

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee**  
**held at 2.30 pm on Monday, 11 December 2023**

Present:

Members: Councillor R Lakha (Chair)  
Councillor S Agboola  
Councillor M Ali  
Councillor J Blundell  
Councillor J Lepoidevin (Substitute for Councillor G Ridley)  
Councillor E Ruane  
Councillor B Singh

Employees  
(by Service Area):

Finance B Hastie (Chief Operating Officer (Section 151 Officer)),  
T Pinks, K Tyler

Law and Governance M Salmon

Apologies: Councillor G Ridley

## **Public Business**

### **29. Declarations of Interest**

There were no disclosable pecuniary interests.

The Committee noted that Councillor Ruane had an other interest in minute 34 below headed '2023-24 Second Quarter Financial Monitoring Report (to September 2023)', he remained in the meeting for consideration of the item.

### **30. Minutes of Previous Meeting**

The Minutes of the meeting held on 9<sup>th</sup> October 2023 were agreed and signed as a true record. There were no matters arising.

Further to minute 19/23, the Chair, Councillor Lakha, referred to the Committee's Annual Report to Council on 5<sup>th</sup> September 2023 and to CIPFA's advice in respect of the appointment of an independent person to serve on the Committee. Members noted that the appointment process was underway.

### **31. 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 the Committee were aware of them and could manage their progress.

Appendix 1 to the report provided details of issues where a report had been requested to a meeting along with the anticipated date for consideration of the issue. The Committee noted that there were no issues in this Appendix.

Appendix 2 of the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed. The Committee noted that in respect of the item listed in this Appendix, this had been completed on 9<sup>th</sup> October 2023, which discharged this matter.

**RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report and the action taken to discharge matters, which can now be removed from the report.**

### 32. **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.

Members noted there had been revisions to the Work Programme to accommodate the External Auditors Annual Value for Money Report 2021/22 and Annual Value for Money Report 2022/23, which were now expected to be submitted to the Committee at their meeting in January 2024. The Committee agreed that the 'External Auditors reports be added to the Work Programme accordingly.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme and that the External Auditors Annual Value for Money Report 2021/22 and Annual Value for Money Report 2022/23 be added to the business for the January meeting of the Committee.**

### 33. **Treasury Management Update 2023-24 - Half Year Progress Report**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (section 151 officer) that provided an update on the Council's Treasury Management activity in 2023/24 to the end of September 2023.

The Council adopted the Chartered institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice (the CIPFA code). This required the Council to approve an annual Treasury Management Strategy and a mid-year update report. Treasury Management performance was reported as part of regular budget monitoring reports to the Committee.

The Council's Treasury Management activity was undertaken in line with the Treasury Management and Commercial Investment Strategy and Policy for 2023/24, which was agreed by Cabinet as part of the Budget Report 2023/24 at its meeting of 21 February 2023 (their minute 97/23 referred). There were no breaches of the strategy and policy to report.

The Council was supported in the Investment Strategy and Policy by its Treasury Management Advisors, Arlingclose. The advisors provided economic analysis and specialist advice. A key element of the was the provision of advice on credit risk and the supply of information on credit ratings. Regular review meetings with the advisors continued to be held. Officers with involvement in treasury issues continued to attend on-line events focused on treasury management as appropriate.

The first table in Appendix 1 to the report, identified that there was no short-term borrowing outstanding at 29th September 2023. Current cash projections indicated that the Council may require short-term borrowing to cover cash shortfalls for the final quarter of 2023/24.

Other than an £18m loan from West Midlands Combined Authority on behalf of UKBIC, no new long-term borrowing had been undertaken since 2009, due in part to the level of investment balances available to the Council. The Council had no immediate plans to take any new long-term borrowing, however, this would be kept under review. At 30th September 2023, the Council's long-term liabilities totalled £310.3m which was mainly made up of long-term borrowing sourced from the Public Works Loan Board (PWLB); Liabilities arising from the Private Finance Initiative (PFI); and Lender Option Borrower Option (LOBO's) borrowing.

The PWLB remained the main source of loan finance for funding local authority capital investment. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that were purchasing or intending to purchase investment assets primarily for yield would not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet on 22 February 2022 (their minute 83/22) it was agreed the Council would not purchase investment assets primarily for yield.

For the twelve-month period to 30 September 2023, the Council's investments earned an average rate of interest of 5.12%. This could be split down between Collective Investment Funds at 4.59% and other investments at 5.36% and was against a backdrop of the Bank of England base rate rising from 2.25% in September 2022 to 5.25% in September 2023. Whilst the Council's Collective Investment Funds had continued to provide an annualised return of around 4.59%, their capital value (£26.9m) remains below the original sum invested (£30.0m). Whilst all seven funds were showing a capital value loss, there were now signs of recovery on all but two. Income received from these investments still far exceeded any reduced value.

Appendix 2 to the report showed the Council's Lending List at 31st October 2023. This list showed those banking and government institutions that the Investment Strategy allowed the Council to invest cash balances with. The list was taken using specialist advice from Arlingclose and was split between UK and foreign institutions. The Council did not hold any funds with counterparties that were not on the list. Duration limits for counterparties on the Council's lending list were under regular review and would continue to reflect economic conditions and the credit outlook.

The ongoing impact of financial uncertainty in the UK together with events in the Middle East, higher inflation and the current high interest rate environment were major influences on the economy and the Council's ability to gain returns on investments. Through 2023, the Bank of England Monetary Policy Committee had raised bank interest rates on 5 occasions with the rate rising from 3.50% at the start of the year to 5.25% in August 2023. This rate was maintained in September and November 2023. The speed of inflation was slowing from a peak of 11% in 2022 to 4.6% in October 2023. The latest forecast from Arlingclose was for the Bank Interest Rate to remain at 5.25% until Quarter 3 2024 at which point, they were forecasting an initial reduction.

The Committee asked questions and were given assurances at the meeting from officers on matters that included: the security of loans to other local authorities: clarification of future PWLB loans and future commercial investments: interest rates associated with short-term and long-term investments; and interest rates for collective investment funds. Members requested that in respect of collective investment funds, details of the investment and interest rate with Schroders Unit Trusts Ltd, be circulated to them.

**RESOLVED that the Audit and Procurement Committee notes the update against the Treasury Management Strategy 2023-24 at 30th September 2023.**

34. **2023-24 Second Quarter Financial Monitoring Report (to September 2023)**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), that would also be considered by Cabinet at their meeting on 12<sup>th</sup> December 2023, which advised of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2023. The net revenue forecast position after management action was a net overspend of £11.5m. At the same point in 2022/23 there was a projected overspend of £11.3m. 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; Capital Programme: Analysis of Over / Under Spend, and Prudential Indicators.

The Council continued to face budget pressure within both Adults and Children's social care, Housing, and Streetscene services. Other smaller but still significant overspends were also being reported in Project Management and Property and Transportation and Highways. 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.

Recent months had seen a number of councils with social care responsibilities report large in-year budgetary difficulties and it was clear that there were systemic problems for the whole sector which represented a serious threat to its financial sustainability. The Council's position above included a number of largely one-off actions that had already been taken to reduce the overspend, which meant that the underlying position was higher than had been experienced in recent years. In

response, the Council was implementing a range of measures, proposed at quarter 1, to address the pressure in order to manage down the overspend to a less severe level.

The Council's capital spending was projected to be £129.7m 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, both revenue and capital, 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 considered at the same Cabinet meeting as this report.

Members asked questions and received assurances at the meeting from officers on matters that included: the work that had been undertaken by officers and the Cabinet Member for Finance and Strategic Resources in respect of financial management and the range of service savings proposals; Section 114 Notices; the use of reserves; empty buildings/unused assets; receipt of grant for asylum seekers; and budget holder forecasts.

**RESOLVED that the Audit and Procurement Committee notes the 2023/24 Second Quarter Financial Monitoring Report (to September 2023) and agrees that there are no recommendations to be forwarded to Cabinet.**

### 35. **Internal Audit Plan 2023-24 - Half Year Progress Report**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that provided an update on the internal audit activity for the period April to September 2023, against the Internal Audit Plan for 2023-24.

This was the first monitoring report for 2023-24, which is 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 key target facing the Internal Audit Service was to complete 90% of its work plan by 31st March 2024. A chart in the report provided analysis of progress against planned work for the period April to September 2023. At the end of September 2023, the Service had completed 31% of the Audit Plan against a benchmark of 50% (which reflected delivery of 100% of the Plan.) It was recognised that performance was below expectation, although the quarterly targets did not take account of the varying length of audits and as such performance would vary across the year. It was also apparent that performance had been impacted by on-going unplanned absence in the Service. The Internal Audit Plan for 2023-24 was presented to the Audit and Procurement Committee at its meeting on 24th July 2023 (minute 15/23 referred). In the report, it was explained to the Committee that the level of assessed resources on which the Plan

was based may be subject to some adjustment during the course of the year due to this unplanned absence. Whilst this was factored into the planning process as far as possible, as the absence had continued, it was now apparent that this would require some changes to the Audit Plan. Work was currently on-going to assess the impact and make appropriate revisions to the Plan. The details of this would be reported to the Audit and Procurement Committee in the next monitoring report, but in general terms, it was likely that some reviews would need to be rescheduled into the 2024-25 programme of work.

It should be noted that whilst the Annual Audit Plan was agreed at the start of the financial year, it may always be subject to change as a result of emerging risks, requests from service areas to reschedule work, and any exceptions. It was important that the Internal Audit Service retained a flexible approach in order to ensure it could respond to issues on a timely basis and add value. Any significant changes to the Plan were reported to the Audit and Procurement Committee.

In addition to the delivery of the Audit Plan, the Internal Audit Service had a number of other KPI's which underpinned its delivery. A table in the report provided a summary of the performance for 2023-24 to date against these five KPIs, with comparative figures for the financial year 2022-23. There was one indicator (i.e., audit delivered within budget days) where the Service's current performance was below expectations. Whilst performing work in a timely way was clearly important to achieving the overall Audit Plan for the year, this must be balanced with ensuring the quality of work undertaken. 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.

Attached at Appendix One to the report was a list of the audits finalised between April and September 2023, along with the level of assurance provided.

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

- Audits at Draft Report Stage – Transparency code
- Audits On-going – Enabling attendance, Annual Governance Statement, Sports asset maintenance, IR35, CareDirector post upgrade assurance, IT storeroom physical security, Pot-hole Pro stage 2 health check, Implementation of new IT systems, EDI in pay decisions, End user computing.

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 Audit and Procurement Committee.

Members asked questions and received assurances at the meeting from officers on matters that included: the re-scheduling of outstanding audits; the audit action plan in place with the HR business partner; DBS checks for Elected Members; the statutory requirement for Local Authorities to have an audit function; and the role of the external auditor. Members requested that information relating to the Council's Policy on Elected Member DBS checks, be circulated to them.

**RESOLVED that the Audit and Procurement Committee notes the performance as at quarter two against the Internal Audit Plan for 2023-24 and the summary findings of the key audit reviews detailed in Appendix Two to the report.**

**36. Half Year Fraud and Error Report 2023-2024**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (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 2023-24.

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 states that the level of fraud in the public sector is significant, the current trends in fraud activity includes areas which Coventry City Council does not have responsibility for, for example, social housing, and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.

The report documented the Council's response to fraud and error during the first half of the financial year 2023-24 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 strategic response to the risk of fraud and error. The work of the team had focused on four main areas during 2023-24: Business Support Grants; National Fraud Initiative; Referrals and Investigations considers through the Council's Fraud and Corruption Strategy; and Fraud awareness.

A summary of the key activity that has taken place during 2023-24 to date were:

Business Support Grants – Work to assist in the administration of the debt recovery process of grants paid fraudulently or in error had continued during 2023-24. This had included:

- Ongoing meetings with colleagues from the Revenues Service to monitor the status of debts which were still undergoing recovery action, including monitoring of on-going payment plans to ensure they were still being adhered to.
- Where a decision was reached that recovery options had been exhausted, administration of the process to refer the debt to the Department for Business and Trade (DBT). Grants in relation to four businesses had been referred to DBT during the year and in one case, the Department had accepted assignment of the debt, whilst in the other cases, the Council was awaiting a decision.
- Assisting in the process to return recovered grant funding to DBT.

As there were now only a small number of grants which remained outstanding, work in this area had reduced in 2023-24. However, a detailed update on the debt recovery position would be provided in the next monitoring report to the Committee.

National Fraud Initiative (NFI) – The NFI exercise was led by the Cabinet Office. The main exercise took place every two years and matched electronic data within and between public bodies, with the aim of detecting fraud and error. The follow up of matches could also provide assurance that the Council's own arrangements for preventing and detecting fraud / error were effective. The results of the last exercise were released in March 2023. As from April 2023, the Revenues and Benefits Service had become responsible for matches relating to Housing Benefit / Council Tax Support, whilst the Internal Audit Service were responsible for other match types. (The Internal Audit Service have continued to support Revenues and Benefits during this transitional period.)

Given the number of matches released, a risk-based approach was used in following up the matches. To date, around 800 matches had been processed. A table in the report provided a breakdown of those areas where overpayments / forward savings had been identified to date (where overpayments were identified, these were subject to standard recovery arrangements.)

Referrals and Investigations – From time to time, the Internal Audit Service received referrals or were asked to assist with investigations relating to employee misconduct and other fraud against the Council involving external individuals. A further table in the report detailed the number of referrals by source in 2023-24, along with figures for the previous three financial years.

It was important to note that there was no mechanism for determining the number of reports the Council should receive on an annual basis and it was very difficult to anticipate or identify the reasons behind fluctuations in numbers. It was also worth noting that this information only reflected referrals made in respect of concerns relating to fraud and corruption and did not include other matters raised under the Whistleblowing Policy.

Of the ten referrals received, four had led to a full investigation. The reasons for referrals not resulting in a full investigation included (a) initial assessment / fact finding does not find any evidence to support the allegations (b) appropriate action had already been taken, and (c) the nature of the event meant it was impractical to pursue further.

In addition to the four investigations highlighted, three further investigations were carried forward from 2022-23. All seven investigations related to fraud / theft or other activities linked to obtaining a financial benefit. Four out of the seven investigations were still on-going, whilst of the remaining three:

- In two cases, the concern was not substantiated, although action was taken to re-set standards.
- In one case involving the provision of false information to support a claim for homelessness assistance, the Council withdrew the application for assistance and rescinded its duty to provide temporary accommodation.



Fraud Awareness – In 2023-24 to date, the Internal Audit Service had attended four training sessions with employees from Adult Social Care to raise awareness of the types of fraud that could occur within the social care environment, and particularly within direct payments. The Service were also currently updating the Council's intranet pages in respect of fraud and corruption and were planning to attend an event hosted by a local charity who supported immigrants to explain the consequences of benefit fraud, in order to help deter individuals from committing fraud.

Significant frauds - Within the 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 following principles had been applied 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 was 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 2023 to September 2023, no significant frauds had been concluded.

The Committee asked questions and received assurances at the meeting from officers on matters that included: Blue Badge overpayments and the mandatory requirement for a notional figure to be applied, provided through data matching, by the Cabinet Office; the provision of business grants during the Covid pandemic; and costs of recovery – receipt of new burden funding. Members requested that information relating to the number of Blue Badges issued in the city, be circulated to them.

**RESOLVED that the Audit and Procurement Committee notes the anti- fraud and error activity undertaken during the first half of the financial year 2023-24.**

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

There were no other items of public business.

(Meeting closed at 4.30 pm)