, it was clear that implementation rates have reduced over time.
- Self- assessment – As the rate of implementation is considerably higher than the formal follow up method, it does suggest that action needs to be taken to ensure the current process can be relied upon.

As such, it was intended that the Chief Internal Auditor would attend Leadership Board in the near future to raise the issues highlighted above with a view to (a) underlining the importance of implementing agreed audit recommendations (b) consider how the self-assessment process can be improved to ensure its veracity can be relied upon.

After the follow up had been completed, the results were collated within Internal Audit. If progress was not consistent with expectations, audit management would determine the next course of action.

Based on the reasons for the lack of progress, the following courses of action were available:

- Revised implementation dates are agreed for outstanding actions.
- Concerns raised through the management structure to ensure senior managers are aware of both the lack of progress made and the risks still facing a service.
- As a last resort, to ask the Audit and Procurement Committee to intervene and seek prompt action from the relevant manager.

Members asked questions and received assurances at the meeting from officers on matters that included the reliability and monitoring of self-assessment.

Members requested information on previous school taxi audits.

RESOLVED that the Audit and Procurement Committee notes the progress made in implementing audit recommendations and confirm its satisfaction with this and the proposed action by the Chief Internal Auditor for audits where actions remain outstanding.

58. **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.

59. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Director of Law and Governance that provided an update on the procurement and commissioning undertaken by the Council since the last report to Committee on 9th October 2023. 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 38 reports and the Procurement Board 30 reports.

In addition, there had been a total of 60 exceptions. An exception to the Contract Procedure Rules may be granted subject to conditions, such as urgency, single

source availability, technical nature etc. An exception could not be granted where a breach of any UK legislation would be incurred.

Members asked questions and received assurances at the meeting from officers on individual matters and they requested that further information on the procurement of mobile phone contracts and the amount from the budget being spent on spot contracts, be circulated to them.

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

There were no other items of private business.

(Meeting closed at 5.15 pm)